NRG ENERGY, INC.
Form 10-Q
May 07, 2013

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, 2013

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-15891
NRG Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	41-1724239
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
211 Carnegie Center, Princeton, New Jersey	08540
(Address of principal executive offices)	(Zip Code)

(609) 524-4500
(Registrant's telephone number, including area code)

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.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of April 30, 2013, there were 322,487,532 shares of common stock outstanding, par value $0.01 per share.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A — Risk Factors Related to NRG Energy, Inc., in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, including, but not limited to, the following:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of NRG's risk management policies and procedures, and the ability of NRG's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- NRG's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate NRG's generation units for all of their costs;
- NRG's ability to borrow additional funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness going forward;
- NRG's ability to receive federal loan guarantees or cash grants to support development projects;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in the indentures governing NRG's outstanding notes, in NRG's Senior Credit Facility, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- NRG's ability to implement its strategy of developing and building new power generation facilities, including new solar projects;
- NRG's ability to implement its econrg strategy of finding ways to address environmental challenges while taking advantage of business opportunities;
- NRG's ability to implement its FORNRG strategy to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout the company to reduce costs or generate revenues;
- NRG's ability to achieve its strategy of regularly returning capital to stockholders;
- NRG's ability to maintain retail market share;
- NRG's ability to successfully evaluate investments in new business and growth initiatives;
- NRG's ability to successfully integrate and manage any acquired businesses;
- NRG's ability to develop and maintain successful partnering relationships; and

- NRG's ability to integrate the businesses and realize cost savings related to the merger with GenOn Energy, Inc.

Forward-looking statements speak only as of the date they were made, and NRG undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in any forward-looking statements included in this Quarterly Report on Form 10-Q should not be construed as exhaustive.

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

2012 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2012
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
ASU	Accounting Standards Updates - updates to the ASC
BACT	Best Available Control Technology
Baseload	Units expected to satisfy minimum baseload requirements for the system and produce electricity at an essentially constant rate and run continuously
BRA	Base Residual Auction
BTU	British Thermal Unit
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
Capital Allocation Program	NRG's plan of allocating capital between debt reduction, reinvestment in the business, share repurchases and shareholder dividends
CCUS	Carbon capture, utilization and storage project
CFTC	U.S. Commodity Futures Trading Commission
CO_2	Carbon dioxide
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
Distributed Solar	Solar power projects, typically less than 20 MW in size, that primarily sell power produced to customers for usage on site, or are interconnected to sell power into the local distribution grid
DNREC	Delaware Department of Natural Resources and Environmental Control
Energy Plus	Energy Plus Holdings LLC
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESPP	Employee Stock Purchase Plan
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCM	Forward Capacity Market
FERC	Federal Energy Regulatory Commission
GenOn	GenOn Energy, Inc.
GenOn Americas Generation	GenOn Americas Generation, LLC
GenOn Americas Generation Senior Notes	GenOn Americas Generation's $850 million outstanding unsecured senior notes consisting of $450 million of 8.55% senior notes due 2021 and $400 million of 9.125% senior notes due 2031
GenOn Mid-Atlantic	GenOn Mid- Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generating facilities under operating leases
GenOn Senior Notes	GenOn's $2.5 billion outstanding unsecured senior notes consisting of $575 million of 7.625% senior notes due 2014, $725 million of 7.875% senior notes due 2017, $675 million of 9.5% senior notes due 2018, and $550 million of 9.875% senior notes due 2020
GHG	Greenhouse gases
Green Mountain Energy	Green Mountain Energy Company

GWh	Gigawatt hour
HAPs	Hazardous air pollutants

Heat Rate	A measure of thermal efficiency computed by dividing the total BTU content of the fuel burned by the resulting kWhs generated. Heat rates can be expressed as either gross or net heat rates, depending whether the electricity output measured is gross or net generation and is generally expressed as BTU per net kWh
High Desert	TA - High Desert LLC
High Desert Facility	High Desert's $82 million non-recourse project level financing facility under the Note Purchase and Private Shelf Agreement
Intermediate	Units expected to satisfy system requirements that are greater than baseload and less than peaking
ISO	Independent System Operator, also referred to as Regional Transmission Organization, or RTO
ITC	Investment Tax Credit
kWh	Kilowatt-hours
LIBOR	London Inter-Bank Offered Rate
LTIPs	Collectively, the NRG Long-Term Incentive Plan and the NRG GenOn Long-Term Incentive Plan
Marsh Landing	GenOn Marsh Landing, LLC
Mass	Residential and small business
MATS	Mercury and Air Toxics Standards promulgated by the EPA
MDE	Maryland Department of the Environment
Merger	The merger completed on December 14, 2012 by NRG and GenOn pursuant to the Merger Agreement
Merger Agreement	Agreement and Plan of Merger by and among NRG Energy, Inc., Plus Merger Corporation and GenOn Energy, Inc. dated as of July 20, 2012
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British Thermal Units
MOPR	Minimum Offer Price Rule
MW	Megawatt
MWh	Saleable megawatt hours, net of internal/parasitic load megawatt-hours
MWt	Megawatts Thermal Equivalent
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Generation	The net amount of electricity produced, expressed in kWh or MWhs, that is the total amount of electricity generated (gross) minus the amount of electricity used during generation
NJDEP	New Jersey Department of Environmental Protection
NO_x	Nitrogen oxide
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
Nuclear Decommissioning Trust Fund	NRG's nuclear decommissioning trust fund assets, which are for the Company's portion of the decommissioning of the STP, units 1 & 2
NYISO	New York Independent System Operator
NYSPSC	New York State Public Service Commission
OCI	Other comprehensive income
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on the system

PG&E	Pacific Gas & Electric Company
PJM	PJM Interconnection, LLC
PPA	Power Purchase Agreement

PUCT	Public Utility Commission of Texas
QSE	Qualified Scheduling Entities
Reliant Energy	NRG's retail business in Texas, Illinois and the Northeast
REP	Retail Electric Provider
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, generally to achieve a substantial emissions reduction, increase facility capacity, and improve system efficiency
Retail Business	Retail energy companies, collectively, Reliant Energy, Green Mountain Energy and Energy Plus, which are wholly owned subsidiaries of NRG
Revolving Credit Facility	The Company's $2.3 billion revolving credit facility due 2016, a component of the Senior Credit Facility
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must Run
RPM	Reliability Pricing Model
Schkopau	Kraftwerk Schkopau Betriebsgesellschaft mbH
Senior Credit Facility	NRG's senior secured facility, comprised of the $1.6 billion Term Loan Facility and the $2.3 billion Revolving Credit Facility
Senior Notes	The Company’s $5.7 billion outstanding unsecured senior notes, consisting of $1.1 billion of 7.625% senior notes due 2018, $601 million of 8.5% senior notes due 2019, $800 million of 7.625% senior notes due 2019, $1.1 billion of 8.25% senior notes due 2020, $1.1 billion of 7.875% senior notes due 2021, and $990 million of 6.625% senior notes due 2023
SO_2	Sulfur dioxide
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
STPNOC	South Texas Project Nuclear Operating Company
Term Loan Facility	The Company's $1.6 billion term loan facility due 2018, a component of the Senior Credit Facility
Texas Genco	Texas Genco LLC, now referred to as the Company's Texas Region
U.S.	United States of America
U.S. DOE	U.S. Department of Energy
U.S. DOJ	U.S. Department of Justice
U.S. GAAP	Accounting principles generally accepted in the United States
Utility Scale Solar	Solar power projects, typically 20 MW or greater in size (on an alternating current, or AC, basis), that are interconnected into the transmission or distribution grid to sell power at a wholesale level
VaR	Value at Risk
VIE	Variable Interest Entity
WECC	Western Electricity Coordinating Council

PART I — FINANCIAL INFORMATION
ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES
NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
(In millions, except for per share amounts)	2013	2012
Operating Revenues		
Total operating revenues	$2,081	$1,862
Operating Costs and Expenses		
Cost of operations	1,765	1,583
Depreciation and amortization	298	230
Selling, general and administrative	229	206
Acquisition-related transaction and integration costs	32	—
Development activity expenses	16	13
Total operating costs and expenses	2,340	2,032
Operating Loss	(259)	(170)
Other Income/(Expense)		
Equity in earnings of unconsolidated affiliates	3	8
Other income, net	4	1
Loss on debt extinguishment	(28)	—
Interest expense	(196)	(165)
Total other expense	(217)	(156)
Loss Before Income Taxes	(476)	(326)
Income tax benefit	(149)	(120)
Net Loss	(327)	(206)
Less: Net income attributable to noncontrolling interest	1	1
Net Loss Attributable to NRG Energy, Inc.	(328)	(207)
Dividends for preferred shares	2	2
Loss Available for Common Stockholders	$(330)	$(209)
Loss Per Share Attributable to NRG Energy, Inc. Common Stockholders		
Weighted average number of common shares outstanding — basic and diluted	323	228
Net loss per weighted average common share — basic and diluted	$(1.02)	$(0.92)
Dividends Per Common Share	$0.09	$—

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended March 31,	
	2013	2012
	(In millions)	
Net Loss	$(327)	$(206)
Other comprehensive income/(loss), net of tax		
Unrealized gain/(loss) on derivatives, net of income tax benefit of $9 and $5	7	(9)
Foreign currency translation adjustments, net of income tax expense of $0 and $3	—	6
Available-for-sale securities, net of income tax expense of $1 and $0	2	—
Defined benefit plans, net of tax benefit of $5 and $0	5	—
Other comprehensive income/(loss)	14	(3)
Comprehensive loss	(313)	(209)
Less: Comprehensive income attributable to noncontrolling interest	1	1
Comprehensive loss attributable to NRG Energy, Inc.	(314)	(210)
Dividends for preferred shares	2	2
Comprehensive loss available for common stockholders	$(316)	$(212)

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2013	December 31, 2012
(In millions, except shares)	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$1,707	$2,087
Funds deposited by counterparties	105	271
Restricted cash	221	217
Accounts receivable — trade, less allowance for doubtful accounts of $30 and $32	982	1,061
Inventory	904	931
Derivative instruments	2,805	2,644
Cash collateral paid in support of energy risk management activities	455	229
Deferred income taxes	128	56
Prepayments and other current assets	724	460
Total current assets	8,031	7,956
Property, plant and equipment, net of accumulated depreciation of $5,680 and $5,417	20,404	20,268
Other Assets		
Equity investments in affiliates	677	676
Notes receivable, less current portion	86	79
Goodwill	1,954	1,956
Intangible assets, net of accumulated amortization of $1,767 and $1,706	1,176	1,200
Nuclear decommissioning trust fund	501	473
Derivative instruments	562	662
Deferred income taxes	1,435	1,267
Other non-current assets	545	597
Total other assets	6,936	6,910
Total Assets	$35,371	$35,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$556	$147
Accounts payable	1,054	1,170
Derivative instruments	2,493	1,981
Cash collateral received in support of energy risk management activities	105	271
Accrued expenses and other current liabilities	954	1,108
Total current liabilities	5,162	4,677
Other Liabilities		
Long-term debt and capital leases	15,914	15,733
Nuclear decommissioning reserve	359	354
Nuclear decommissioning trust liability	293	273
Deferred income taxes	53	55
Derivative instruments	477	500
Out-of-market contracts	1,194	1,216
Other non-current liabilities	1,474	1,555
Total non-current liabilities	19,764	19,686
Total Liabilities	24,926	24,363
	249	249

3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)		
Commitments and Contingencies		
Stockholders' Equity		
Common stock	4	4
Additional paid-in capital	7,602	7,587
Retained earnings	4,124	4,483
Less treasury stock, at cost — 77,416,791 and 76,505,718 shares, respectively	(1,944)	(1,920)
Accumulated other comprehensive loss	(136)	(150)
Noncontrolling interest	546	518
Total Stockholders' Equity	10,196	10,522
Total Liabilities and Stockholders' Equity	$35,371	$35,134

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended March 31,	
	2013	2012
	(In millions)	
Cash Flows from Operating Activities		
Net loss	$(327)	$(206)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	298	230
Provision for bad debts	9	7
Amortization of nuclear fuel	6	6
Amortization of financing costs and debt discount/premiums	(13)	8
Loss on debt extinguishment	2	—
Amortization of intangibles and out-of-market contracts	31	42
Amortization of unearned equity compensation	18	—
Changes in deferred income taxes and liability for uncertain tax benefits	(212)	(129)
Changes in nuclear decommissioning trust liability	10	8
Changes in derivative instruments	317	187
Changes in collateral deposits supporting energy risk management activities	(226)	(187)
Cash used by changes in other working capital	(37)	(42)
Net Cash Used by Operating Activities	(124)	(76)
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(18)	—
Capital expenditures	(813)	(639)
Increase in restricted cash, net	(13)	(20)
Decrease in restricted cash to support equity requirements for U.S. DOE funded projects	12	95
Increase in notes receivable	(9)	(7)
Investments in nuclear decommissioning trust fund securities	(95)	(126)
Proceeds from sales of nuclear decommissioning trust fund securities	85	119
Proceeds from renewable energy grants	16	28
Other	(1)	7
Net Cash Used by Investing Activities	(836)	(543)
Cash Flows from Financing Activities		
Payment of dividends to common and preferred stockholders	(31)	(2)
Payment for treasury stock	(20)	—
Net receipts/(payments for) settlement of acquired derivatives that include financing elements	98	(20)
Sale proceeds and other contributions from noncontrolling interests in subsidiaries	20	178
Proceeds from issuance of long-term debt	736	415
Proceeds from issuance of common stock	1	—
Payment of debt issuance and hedging costs	(5)	(10)
Payments for short and long-term debt	(219)	(34)
Net Cash Provided by Financing Activities	580	527
Effect of exchange rate changes on cash and cash equivalents	—	1
Net Decrease in Cash and Cash Equivalents	(380)	(91)
Cash and Cash Equivalents at Beginning of Period	2,087	1,105
Cash and Cash Equivalents at End of Period	$1,707	$1,014

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Basis of Presentation

NRG Energy, Inc., or NRG or the Company, is a competitive power and energy company that aspires to be a leader in the way the industry and consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. At its core, NRG is a wholesale power generator engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services. Second, while leveraging its core wholesale power business, NRG is a retail energy company engaged in the supply of energy, services, and innovative, sustainable products to retail customers in competitive markets through multiple channels and brands like Reliant Energy, Green Mountain Energy and Energy Plus (collectively, the Retail Business). Finally, NRG is a clean energy leader and is focused on the deployment and commercialization of potentially disruptive technologies, like electric vehicles, Distributed Solar and smart meter technology, which have the potential to change the nature of the power supply industry. On December 14, 2012, the Company acquired GenOn as further described in Note 3, Business Acquisitions and Dispositions, and has reported results of operations from the acquisition date forward.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Company's 2012 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of March 31, 2013, and the results of operations, comprehensive loss and cash flows for the three months ended March 31, 2013, and 2012.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior-year amounts have been reclassified for comparative purposes. The reclassifications did not affect results from operations or cash flows. The Company reclassified certain plant-related expenses from selling, general and administrative to cost of operations and certain general and administrative expenses to development activity expenses.

Note 2 — Summary of Significant Accounting Policies

Development Activity Expenses

Development activity expenses include project development costs, which are expensed in the preliminary stages of a project and capitalized when the project is deemed to be commercially viable. Commercial viability is determined by one or a series of actions including, among others, Board of Director approval pursuant to a formal project plan that subjects the Company to significant future obligations that can only be discharged by the use of a Company asset. When a project is available for operations, capitalized project development costs are reclassified to property, plant and equipment and amortized on a straight-line basis over the estimated useful life of the project's related assets. Capitalized costs are charged to expense if a project is abandoned or management otherwise determines the costs to be unrecoverable.

Development activity expenses also include selling, general, and administrative expenses associated with the current operations of certain developing businesses including residential solar, electric vehicles, waste-to-energy, carbon capture and other emerging technologies. The revenue associated with these businesses was immaterial for the three months ended March 31, 2013 and 2012. When it is determined that a business will remain an ongoing part of the Company's operations or when operating revenues become material relative to the operating costs of the underlying business, the Company no longer classifies a business as a development activity.

Other Cash Flow Information

NRG's investing activities exclude capital expenditures of $51 million which were accrued and unpaid at March 31, 2013, primarily for solar projects under construction.

Noncontrolling Interests

The following table reflects the changes in NRG's noncontrolling interest balance:

	(In millions)
Balance as of December 31, 2012	$518
Contributions from noncontrolling interest	27
Comprehensive income attributable to noncontrolling interest	1
Balance as of March 31, 2013	$546

Recent Accounting Developments

ASU 2011-11 - Effective January 1, 2013, the Company adopted the provisions of ASU No. 2011-11, Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities, or ASU No. 2011-11, and began providing enhanced disclosures regarding the effect or potential effect of netting arrangements on an entity's financial position by improving information about financial instruments and derivative instruments that either (1) offset in accordance with either ASC 210-20-45 or ASC 810-20-45 or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Reporting entities are required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The disclosures required by ASU No. 2011-11 are required to be adopted retroactively. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Company's results of operations, cash flows or financial position.

ASU 2013-02 - Effective January 1, 2013, the Company adopted the provisions of ASU No. 2013-02, Other Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, or ASU No. 2013-02, and began reporting the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income within the notes to the financial statements if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income in the same reporting period. For other amounts not required by U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures which provide additional information about the amounts. The provisions of ASU No. 2013-02 are required to be adopted prospectively. As this guidance provides only presentation requirements, the adoption of this standard did not impact the Company's results of operations, cash flows or financial position.

Note 3 — Business Acquisitions and Dispositions
GenOn Acquisition
On December 14, 2012, NRG completed the acquisition of GenOn Energy, Inc., or GenOn. GenOn, a generator of wholesale electricity, has baseload, intermediate and peaking power generation facilities using coal, natural gas and oil, totaling approximately 21,440 MW. Consideration for the acquisition was valued at $2.2 billion and was comprised of 0.1216 shares of NRG common stock for each outstanding share of GenOn, including restricted stock units outstanding, on the acquisition date, except for fractional shares which were paid in cash. The Company issued 93.9 million shares of NRG common stock, or 29% of total common shares outstanding following the closing of the transaction. The acquisition was recorded as a business combination, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The initial accounting for the business combination is not complete because the evaluations necessary to assess the fair value of certain net assets acquired is still in process. See Note 3, Business Acquisitions and Dispositions in the Company's 2012 Form 10-K for additional information related to the GenOn acquisition.
The following table summarizes the provisional amounts recognized for assets acquired and liabilities assumed as of the acquisition date as well as adjustments made in the first quarter of 2013 to the amounts initially recorded in 2012. The measurement period adjustments did not have a significant impact on the Company's consolidated statements of operations, cash flows or financial position in any period. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed.

(in millions)	Amounts Recognized as of Acquisition Date (as previously reported)	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as adjusted)
Assets			
Cash	$983	$—	$983
Current and non-current assets	1,385	—	1,385
Property, plant and equipment	3,936	—	3,936
Derivative assets	1,157	—	1,157
Deferred income taxes	2,265	6	2,271
Total assets acquired	$9,726	$6	$9,732
Liabilities			
Current and non-current liabilities	$1,312	$17	$1,329
Out-of-market contracts and leases	1,064	—	1,064
Derivative liabilities	399	—	399
Long-term debt and capital leases	4,203	—	4,203
Total liabilities assumed	6,978	17	6,995
Net assets acquired	2,748	(11)	2,737
Consideration paid	2,188		2,188
Gain on bargain purchase	$560	$(11)	$549

2012 Dispositions
Agua Caliente
On January 18, 2012, the Company completed the sale of a 49% interest in NRG Solar AC Holdings LLC, the indirect owner of the Agua Caliente project, to MidAmerican Energy Holdings Company, or MidAmerican. A majority of the $122 million of cash consideration received at closing represented 49% of construction costs funded by NRG's equity contributions. The excess of the consideration over the carrying value of the divested interest was recorded to additional paid-in capital. MidAmerican will fund its proportionate share of future equity contributions and other

credit support for the project. NRG continues to hold a majority interest in and consolidate the project.

Saale Energie GmbH

On July 17, 2012, the Company completed the sale of its 100% interest in Saale Energie GmbH, which holds a 41.9% interest in Kraftwerke Schkopau GbR and a 44.4% interest in Kraftwerke Schkopau Betriebsgesllschaft mbH, collectively, Schkopau. Schkopau holds a fixed 400 MW participation in the 900 MW Schkopau Power Station located in Germany. In connection with the sale of Schkopau, NRG entered into a foreign currency swap contract to hedge the impact of exchange rate fluctuations on the sale proceeds of €141 million. The Company received cash consideration, net of selling expenses, of $174 million, which included $4 million related to the settlement of the swap contract that was recorded as a gain within Other income, net in the quarter ended September 30, 2012. The cash consideration approximated the book value of the net assets, including cash of $38 million, on the date of the sale.

Note 4 — Fair Value of Financial Instruments

This footnote should be read in conjunction with the complete description under Note 4, Fair Value of Financial Instruments, to the Company's 2012 Form 10-K.

For cash and cash equivalents, funds deposited by counterparties, accounts receivable, accounts payable, accrued expenses and other current liabilities, restricted cash, and cash collateral paid and received in support of energy risk management activities, the carrying amount approximates fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

The estimated carrying amounts and fair values of NRG's recorded financial instruments not carried at fair market value are as follows:

	As of March 31, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable [a]	$97	$97	$88	$88
Liabilities:				
Long-term debt, including current portion	16,457	17,133	15,866	16,492

(a) Includes the current portion of notes receivable which is recorded in prepayments and other current assets on the Company's consolidated balance sheets.

The fair value of the Company's publicly-traded long-term debt is based on quoted market prices and is classified as Level 1 within the fair value hierarchy. The fair value of debt securities, non publicly-traded long-term debt, and certain notes receivable of the Company are based on expected future cash flows discounted at market interest rates, or current interest rates for similar instruments with equivalent credit quality and are classified as Level 3 within the fair value hierarchy.

Recurring Fair Value Measurements

Debt securities, equity securities, and trust fund investments, which are comprised of various U.S. debt and equity securities, and derivative assets and liabilities, are carried at fair market value.

The following tables present assets and liabilities measured and recorded at fair value on the Company's condensed consolidated balance sheet on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2013			
	Fair Value			
(In millions)	Level 1	Level 2	Level 3	Total
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	$—	$—	$13	$13
Other [a]	45	—	—	45
Trust fund investments:				
Cash and cash equivalents	1	—	—	1
U.S. government and federal agency obligations	34	6	—	40
Federal agency mortgage-backed securities	—	57	—	57
Commercial mortgage-backed securities	—	16	—	16
Corporate debt securities	1	78	—	79
Equity securities	258	—	50	308
Foreign government fixed income securities	—	1	—	1
Derivative assets:				
Commodity contracts	1,719	1,547	99	3,365
Interest rate contracts	—	2	—	2
Total assets	$2,058	$1,707	$162	$3,927
Derivative liabilities:				

Commodity contracts	$1,606	$1,143	$94	$2,843
Interest rate contracts	—	127	—	127
Total liabilities	$1,606	$1,270	$94	$2,970

(a) Primarily consists of mutual funds held in rabbi trusts for non-qualified deferred compensation plans for certain former employees.

	As of December 31, 2012			
	Fair Value			
(In millions)	Level 1	Level 2	Level 3	Total
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	$—	$—	$12	$12
Other [(a)]	44	—	—	44
Trust fund investments:				
Cash and cash equivalents	10	—	—	10
U.S. government and federal agency obligations	34	—	—	34
Federal agency mortgage-backed securities	—	59	—	59
Commercial mortgage-backed securities	—	9	—	9
Corporate debt securities	—	80	—	80
Equity securities	233	—	47	280
Foreign government fixed income securities	—	2	—	2
Derivative assets:				
Commodity contracts	1,457	1,711	135	3,303
Interest rate contracts	—	3	—	3
Total assets	$1,778	$1,864	$194	$3,836
Derivative liabilities:				
Commodity contracts	$1,144	$1,047	$147	$2,338
Interest rate contracts	—	143	—	143
Total liabilities	$1,144	$1,190	$147	$2,481

(a) Primarily consists of mutual funds held in rabbi trusts for non-qualified deferred compensation plans for certain former employees.

There were no transfers during the three months ended March 31, 2013, and 2012, between Levels 1 and 2. The following tables reconcile, for the three months ended March 31, 2013 and 2012, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements at least annually using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Three months ended March 31, 2013			
(In millions)	Debt Securities	Trust Fund Investments	Derivatives[(a)]	Total
Beginning balance as of January 1, 2013	$12	$47	$(12)	$47
Total gains/(losses) - realized/unrealized:				
Included in earnings	—	—	(27)	(27)
Included in OCI	1	—	—	1
Included in nuclear decommissioning obligations	—	3	—	3
Purchases	—	—	(1)	(1)
Transfers into Level 3 [(b)]	—	—	15	15
Transfers out of Level 3 [(b)]	—	—	30	30
Ending balance as of March 31, 2013	$13	$50	$5	$68
The amount of the total losses for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held as of March 31, 2013	$—	$—	$(21)	$(21)

(a) Consists of derivatives assets and liabilities, net.

(b) Transfers in/out of Level 3 are related to the availability of external broker quotes, and are valued as of the end of the reporting period. All transfers in/out are with Level 2.

(In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Three months ended March 31, 2012			
	Debt Securities	Trust Fund Investments	Derivatives[(a)]	Total
Beginning balance as of January 1, 2012	$7	$42	$8	$57
Total gains - realized/unrealized:				
Included in earnings	—	—	17	17
Included in OCI	1	—	—	1
Included in nuclear decommissioning obligations	—	4	—	4
Purchases	—	—	(4)	(4)
Transfers into Level 3 [(b)]	—	—	10	10
Transfers out of Level 3 [(b)]	—	—	12	12
Ending balance as of March 31, 2012	$8	$46	$43	$97
The amount of the total gains for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held as of March 31, 2012	$—	$—	$18	$18

(a) Consists of derivatives assets and liabilities, net.

(b) Transfers in/out of Level 3 are related to the availability of external broker quotes, and are valued as of the end of the reporting period. All transfers in/out are with Level 2.

Realized and unrealized gains and losses included in earnings that are related to the energy derivatives are recorded in operating revenues and cost of operations.

Derivative Fair Value Measurements

A majority of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A portion of NRG's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. For the majority of NRG markets, the Company receives quotes from multiple sources. To the extent that NRG receives multiple quotes, the Company's prices reflect the average of the bid-ask mid-point prices obtained from all sources that NRG believes provide the most liquid market for the commodity. If the Company receives one quote, then the mid-point of the bid-ask spread for that quote is used. The terms for which such price information is available vary by commodity, region and product. A significant portion of the fair value of the Company's derivative portfolio is based on price quotes from brokers in active markets who regularly facilitate those transactions and the Company believes such price quotes are executable. The Company does not use third party sources that derive price based on proprietary models or market surveys. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available for the whole term or for certain delivery months or the contracts are retail and load following power contracts. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. Contracts valued with prices provided by models and other valuation techniques make up 3% of the total derivative assets and 3% of the total derivative liabilities.

The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that NRG's net exposure under a specific master agreement is an asset, the Company uses the counterparty's default swap rate. If the net exposure under a specific master agreement is a liability, the Company uses NRG's default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume NRG's liabilities or that a market participant would be willing to pay for NRG's assets. As of March 31, 2013, the credit reserve resulted in a $5 million increase in fair value which is composed of a $3 million gain in OCI, and a $2 million gain in operating revenue and cost of operations. As of March 31, 2012, the credit reserve resulted in an $8 million increase in fair value which is composed of a $1 million gain in OCI and a $7 million gain in operating revenue and cost of operations.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, Summary of Significant Accounting Policies, to the Company's 2012 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail load activities.

Counterparty Credit Risk

The Company monitors and manages counterparty credit risk through credit policies that include: (i) an established credit approval process; (ii) daily monitoring of counterparties' credit limits; (iii) the use of credit mitigation measures such as margin, collateral, prepayment arrangements, or volumetric limits; (iv) the use of payment netting arrangements; and (v) the use of master netting agreements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty. Risk surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Company seeks to mitigate counterparty credit risk with a diversified portfolio of counterparties. The Company also has credit protection within various agreements to call on additional collateral support if and when necessary. Cash margin is collected and held at NRG to cover the credit risk of the counterparty until positions settle.

As of March 31, 2013, counterparty credit exposure to a portion of the Company's counterparties was $1.3 billion and NRG held collateral (cash and letters of credit) against those positions of $105 million, resulting in a net exposure of $1.2 billion. Approximately 83% of the Company's exposure before collateral is expected to roll off by the end of 2014. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and Normal Purchase Normal Sale, or NPNS, and non-derivative transactions. The exposure is shown net of collateral held, and includes amounts net of receivables or payables.

Category	Net Exposure [a] (% of Total)	
Financial institutions	51	%
Utilities, energy merchants, marketers and other	37	
Independent System Operators, or ISOs	11	
Coal and emissions	1	
Total as of March 31, 2013	100	%

Category	Net Exposure [a] (% of Total)	
Investment grade	93	%
Non-rated [b]	6	
Non-Investment grade	1	
Total as of March 31, 2013	100	%

(a) Counterparty credit exposure excludes uranium and coal transportation contracts because of the unavailability of market prices.

(b) For non-rated counterparties, the majority are related to ISO and municipal public power entities, which are considered investment grade equivalent ratings based on NRG's internal credit ratings.

NRG has counterparty credit risk exposure to certain counterparties representing more than 10% of total net exposure discussed above and the aggregate of such counterparties' exposure was $412 million. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, NRG does not anticipate a material impact on the Company's financial position or results of operations from nonperformance by any of NRG's counterparties.

Counterparty credit exposure described above excludes credit risk exposure under certain long term agreements, including California tolling agreements, South Central load obligations, and solar Power Purchase Agreements, or PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company valued these contracts based on various techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of March 31, 2013, credit risk exposure to these counterparties attributable to NRG's ownership interests was approximately $1.3 billion for the next five years. This amount excludes potential credit exposures for projects with long term PPAs that have not reached commercial operations. Many of these power contracts are with utilities or public power entities that have strong credit quality and specific public utility commission or other regulatory support. These factors significantly reduce the risk of loss.

Retail Customer Credit Risk

NRG is exposed to retail credit risk through the Company's retail electricity providers, which serve commercial, industrial and governmental/institutional, or C&I, customers and the residential and small business, or mass, market. Retail credit risk results when a customer fails to pay for products or services rendered. The losses may result from both nonpayment of customer accounts receivable and the loss of in-the-money forward value. NRG manages retail credit risk through the use of established credit policies that include monitoring of the portfolio, and the use of credit mitigation measures such as deposits or prepayment arrangements.

As of March 31, 2013, the Company's retail customer credit exposure was diversified across many customers and various industries, with a significant portion of the exposure with government entities.

Note 5 — Nuclear Decommissioning Trust Fund

NRG's Nuclear Decommissioning Trust Fund assets are comprised of securities classified as available-for-sale and recorded at fair value based on actively quoted market prices. NRG accounts for the Nuclear Decommissioning Trust Fund in accordance with ASC 980, Regulated Operations, or ASC 980, because the Company's nuclear decommissioning activities are subject to approval by the PUCT with regulated rates that are designed to recover all decommissioning costs and that can be charged to and collected from the ratepayers per PUCT mandate. Since the Company is in compliance with PUCT rules and regulations regarding decommissioning trusts and the cost of decommissioning is the responsibility of the Texas ratepayers, not NRG, all realized and unrealized gains or losses (including other-than-temporary impairments) related to the Nuclear Decommissioning Trust Fund are recorded to nuclear decommissioning trust liability and are not included in net income or accumulated other comprehensive income, consistent with regulatory treatment.

The following table summarizes the aggregate fair values and unrealized gains and losses (including other-than-temporary impairments) for the securities held in the trust funds, as well as information about the contractual maturities of those securities.

	As of March 31, 2013			As of December 31, 2012		
(In millions, except otherwise noted)	Fair Value	Unrealized Gains [(a)]	Weighted-average maturities (in years)	Fair Value	Unrealized Gains [(a)]	Weighted-average maturities (in years)
Cash and cash equivalents	$1	$—	—	$10	$—	—
U.S. government and federal agency obligations	39	2	9	33	2	10
Federal agency mortgage-backed securities	57	2	25	59	2	23
Commercial mortgage-backed securities	16	—	29	9	—	30
Corporate debt securities	79	3	10	80	4	11
Equity securities	308	169	—	280	143	—
Foreign government fixed income securities	1	—	11	2	—	6
Total	$501	$176		$473	$151	

(a) There were no unrealized losses as of March 31, 2013 or December 31, 2012.

The following table summarizes proceeds from sales of available-for-sale securities and the related realized gains and losses from these sales. The cost of securities sold is determined on the specific identification method.

	Three months ended March 31,	
	2013	2012
	(In millions)	
Realized gains	$1	$3
Realized losses	1	2
Proceeds from sale of securities	85	119

Note 6 — Accounting for Derivative Instruments and Hedging Activities
This footnote should be read in conjunction with the complete description under Note 5, Accounting for Derivative Instruments and Hedging Activities, to the Company's 2012 Form 10-K.
Energy-Related Commodities
As of March 31, 2013, NRG had energy-related derivative financial instruments extending through 2015, which are designated as cash flow hedges.
Interest Rate Swaps
NRG is exposed to changes in interest rates through the Company's issuance of variable and fixed rate debt. In order to manage the Company's interest rate risk, NRG enters into interest rate swap agreements. As of March 31, 2013, the Company had interest rate derivative instruments on non-recourse debt extending through 2030, the majority of which are designated as cash flow hedges.
Volumetric Underlying Derivative Transactions
The following table summarizes the net notional volume buy/(sell) of NRG's open derivative transactions broken out by commodity, excluding those derivatives that qualified for the NPNS exception as of March 31, 2013 and December 31, 2012. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume	
Commodity	Units	March 31, 2013	December 31, 2012
		(In millions)	
Emissions	Short Ton	(1)	(1)
Coal	Short Ton	45	37
Natural Gas	MMBtu	(330)	(413)
Oil	Barrel	1	1
Power	MWh	(18)	(14)
Interest	Dollars	$1,650	$2,612

The decrease in the natural gas position was the result of additional purchases entered into during the year to hedge our retail portfolio as well as the settlement of positions during the period. These amounts were slightly offset by natural gas sales entered into during the year to hedge our conventional power generation. The decrease in the interest rate position was primarily the result of the settlement of interest rate swaps.

Fair Value of Derivative Instruments

The following table summarizes the fair value within the derivative instrument valuation on the balance sheet:

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	(In millions)			
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts current	$—	$—	$29	$29
Interest rate contracts long-term	2	3	85	96
Commodity contracts current	—	—	5	3
Commodity contracts long-term	—	—	1	1
Total Derivatives Designated as Cash Flow Hedges	2	3	120	129
Derivatives Not Designated as Cash Flow Hedges:				
Interest rate contracts current	—	—	4	7
Interest rate contracts long-term	—	—	9	11
Commodity contracts current	2,805	2,644	2,455	1,942
Commodity contracts long-term	560	659	382	392
Total Derivatives Not Designated as Cash Flow Hedges	3,365	3,303	2,850	2,352
Total Derivatives	$3,367	$3,306	$2,970	$2,481

The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. In addition, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. The following table summarizes the offsetting of derivatives by counterparty master agreement level and collateral received or paid:

	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
As of March 31, 2013	(in millions)			
Commodity contracts:				
Derivative assets	$3,365	$(2,545)	$(225)	$595
Derivative liabilities	(2,843)	2,545	19	(279)
Total commodity contracts	522	—	(206)	316
Interest rate contracts:				
Derivative assets	2	—	—	2
Derivative liabilities	(127)	—	—	(127)
Total interest rate contracts	(125)	—	—	(125)
Total derivative instruments	$397	$—	$(206)	$191

	Gross Amounts Not Offset in the Statement of Financial Position			
As of December 31, 2012	Gross Amounts of Recognized Assets / Liabilities (in millions)	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
Commodity contracts:				
Derivative assets	$3,303	$(2,024)	$(374)	$905
Derivative liabilities	(2,338)	2,024	28	(286)
Total commodity contracts	965	—	(346)	619
Interest rate contracts:				
Derivative assets	3	—	—	3
Derivative liabilities	(143)	—	—	(143)
Total interest rate contracts	(140)	—	—	(140)
Total derivative instruments	$825	$—	$(346)	$479

Accumulated Other Comprehensive Income

The following table summarizes the effects of ASC 815, Derivatives and Hedging, or ASC 815, on the Company's accumulated OCI balance attributable to cash flow hedge derivatives, net of tax:

	Three months ended March 31, 2013			Three months ended March 31, 2012		
	Energy Commodities	Interest Rate	Total	Energy Commodities	Interest Rate	Total
	(In millions)					
Accumulated OCI beginning balance	$41	$(72)	$(31)	$188	$(56)	$132
Reclassified from accumulated OCI to income:						
Due to realization of previously deferred amounts	(8)	3	(5)	(31)	3	(28)
Mark-to-market of cash flow hedge accounting contracts	9	3	12	13	6	19
Accumulated OCI ending balance, net of $15 and $82 tax, respectively	$42	$(66)	$(24)	$170	$(47)	$123
Gains/(losses) expected to be realized from OCI during the next 12 months, net of $19 and $66 tax, respectively	$42	$(10)	$32	$137	$(23)	$114
(Losses)/gains recognized in income from the ineffective portion of cash flow hedges	$(1)	$1	$—	$(1)	$(2)	$(3)

Amounts reclassified from accumulated OCI into income and amounts recognized in income from the ineffective portion of cash flow hedges are recorded to operating revenue for commodity contracts and interest expense for interest rate contracts.

Impact of Derivative Instruments on the Statements of Operations

Unrealized gains and losses associated with changes in the fair value of derivative instruments not accounted for as cash flow hedges and ineffectiveness of hedge derivatives are reflected in current period earnings.

The following table summarizes the pre-tax effects of economic hedges that have not been designated as cash flow hedges, ineffectiveness on cash flow hedges, and trading activity on the Company's statement of operations. The effect of commodity hedges is included within operating revenues and cost of operations and the effect of interest rate hedges is included in interest expense.

	Three months ended March 31,	
(In millions)	2013	2012
Unrealized mark-to-market results		
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	$(25)	$(41)
Reversal of (gain)/loss positions acquired as part of the Reliant Energy, Green Mountain Energy and GenOn acquisitions	(88)	14
Net unrealized losses on open positions related to economic hedges	(149)	(137)
Losses on ineffectiveness associated with open positions treated as cash flow hedges	(1)	(1)
Total unrealized mark-to-market losses for economic hedging activities	(263)	(165)
Reversal of previously recognized unrealized gains on settled positions related to trading activity	(28)	(30)
Reversal of gain positions acquired as part of the GenOn acquisitions	(2)	—
Net unrealized (losses)/gains on open positions related to trading activity	(13)	28
Total unrealized mark-to-market losses for trading activity	(43)	(2)
Total unrealized losses	$(306)	$(167)

	Three months ended March 31,	
(In millions)	2013	2012
Revenue from operations — energy commodities	$(521)	$38
Cost of operations	215	(205)
Total impact to statement of operations — energy commodities	$(306)	$(167)
Total impact to statement of operations — interest rate contracts	$2	$(1)

The reversal of gain or loss positions acquired as part of the Reliant Energy, Green Mountain Energy and GenOn acquisitions were valued based upon the forward prices on the acquisition dates.

For the three months ended March 31, 2013, the unrealized loss from open economic hedge positions was primarily the result of a decrease in value of forward purchases and sales of natural gas and electricity due to an increase in forward natural gas and electricity prices.

For the three months ended March 31, 2012, the unrealized loss from open economic hedge positions was the result of a decrease in value of forward purchases of coal, due to decreases in forward coal prices along with a decrease in value of forward purchases and sales of natural gas and electricity, due to a decrease in forward power and gas prices and increases in ERCOT heat rates.

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed "adequate assurance" under the agreements, or requires the Company to post additional collateral if there were a one notch downgrade in the Company's credit rating. The collateral required for contracts with adequate assurance clauses that are in a net liability position as of March 31, 2013 was $75 million. The collateral required for contracts with credit rating contingent features was $56 million. The Company is also a party to certain marginable agreements where NRG has a net liability position, but the counterparty has not called for the collateral due, which was approximately $38 million as of March 31, 2013.

See Note 4, Fair Value of Financial Instruments, to this Form 10-Q for discussion regarding concentration of credit risk.

Note 7 — Debt and Capital Leases

This footnote should be read in conjunction with the complete description under Note 11, Debt and Capital Leases, to the Company's 2012 Form 10-K.

Long-term debt and capital leases consisted of the following:

	March 31, 2013	December 31, 2012	Interest rate % [(a)]
	(In millions, except rates)		
NRG Recourse Debt:			
Senior notes, due 2018	$1,130	$1,200	7.625
Senior notes, due 2019	800	800	7.625
Senior notes, due 2019	601	693	8.500
Senior notes, due 2020	1,063	1,100	8.250
Senior notes, due 2021	1,128	1,128	7.875
Senior notes, due 2023	990	990	6.625
Term loan facility, due 2018	1,569	1,573	L+2.50 - 3.00
Indian River Power LLC, tax-exempt bonds, due 2040 and 2045	247	247	5.375 - 6.000
Dunkirk Power LLC, tax-exempt bonds, due 2042	59	59	5.875
Fort Bend County, tax-exempt bonds, due 2038 and 2042	35	28	4.750
Subtotal NRG Recourse Debt	7,622	7,818	
NRG Non-Recourse Debt:			
GenOn senior notes, due 2014	610	617	7.625
GenOn senior notes, due 2017	795	800	7.875
GenOn senior notes, due 2018	796	801	9.500
GenOn senior notes, due 2020	629	631	9.875
GenOn Americas Generation senior notes, due 2021	508	509	8.500
GenOn Americas Generation senior notes, due 2031	436	437	9.125
GenOn Marsh Landing term loans, due 2017 and 2023	435	390	L+2.50 - 2.75
CVSR - High Plains Ranch II LLC, due 2037	995	786	0.611 - 2.935
NRG West Holdings LLC, term loan, due 2023	407	350	L+2.25 - 2.75
Agua Caliente Solar, LLC, due 2037	683	640	2.395 - 3.256
Ivanpah Financing, due 2014 and 2038	1,510	1,437	1.116 - 4.256
South Trent Wind LLC, financing agreement, due 2020	72	72	L+2.625
NRG Peaker Finance Co. LLC, bonds, due 2019	174	173	L+1.07
NRG Energy Center Minneapolis LLC, senior secured notes, due 2013, 2017 and 2025	134	137	5.95 - 7.31
NRG Solar Alpine LLC, due 2013 and 2022	228	2	L+2.25 - 2.50
NRG Solar Borrego LLC, due 2024 and 2038	81	—	L+2.50/5.65
NRG Solar Avra Valley LLC	69	66	L+2.25
TA - High Desert LLC, due 2013, 2023 and 2033	82	—	L+2.50/5.15
Other	191	200	various
Subtotal NRG Non-Recourse Debt	8,835	8,048	
Subtotal long-term debt (including current maturities)	16,457	15,866	
Capital leases:			
Chalk Point capital lease, due 2015	13	14	8.190
Subtotal	16,470	15,880	
Less current maturities	556	147	
Total long-term debt and capital leases	$15,914	$15,733	

(a) L+ equals 3 month LIBOR plus x%, with the exception of (i) GenOn Marsh Landing term loans, (ii) NRG Solar Alpine LLC cash grant loans and (iii) NRG Solar Avra Valley LLC cash grant loans which are 1 month LIBOR plus x%.

Senior Notes Repurchases

On December 17, 2012, NRG entered into an agreement with a financial institution to repurchase up to $200 million of the Senior Notes in the open market by February 27, 2013. In the first quarter of 2013, the Company paid $80 million, $104 million, and $42 million, at an average price of 114.179%, 111.700%, and 113.082% of face value, for repurchases of the Company's 2018 Senior Notes, 2019 Senior Notes and 2020 Senior Notes, respectively. A $28 million loss on the debt extinguishment of the 2018 Senior Notes, 2019 Senior Notes and 2020 Senior Notes was recorded during the three months ended March 31, 2013, primarily consisting of the premiums paid on the repurchases and the write-off of previously deferred financing costs.

Alpine Financing

On March 16, 2012 NRG Solar Alpine LLC, a wholly owned subsidiary of NRG, entered into a credit agreement with a group of lenders for a $166 million construction loan that will convert to a term loan upon completion of the project and a $68 million cash grant loan. On January 15, 2013, the credit agreement was amended reducing the cash grant loan to $63 million. On March 26, 2013, NRG Solar Alpine LLC met the conditions under the credit agreement to convert the construction loan for the facility to a term loan. Immediately prior to the conversion, the Company drew an additional $164 million under the construction loan and $62 million under the cash grant loan. The term loan amortizes on a predetermined schedule with final maturity in November 2022. As of March 31, 2013, $166 million was outstanding under the term loan, $62 million under the cash grant loan, and $36 million of letters of credit were issued under the credit agreement.

Borrego Financing

On March 28, 2013, NRG, through its wholly-owned subsidiary, NRG Solar Borrego LLC, or Borrego, entered into a credit agreement with a group of lenders, or the Borrego Financing Agreement, for $45 million of 5.65% fixed rate notes and a $36 million term loan. The term loan has an interest rate of 3 month LIBOR plus an applicable margin of 2.50%, which escalates 0.25% on the fourth and eighth anniversary of the closing date. The fixed rate notes mature in February 2038 and the term loan matures in December 2024. Both amortize based upon predetermined schedules. The Borrego Financing Agreement also includes a letter of credit facility on behalf of Borrego of up to $5 million. Borrego pays an availability fee of 100% of the applicable margin on issued letters of credit. As of March 31, 2013, $45 million was outstanding under the fixed rate notes, $36 million was outstanding under the term loans, and $5 million of letters of credit in support of the project were issued.

Under the terms of the Borrego Financing Agreement, on March 28, 2013, Borrego was required to enter into two fixed for floating interest rate swaps that would fix the interest rate for a minimum of 75% of the outstanding notional amount. Borrego will pay its counterparty the equivalent of a 1.125% fixed interest payment on a predetermined notional value, and Borrego will receive quarterly the equivalent of a floating interest payment based on a 3 month LIBOR calculated on the same notional value through June 30, 2020. All interest rate swap payments by Borrego and its counterparties are made quarterly and the LIBOR rate is determined in advance of each interest period. The original notional amount of the swaps, which became effective April 3, 2013, is $15 million and will amortize in proportion to the term loan.

High Desert Facility

In March 2013, the Company, through its wholly-owned subsidiary, NRG Solar PV LLC, acquired High Desert, a 20 MW utility-scale photovoltaic solar facility located in Lancaster, California shortly, before commercial operation. As part of the acquisition of High Desert, NRG recorded $82 million of non-recourse project level debt issued under the High Desert Facility which is comprised of $53 million of fixed rate notes due 2033 at an interest rate of 5.15% and $7 million of floating rate notes due 2023, $22 million of bridge notes due the earlier of 10 days after receipt of the cash grant or August 2013, and a revolving facility of $12 million. The floating rate notes, bridge notes and revolving facility have an interest rate of 3 month LIBOR plus 2.5%. The revolving facility can be used in cash or for the issuance of up to $9 million in letters of credit. As of March 31, 2013, $9 million of letters of credit were issued under the revolving facility. The notes amortize on predetermined schedules and are secured by all of the assets of High Desert.

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Note 8 — Variable Interest Entities, or VIEs

NRG has interests in entities that are considered VIEs under ASC 810, Consolidation, but NRG is not considered the primary beneficiary. NRG accounts for its interests in these entities under the equity method of accounting.

GenConn Energy LLC — Through its subsidiary, NRG Connecticut Peaking Development LLC, NRG owns a 50% interest in GenConn, a limited liability company which owns and operates two 200 MW peaking generation facilities in Connecticut at NRG's Devon and Middletown sites. NRG's maximum exposure to loss is limited to its equity investment, which was $129 million as of March 31, 2013.

Sherbino I Wind Farm LLC — NRG owns a 50% interest in Sherbino, a joint venture with BP Wind Energy North America Inc. NRG's maximum exposure to loss is limited to its equity investment, which was $89 million as of March 31, 2013.

Texas Coastal Ventures, LLC — NRG owns a 50% interest in Texas Coastal Ventures, a joint venture with Hilcorp Energy I, L.P., through its subsidiary Petra Nova LLC. NRG's maximum exposure to loss is limited to its equity investment, which was $59 million as of March 31, 2013.

Note 9 — Changes in Capital Structure

As of March 31, 2013, and December 31, 2012, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common shares issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2012	399,112,616	(76,505,718)	322,606,898
Shares issued under LTIP	707,261	—	707,261
Shares issued under ESPP	—	61,219	61,219
Capital Allocation Program repurchases	—	(972,292)	(972,292)
Balance as of March 31, 2013	399,819,877	(77,416,791)	322,403,086

2013 Capital Allocation Program

On February 27, 2013, the Company announced its intention to increase NRG's annual common stock dividend by 33%, to $0.48 per share, commencing with the next quarterly payment. On April 19, 2013, NRG declared a quarterly dividend on the Company's common stock of $0.12 per share, payable May 15, 2013, to shareholders of record as of May 1, 2013.

In addition, the Company is authorized to repurchase $200 million of its common stock under the 2013 Capital Allocation Program. During the first quarter, the Company purchased 972,292 shares of NRG common stock for approximately $25 million at a volume weighted average cost of $25.88 per share, of which 195,210 shares settled in April 2013 for which $5 million was accrued as of March 31, 2013. The Company intends to complete its remaining $175 million of share repurchases by the end of 2013. The Company's common stock dividend and share repurchases are subject to available capital, market conditions, and compliance with associated laws and regulations.

Note 10 — Loss Per Share

Basic loss per common share is computed by dividing net loss less accumulated preferred stock dividends by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the year are weighted for the portion of the year that they were outstanding.

The reconciliation of NRG's basic and diluted loss per share is shown in the following table:

	Three months ended March 31,	
(In millions, except per share data)	2013	2012
Basic and diluted loss per share attributable to NRG common stockholders		
Numerator:		
Net loss attributable to NRG Energy, Inc.	$(328)	$(207)
Preferred stock dividends	(2)	(2)
Net loss attributable to NRG Energy, Inc. available to common stockholders	$(330)	$(209)
Denominator:		
Weighted average number of common shares outstanding	323	228
Basic and diluted loss per share:		
Net loss attributable to NRG Energy, Inc.	$(1.02)	$(0.92)

The following table summarizes NRG’s outstanding equity instruments that are anti-dilutive and were not included in the computation of the Company’s diluted loss per share:

	Three months ended March 31,	
(In millions of shares)	2013	2012
Equity compensation plans	13	12
Embedded derivative of 3.625% redeemable perpetual preferred stock	16	16
Total	29	28

Note 11 — Segment Reporting

The Company's businesses are primarily segregated based on the Retail Business, conventional power generation, alternative energy businesses and corporate activities. Within NRG's conventional power generation operations, there are distinct components with separate operating results and management structures for the following geographical regions: Texas, East, South Central, West and Other, which includes its international businesses, thermal and chilled water business and maintenance services. The Company's alternative energy businesses include solar and wind assets, electric vehicle services and the carbon capture business. Intersegment sales are accounted for at market.

(In millions)		Conventional Power Generation								
Three months ended March 31, 2013	Retail(a)	Texas(a)	East(a)	South Central(a)	West	Other(a)	Alternative Energy(a)	Corporate(a)(b)	Elimination	Total
Operating revenues	$1,231	$84	$595	$196	$91	$73	$50	$8	$(247)	$2,081
Depreciation and amortization	32	112	78	24	13	5	30	4	—	298
Equity in earnings/(loss) of unconsolidated affiliates	—	—	4	—	1	1	(3)	—	—	3
Income/(loss) before income taxes	369	(426)	(155)	(7)	(7)	5	(23)	(232)	—	(476)
Net income/(loss) attributable to NRG Energy, Inc.	$369	$(426)	$(155)	$(7)	$(7)	$5	$(24)	$(83)	$—	$(328)
Total assets	$3,273	$10,705	$7,772	$2,033	$1,936	$812	$6,516	$28,069	$(25,745)	$35,371
(a) Includes intersegment sales and derivative gains and losses of:	$1	$229	$(9)	$2	$—	$16	$4	$4		

(b) Includes loss on debt extinguishment of $28 million.

(In millions)		Conventional Power Generation								
Three months ended March 31, 2012	Retail	Texas(c)	East(c)	South Central	West	Other(c)	Alternative Energy(c)	Corporate	Elimination	Total
Operating revenues	$1,166	$458	$148	$173	$42	$94	$22	$3	$(244)	$1,862
Depreciation and amortization	41	114	32	23	2	4	11	3	—	230
Equity in earnings/(loss) of unconsolidated affiliates	—	—	5	—	(2)	3	2	—	—	8
Income/(loss) before income taxes	7	(74)	(44)	(30)	(14)	10	(13)	(168)	—	(326)
Net income/(loss) attributable to NRG Energy, Inc.	$7	$(74)	$(44)	$(30)	$(14)	$8	$(14)	$(46)	$—	$(207)
(c) Includes intersegment sales	$—	$182	$35	$—	$—	$20	$4	$—		

and derivative gains
and losses of:

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Note 12 — Income Taxes
Effective Tax Rate
The income tax provision consisted of the following:

	Three months ended March 31,	
(In millions except otherwise noted)	2013	2012
Loss before income taxes	$(476)	$(326)
Income tax benefit	(149)	(120)
Effective tax rate	31.3%	36.8%

For the three months ended March 31, 2013, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to changes in the valuation allowance as a result of capital losses generated during the period.
For the three months ended March 31, 2012, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to the recognition of ITCs from the Company's Agua Caliente solar project in Arizona.
Uncertain tax benefits
As of March 31, 2013, NRG has recorded a non-current tax liability of $74 million for uncertain tax benefits from positions taken on various state tax returns, including accrued interest. NRG has accrued interest related to these uncertain tax benefits of $1 million for the three months ended March 31, 2013, and has accrued $17 million of interest and penalties since adoption. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.
NRG is subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including operations located in Australia. Prior to the GenOn acquisition, the Company was not subject to U.S. federal income tax examinations for years prior to 2007. As a result of the acquisition, the Company is subject to U.S. federal income tax examinations for certain subsidiaries for years subsequent to 2001. With few exceptions, state and local income tax examinations are no longer open for years before 2003. The Company's primary foreign operations are also no longer subject to examination by local jurisdictions for years prior to 2004.
Note 13 — Commitments and Contingencies
Commitments
First Lien Structure
NRG has granted first liens to certain counterparties on a substantial portion of the Company's assets, excluding assets acquired in the GenOn acquisition, to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedge agreements for forward sales of power or MWh equivalents. The Company's lien counterparties may have a claim on NRG's assets to the extent market prices exceed the hedged price. As of March 31, 2013, hedges under the first lien were out-of-the-money for NRG on a counterparty aggregate basis.
Contingencies
Set forth below is a description of the Company's material legal proceedings. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. NRG records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, the Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of the Company's liabilities and contingencies could be at amounts that are different from its currently recorded reserves and that such difference could be material.
In addition to the legal proceedings noted below, NRG and its subsidiaries are party to other litigation or legal proceedings arising in the ordinary course of business. In management's opinion, the disposition of these ordinary

course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.

Louisiana Generating, LLC

In 2009, the U.S. DOJ, on behalf of the EPA, and later the Louisiana Department of Environmental Quality, or LDEQ, on behalf of the State of Louisiana, sued Louisiana Generating, LLC, or LaGen, a wholly-owned subsidiary of NRG, in federal district court in the Middle District of Louisiana alleging violations of the CAA at the Big Cajun II power plant. On March 6, 2013, the court entered a Consent Decree resolving the matter. The Consent Decree requires LaGen to install certain emission control technologies on two coal-fired units, convert one unit at Big Cajun II to natural gas, pay a civil penalty of $3.5 million, complete mitigation projects of $10.5 million within five years and imposes annual limits for SO_2 and NO_X. Further discussion on this matter can be found in Note 15, Environmental Matters - South Central Region.

In a related matter, soon after the filing of the above referenced U.S. DOJ lawsuit, LaGen sought insurance coverage from its insurance carrier, Illinois Union Insurance Company, or ILU. ILU denied coverage and refused to provide a defense for LaGen, and thereafter LaGen filed a lawsuit in federal district court in the Middle District of Louisiana (which was consolidated with a prior suit filed by ILU) seeking a declaration that ILU must provide coverage to LaGen for the defense costs incurred in defending the U.S. DOJ lawsuit as well as indemnity costs. LaGen and ILU both filed motions for summary judgment and on January 30, 2012, the court issued an order granting LaGen's motion finding that ILU has a duty to defend LaGen. The trial court certified the summary judgment for immediate interlocutory appeal, and on May 25, 2012, ILU filed a petition with the U.S. Circuit Court of Appeals for the Fifth Circuit seeking to appeal the trial court's summary judgment ruling. The Fifth Circuit granted the petition on September 4, 2012. ILU filed a related notice of appeal on June 14, 2012, which also seeks review of the trial court's summary judgment ruling. The Company filed a motion to consolidate the two appeals which the court granted on October 24, 2012. The Fifth Circuit heard oral arguments on March 6, 2013.

Big Cajun II Alleged Opacity Violations — On September 7, 2012, LaGen received a Consolidated Compliance Order & Notice of Potential Penalty, or CCO&NPP, from the LDEQ with the potential for penalties in excess of $100,000. The CCO&NPP alleges there were opacity exceedance events from the Big Cajun II Power Plant on certain dates during the years 2007-2012. On October 8, 2012, LaGen filed a Request for Administrative Adjudicatory hearing and is cooperating with the LDEQ and responding in good faith to the CCO&NPP.

Global Warming

In February 2008, the Native Village of Kivalina and the City of Kivalina, Alaska filed a suit in the United States District Court for the Northern District of California against GenOn and 23 other electric generating and oil and gas companies. The lawsuit sought damages of up to $400 million for the cost of relocating the village allegedly because of global warming caused by the greenhouse gas emissions of the defendants. In late 2009, the District Court ordered that the case be dismissed and the plaintiffs appealed. In September 2012, the United States Court of Appeals for the Ninth Circuit dismissed plaintiffs' appeal. In October 2012, the plaintiffs petitioned for en banc rehearing of the case; which petition was denied in November 2012. In February 2013, plaintiffs filed a petition with the U.S. Supreme Court seeking review of the decision from the U.S. Court of Appeals. The Company believes claims such as this lack legal merit.

Actions Pursued by MC Asset Recovery

Under the plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection on January 3, 2006, or the Plan, the rights to certain actions filed by GenOn Energy Holdings and some of its subsidiaries against third parties were transferred to MC Asset Recovery, a wholly owned subsidiary of GenOn Energy Holdings. MC Asset Recovery is now governed by a manager who is independent of NRG and GenOn. Under the Plan, any cash recoveries obtained by MC Asset Recovery from the actions transferred to it, net of fees and costs incurred in prosecuting the actions, are to be paid to the unsecured creditors of GenOn Energy Holdings in the Chapter 11 proceedings and the holders of the equity interests in GenOn Energy Holdings immediately prior to the effective date of the Plan except where such a recovery results in an allowed claim in the bankruptcy proceedings, as described below. MC Asset Recovery is a disregarded entity for income tax purposes, and NRG, GenOn and GenOn Energy Holdings are responsible for income taxes related to its operations. The Plan provides that GenOn Energy Holdings may not reduce payments to be made to unsecured creditors and former holders of equity interests from recoveries obtained by MC Asset Recovery for the taxes owed by GenOn Energy Holdings, if any, on any net recoveries up to $175 million. If the aggregate recoveries exceed $175 million net of costs, then GenOn Energy Holdings may reduce the payments by the amount of any taxes it will owe or NOLs it may utilize with respect to taxable income resulting from the amount in excess of $175 million.

One of the two remaining actions transferred to MC Asset Recovery seeks to recover damages from Commerzbank AG and various other banks (the Commerzbank Defendants) for alleged fraudulent transfers that occurred prior to the filing of GenOn Energy Holdings' bankruptcy proceedings. In its amended complaint, MC Asset Recovery alleges that the Commerzbank Defendants in 2002 and 2003 received payments totaling approximately €153 million directly or indirectly from GenOn Energy Holdings under a guarantee provided by GenOn Energy Holdings in 2001 of certain equipment purchase obligations. MC Asset Recovery alleges that at the time GenOn Energy Holdings provided the guarantee and made the payments to the Commerzbank Defendants, GenOn Energy Holdings was insolvent and did not receive fair value for those transactions. In December 2010, the United States District Court for the Northern District of Texas dismissed MC Asset Recovery's complaint against the Commerzbank Defendants. In January 2011, MC Asset Recovery appealed the United States District Court's dismissal of its complaint against the Commerzbank Defendants to the United States Court of Appeals for the Fifth Circuit. In March 2012, the United States Court of Appeals for the Fifth Circuit reversed the United States District Court's dismissal and reinstated MC Asset Recovery's amended complaint against the Commerzbank Defendants. If MC Asset Recovery succeeds in obtaining any recoveries on these avoidance claims, the Commerzbank Defendants have asserted that they will seek to file claims in GenOn Energy Holdings' bankruptcy proceedings for the amount of those recoveries. GenOn Energy Holdings would vigorously contest the allowance of any such claims on the ground that, among other things, the recovery of such amounts by MC Asset Recovery does not reinstate any enforceable pre-petition obligation that could give rise to a claim. If such a claim were to be allowed by the Bankruptcy Court as a result of a recovery by MC Asset Recovery, then the Plan provides that the Commerzbank Defendants are entitled to the same distributions as previously made under the Plan to holders of similar allowed claims. Holders of previously allowed claims similar in nature to the claims that the Commerzbank Defendants would seek to assert have received 43.87 shares of GenOn Energy Holdings common stock for each $1,000 of claim allowed by the Bankruptcy Court. If the Commerzbank Defendants were to receive an allowed claim as a result of a recovery by MC Asset Recovery on its claims against them, the order entered by the Bankruptcy Court in December 2005, confirming the Plan provides that GenOn Energy Holdings would retain from the net amount recovered by MC Asset Recovery an amount equal to the dollar amount of the resulting allowed claim, rather than distribute such amount to the unsecured creditors and former equity holders as described above.

Pending Natural Gas Litigation

NRG's subsidiary, GenOn, is party to five lawsuits, several of which are class action lawsuits, in state and federal courts in Kansas, Missouri, Nevada and Wisconsin. These lawsuits were filed in the aftermath of the California energy crisis in 2000 and 2001 and the resulting FERC investigations and relate to alleged conduct to increase natural gas prices in violation of antitrust and similar laws. The lawsuits seek treble or punitive damages, restitution and/or expenses. The lawsuits also name as parties a number of energy companies unaffiliated with NRG. In July 2011, the United States District Court for the District of Nevada, which is handling four of the five cases, granted the defendants' motion for summary judgment and dismissed all claims against GenOn in those cases. The plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit. The Ninth Circuit has reversed the decision of the United States District Court for the District of Nevada. In September 2012, the State of Nevada Supreme Court, which is handling the remaining case, affirmed dismissal by the Eighth Judicial District Court for Clark County, Nevada of all plaintiffs' claims against GenOn. In February 2013, the plaintiffs filed a petition for certiorari to the United States Supreme Court. GenOn has agreed to indemnify CenterPoint against certain losses relating to these lawsuits.

New Source Review Matters

The EPA and various states are investigating compliance of coal and oil-fueled electric generating facilities with the pre-construction permitting requirements of the CAA known as “new source review.” Since 2000, the EPA has made information requests concerning several of the Company's plants. The Company continues to correspond with the EPA regarding some of these requests. The EPA agreed to share information relating to its investigations with state environmental agencies. In 2005 and 2006, the Company received an NOV from the EPA alleging that past work at Big Cajun II violated regulations regarding new source review. In January 2009, the EPA issued an NOV alleging that past work at the Shawville, Portland and Keystone generating facilities violated regulations regarding new source review. In June 2011, the EPA issued an NOV alleging that past work at the Niles and Avon Lake generating facilities

violated regulations regarding new source review. In April 2013, the Connecticut Department of Energy and Environmental Protection issued four NOVs alleging that past work at combustion turbines at three of the Company's Connecticut Jet Power facilities and Middletown violated regulations regarding new source review.
In December 2007, the NJDEP sued GenOn in the United States District Court for the Eastern District of Pennsylvania, alleging that new source review violations occurred at the Portland generating facility. The suit seeks installation of BACT for each pollutant, to enjoin GenOn from operating the generating facility if it is not in compliance with the CAA and civil penalties. The suit also named past owners of the plant as defendants, but the claims against the past owners have since been dismissed. In March 2009, the Connecticut Department of Environmental Protection became an intervening party to the suit. The Company believes that the work listed by the EPA and the work subject to the NJDEP suit were conducted in compliance with applicable regulations. The parties appeared for mediation before the magistrate judge on April 10, 2013. The parties reached a settlement in principle of this matter on that date, which has not yet been finalized.

In addition, the NJDEP filed two administrative petitions with the EPA in 2010 alleging that the Portland generating facility's emissions were significantly contributing to nonattainment and/or interfering with the maintenance of certain NAAQS in New Jersey. In November 2011, the EPA published a final rule in response to one of the petitions that will require the two coal-fired units to reduce maximum allowable SO2 emissions by about 60% starting in January 2013 and by about 80% starting in January 2015. In January 2012, the Company challenged the rule in the United States Court of Appeals for the Third Circuit. If the rule is not vacated or otherwise modified by the court, the Company has several compliance options in 2013 and 2014 that include using lower sulfur coals (although this may at times reduce how much the Company is able to generate) or running just one unit at a time. Starting in January 2015, these units will be subject to more stringent rate limits, which will require either material capital expenditures and higher operating costs or the retirement of these two units.

Cheswick Class Action Complaint

In April 2012, a putative class action lawsuit was filed in the Court of Common Pleas of Allegheny County, Pennsylvania alleging that emissions from the Cheswick generating facility have damaged the property of neighboring residents. The Company disputes these allegations. Plaintiffs have brought nuisance, negligence, trespass and strict liability claims seeking both damages and injunctive relief. Plaintiffs seek to certify a class that consists of people who own property or live within one mile of the Company's plant. In July 2012, the Company removed the lawsuit to the United States District Court for the Western District of Pennsylvania. In October 2012, the court granted the Company's motion to dismiss, which Plaintiffs have appealed to the U.S. Court of Appeals for the Third Circuit.

Cheswick Monarch Mine NOV

In 2008, the Pennsylvania Department of Environmental Protection, or PADEP, issued an NOV related to the Monarch mine located near the Cheswick generating facility. It has not been mined for many years. The Company uses it for disposal of low-volume wastewater from the Cheswick generating facility and for disposal of leachate collected from ash disposal facilities. The NOV addresses the alleged requirement to maintain a minimum pumping volume from the mine. The PADEP indicated it may assess a civil penalty in excess of $100,000. The Company contests the allegations in the NOV and has not agreed to such penalty. The Company is currently planning capital expenditures in connection with wastewater from Cheswick and leachate from ash disposal facilities.

Ormond Beach Alleged Federal Clean Water Act Violations

In October 2012, the Wishtoyo Foundation, a California-based cultural and environmental advocacy organization, through its Ventura Coastkeeper Program, filed suit in the United States District Court for the Central District of California regarding alleged violations of the CWA associated with discharges of stormwater from the Ormond Beach generating facility. The Wishtoyo Foundation alleges that elevated concentrations of pollutants in stormwater discharged from the Ormond Beach generating facility are affecting adjacent aquatic resources in violation of (a) the Statewide General Industrial Stormwater permit (a general National Pollution Discharge Elimination System permit issued by the California State Water Resources Control Board that authorizes stormwater discharges from industrial facilities in California) and (b) the state's Porter-Cologne Water Quality Control Act. The Wishtoyo Foundation further alleges that the Company has not implemented effective stormwater control and treatment measures and that the Company has not complied with the sampling and reporting requirements of the General Industrial Stormwater permit. The Company has signed a consent decree that, if entered by the court, would settle this matter and obligate the Company to make operational changes and pay $79,000 in legal fees, $65,000 for supplemental environmental projects and $15,000 for monitoring costs.

Maryland Fly Ash Facilities

The Company has three fly ash facilities in Maryland: Faulkner, Westland and Brandywine. Fly ash from the Morgantown and Chalk Point generating facilities is disposed of at Brandywine. Fly ash from the Dickerson generating facility is disposed of at Westland. Fly ash is no longer disposed of at the Faulkner facility. As described below, the MDE had sued GenOn MD Ash Management and GenOn Mid-Atlantic regarding Faulkner, Brandywine and Westland. The MDE also had threatened not to renew the water discharge permits for all three facilities.

Faulkner Litigation — In May 2008, the MDE sued GenOn MidAtlantic and GenOn MD Ash Management in the Circuit Court for Charles County, Maryland alleging violations of Maryland's water pollution laws at Faulkner. The MDE contended that the operation of Faulkner had resulted in the discharge of pollutants that exceeded Maryland's water quality criteria and without the appropriate NPDES permit. The MDE also alleged that GenOn failed to perform certain sampling and reporting required under an applicable NPDES permit. The MDE complaint requested that the court (i) prohibit continuation of the alleged unpermitted discharges, (ii) require GenOn to cease from further disposal of any coal combustion byproducts at Faulkner and close and cap the existing disposal cells and (iii) assess civil penalties. In July 2008, GenOn filed a motion to dismiss the complaint, arguing that the discharges are permitted by a December 2000 Consent Order. In January 2011, the MDE dismissed without prejudice its complaint and informed GenOn that it intended to file a similar lawsuit in federal court. In May 2011, the MDE filed a complaint against GenOn Mid-Atlantic and GenOn MD Ash Management in the U.S. District Court for the District of Maryland alleging violations at Faulkner of the Clean Water Act and Maryland's Water Pollution Control Law. The MDE contends that (i) certain of GenOn's water discharges are not authorized by the existing permit and (ii) operation of the Faulkner facility has resulted in discharges of pollutants that violate water quality criteria. The complaint asked the court to, among other things, (i) enjoin further disposal of coal ash; (ii) enjoin discharges that are not authorized by the existing permit; (iii) require numerous technical studies; (iv) impose civil penalties and (v) award MDE attorneys' fees. The Company disputed these allegations.

Brandywine Litigation — In April 2010, the MDE filed a complaint against GenOn MidAtlantic and GenOn MD Ash Management in the United States District Court for the District of Maryland asserting violations at Brandywine of the CWA and Maryland's Water Pollution Control Law. The MDE contended that the operation of Brandywine has resulted in discharges of pollutants that violate Maryland's water quality criteria. The complaint requested that the court, among other things, (i) enjoin further disposal of coal combustion waste at Brandywine, (ii) require the existing open disposal cells to be closed and capped within one year, (iii) impose civil penalties and (iv) award MDE attorneys' fees. The Company disputed the allegations. In September 2010, four environmental advocacy groups became intervening parties in the proceeding.

Westland Litigation — In January 2011, the MDE informed GenOn that it intended to sue for alleged violations at Westland of Maryland's water pollution laws, which suit was filed in United States District Court for the District of Maryland in December 2012.

Permit Renewals — In March 2011, the MDE tentatively determined to deny the GenOn application for the renewal of the water discharge permit for Brandywine, which could have resulted in a significant increase in operating expenses for the Company's Chalk Point and Morgantown generating facilities. The MDE also had indicated that it was planning to deny the Company's applications for the renewal of the water discharge permits for Faulkner and Westland. Denial of the renewal of the water discharge permit for the latter facility could have resulted in a significant increase in operating expenses for the Dickerson generating facility.

Settlement — In June 2011, the MDE agreed to stay the litigation related to Faulkner and Brandywine, not to pursue its tentative denial of the Brandywine water discharge permit and not to act on renewal applications for Faulkner or Westland while settlement discussions occurred. As a condition to obtaining the stay, GenOn agreed in principle to pay a civil penalty of $1.9 million if the matters were settled. In 2012, GenOn agreed to pay an additional $0.6 million (for agreed prospective penalties while the settlement is implemented) if a comprehensive settlement were reached. The Company believes it is adequately reserved for such settlement. GenOn also developed a technical solution, which includes installing synthetic caps on the closed cells of each of the three ash facilities, for which $47 million has been reserved. At this time, the Company cannot reasonably estimate the upper range of its obligation for remediating the sites the Company has not: (i) finished assessing each site including identifying the full impacts to both ground and surface water and the impacts to the surrounding habitat; (ii) finalized with the MDE the standards to which it must remediate; and (iii) identified the technologies required, if any, to meet the yet to be determined remediation standards at each site nor the timing of the design and installation of such technologies. A hearing was held on March 18, 2013 on entry of the Consent Decree. In April 2013, GenOn MD Ash Management and MDE signed a slightly revised Consent Decree, which was approved by the court on April 30, 2013. Accordingly, these issues have been resolved.

Energy Plus Holdings, LLC Purported Class Actions

Energy Plus Holdings, LLC is a defendant in six purported class action lawsuits, two in New York, two in New Jersey, and two in Pennsylvania. On February 28, 2013, Energy Plus entered into a settlement agreement with plaintiffs which resolves all of the claims in the six pending suits, subject to court approval. On March 26, 2013, the United States District Court, Southern District of New York entered an order preliminarily approving the settlement and scheduling a final approval hearing for July 16, 2013. Energy Plus continues to cooperate with the Connecticut Attorney General and Office of Consumer Counsel and the State of New York Office of Attorney General to resolve issues related to Energy Plus's sales, marketing and business practices raised by the class actions. Energy Plus and the Connecticut Attorney General and Office of Consumer Counsel have been involved in settlement discussions and their efforts to reach a resolution continue.

Purported Class Actions related to July 22, 2012 Announcement of NRG/GenOn Merger Agreement
NRG has been named as a defendant in eight purported class actions pending in Texas and Delaware, related to its announcement of its agreement to acquire all outstanding shares of GenOn. These cases have been consolidated into one state court case in each of Delaware and Texas and a federal court case in Texas. The plaintiffs generally allege breach of fiduciary duties, as well as conspiracy, aiding and abetting breaches of fiduciary duties. Plaintiffs are generally seeking to: be certified as a class; enjoin the merger; direct the defendant to exercise their fiduciary duties; rescind the acquisition and be awarded attorneys' fees costs and other relief that the court deems appropriate. Plaintiffs also demanded that there be additional disclosures regarding the merger terms. On October 24, 2012, the parties to the Delaware state court case executed a Memorandum of Understanding to resolve the Delaware purported class action lawsuit. In March 2013, the parties finalized the settlement of the Delaware action. The hearing on the class action settlement of the Delaware action is scheduled for June 3, 2013.
Notice of Intent to File Citizens Suit - Chalk Point, Dickerson and Morgantown
On January 25, 2013, Food & Water Watch, the Patuxent Riverkeeper and the Potomac Riverkeeper, or the Citizens Group, sent NRG a letter alleging that the Chalk Point, Dickerson and Morgantown generating facilities were violating the terms of the three National Pollution Discharge Elimination System Permits by discharging nitrogen and phosphorous in excess of the limits in each permit. The Citizens Group threatens to bring a lawsuit if the Company does not bring itself into compliance within 60 days of the letter. The Citizens Group said it intended to seek civil penalties and injunctive relief against the Company if they file a lawsuit. On March 21, 2013 the MDE sent the Company a similar letter with respect to the Chalk Point and Dickerson facilities, threatening to sue within 60 days if the Company does not bring itself into compliance.
Note 14 — Regulatory Matters
NRG operates in a highly regulated industry and is subject to regulation by various federal and state agencies. As such, NRG is affected by regulatory developments at both the federal and state levels and in the regions in which NRG operates. In addition, NRG is subject to the market rules, procedures, and protocols of the various ISO markets in which NRG participates. These power markets are subject to ongoing legislative and regulatory changes that may impact NRG's wholesale and retail businesses.
In addition to the regulatory proceedings noted below, NRG and its subsidiaries are a party to other regulatory proceedings arising in the ordinary course of business or have other regulatory exposure. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.
East Region
Reliability Must Run Agreements for Elrama and Niles — In May 2012, GenOn filed with the FERC an RMR rate schedule governing operation of unit 4 of the Elrama generating facility and unit 1 of the Niles generating facility. PJM determined that each of these units was needed past their planned deactivation date of June 1, 2012 to maintain transmission system reliability on the PJM system pending the completion of transmission upgrades. The RMR rate schedule sets forth the terms, conditions and cost-based rates under which GenOn operated the units for reliability purposes through September 30, 2012, the date PJM indicated the units would no longer be needed for reliability. In July 2012, the FERC accepted GenOn's RMR rate schedule subject to hearing and settlement procedures. In the settlement discussions ordered by the FERC or in any subsequent hearing, the Company's RMR rate schedule may be modified from that which was filed. The rates GenOn charged are subject to refund pending a ruling or settlement. We anticipate filing a partial settlement of all outstanding issues in May 2013. Any eventual settlement must be approved by the FERC.
Retail
Midwest ISO SECA — Green Mountain Energy previously provided competitive retail energy supply in the Midwest ISO region during the relevant period of January 1, 2002, to December 31, 2005. By order dated November 18, 2004, the FERC eliminated certain regional through-and-out transmission rates charged by transmission owners in MISO and PJM. In order to temporarily compensate the transmission owners for lost revenues, FERC ordered MISO, PJM and their respective transmission owners to revamp the way that ISOs manage certain cross-system congestion costs, known as Seams Elimination Charge/Cost Adjustments/Assignments, or SECA, charges effective December 1, 2004,

through March 31, 2006. The tariff amendments filed by MISO and the MISO transmission owners allocated certain SECA charges to various zones and sub-zones within MISO, including a sub-zone called the Green Mountain Energy Company Sub-zone. During several years of extensive litigation before the FERC, several transmission owners sought to recover SECA charges from Green Mountain Energy. Green Mountain Energy denied responsibility for any SECA charges and did not pay any asserted SECA charges.

On May 21, 2010, the FERC issued two orders, including its Order on Initial Decision, in which the FERC determined that approximately $22 million plus interest of SECA charges were owed not by Green Mountain Energy but rather by BP Energy - one of Green Mountain Energy's suppliers during the period at issue. On August 19, 2010, the transmission owners and MISO made compliance filings in accordance with the FERC's Orders allocating SECA charges to a BP Energy Sub-zone, and making no allocation to a Green Mountain Energy sub-zone. The FERC has not yet ruled on those compliance filings.

On September 30, 2011, the FERC issued orders denying all requests for rehearing and again determined that SECA charges were not owed by Green Mountain Energy. Numerous parties, including BP Energy, sought judicial review of the FERC's orders, and Green Mountain Energy was granted intervenor status in the consolidated appeals. Most appellants subsequently settled with the transmission owners and withdrew their appeals, including BP Energy, which agreed to pay approximately $24 million to the three transmission owners signing the agreement, with another $1 million offered to the remaining PJM transmission owners, should they choose to join the settlement; all chose to do so. FERC approved the settlement, and BP Energy moved to dismiss its appeals; its motions to dismiss were granted by the Court.

West Region

California Station Power — On December 18, 2012, in Calpine Corporation v. FERC, the U.S. Court of Appeals for the D.C. Circuit upheld a decision by the FERC disclaiming jurisdiction over how the states impose retail station power charges. The CPUC may now establish retail charges for future station power consumption. Due to reservation-of-rights language in the California utilities' state-jurisdictional station power tariffs, the Court's ruling arguably requires California generators to pay state-imposed retail charges back to the date of enrollment by the facilities in the CAISO's station period program (February 1, 2009, for the Company's Encina and El Segundo facilities; March 1, 2009, for the Company's Long Beach facility).

On November 18, 2011, Southern California Edison Company filed with the CPUC, seeking authorization to begin charging generators station power charges, and to assess such charges retroactively, which the Company and other generators have challenged. On August 13, 2012, the CPUC Energy Division issued a draft resolution in which it rejected the Company's arguments and approved Southern California Edison's proposed station power charges, including retroactive implementation, but proposing a credit to generators for some portion of their retail station power bill. However, the CPUC withdrew the draft resolution from the calendar and consideration of the measure has not yet been rescheduled. The Company believes it has established an appropriate reserve.

Note 15 — Environmental Matters

NRG is subject to a wide range of environmental regulations in the development, ownership, construction and operation of projects in the United States and Australia. These laws and regulations generally require that governmental permits and approvals be obtained before construction and during operation of power plants. Environmental regulations have become increasingly stringent and NRG expects this trend to continue. The electric generation industry is likely to face new requirements to address various emissions, including greenhouse gases, as well as combustion byproducts, water discharge and use, and threatened and endangered species. In general, future laws and regulations are expected to require the addition of emissions controls or other environmental quality equipment or the imposition of certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's operations.

Environmental Capital Expenditures

Based on current rules, technology and preliminary plans based on some proposed rules, NRG estimates that environmental capital expenditures from 2013 through 2017 required to comply with environmental laws will be approximately $528 million, consisting of $317 million for legacy NRG facilities and $211 million for GenOn facilities. These costs are primarily associated with controls to satisfy the MATS and recent NSR settlement at Big Cajun II and MATS at W.A. Parish, Limestone, and Conemaugh and NO_x controls for Sayreville and Gilbert. The decrease from NRG's previous estimate is related to changes in technology related to complying with MATS and the NSR settlement at Big Cajun II, and the selection of more cost-effective environmental compliance solutions at Cheswick. NRG continues to explore cost-effective compliance alternatives to further reduce costs.

NRG's contracts with the Company's rural electric cooperative customers in the South Central region allow for recovery of a portion of the region's environmental capital costs incurred as the result of complying with any change in environmental law. Cost recoveries begin once the environmental equipment becomes operational and include a return on capital. The actual recoveries will depend, among other things, on the timing of the completion of the capital projects and the remaining duration of the contracts.

The EPA released CSAPR on July 7, 2011, which was scheduled to replace CAIR on January 1, 2012. On August 21, 2012, the U.S. Court of Appeals for the D.C. Circuit issued an opinion vacating CSAPR and keeping CAIR in place until the EPA can replace it. The EPA has petitioned the Supreme Court seeking review of this decision. This decision was beneficial to the Company as it eliminated an SO_2 allowance reduction which was to have occurred before the MATS compliance date. While NRG is unable to predict the final outcome of the replacement rule, the Company's investment in pollution controls and cleaner technologies coupled with planned strategic plant retirements positions the fleet for compliance.

East Region

The EPA and various states are investigating compliance of coal-fueled electric generating facilities with the pre-construction permitting requirements of the CAA known as “new source review,” or NSR. In January 2009, GenOn received an NOV from the EPA alleging that past work at Keystone, Portland and Shawville generating facilities violated regulations regarding NSR. In June 2011, GenOn received an NOV from the EPA alleging that past work at Avon Lake and Niles generating stations violated NSR. In December 2007, the NJDEP filed suit alleging that NSR violations occurred at the Portland generating station. NRG believes the suits are without merit and the subject work was conducted in compliance with applicable regulations. All but the Keystone generating units are scheduled for retirement by April 2015. Additionally, in April 2013, the Connecticut Department of Energy and Environmental Protection issued four NOVs alleging that past work at oil-fired combustion turbines at the Torrington Terminal, Franklin, Branford and Middletown violated regulations regarding NSR.

In 2008, the PADEP issued an NOV related to the inactive Monarch mine where low-volume wastewater from the Cheswick Generating Station and ash leachate was historically disposed. Resolution of the NOV could result in operational requirements such as pumping a minimum volume of water from the mine and a penalty in excess of $100,000.

In January 2006, NRG's Indian River Operations, Inc. received a letter of informal notification from DNREC stating that it may be a potentially responsible party with respect to Burton Island Old Ash Landfill, a historic captive landfill located at the Indian River facility. On October 1, 2007, NRG signed an agreement with DNREC to investigate the site through the Voluntary Clean-up Program. On February 4, 2008, DNREC issued findings that no further action is required in relation to surface water and that a previously planned shoreline stabilization project would satisfactorily address shoreline erosion. The landfill itself required a Remedial Investigation and Feasibility Study to determine the type and scope of any additional required work. The DNREC approved the Feasibility Study in December 2012 and a proposed Plan of Remediation is under development at the DNREC. A final remedy based on the approved study should be consistent with the NRG reserve and should not be material. On May 29, 2008, DNREC requested that NRG's Indian River Operations, Inc. participate in the development and performance of a Natural Resource Damage Assessment, or NRDA, at the Burton Island Old Ash Landfill. NRG is currently working with DNREC and other trustees to close out the assessment process.

The MDE sued GenOn for alleged violations of water pollution laws at three fly ash disposal sites in Maryland: Falkner (2008/2011), Brandywine (2010), and Westland (2012). On April 30, 2013, the court approved the consent decree resolving these issues. GenOn has since discontinued use of the Faulkner disposal site and opened a new, state of the art carbon burnout facility at its Morgantown plant that allows greater beneficial reuse (as a cement substitute). For further discussion of these matters, refer to Note 13, Commitments and Contingencies.

South Central Region

In 2009, the U.S. DOJ, on behalf of the EPA, and later the Louisiana Department of Environmental Quality on behalf of the state of Louisiana, sued LaGen in federal district court in the Middle District of Louisiana alleging violations of the CAA at the Big Cajun II power plant. On March 6, 2013, the court entered a Consent Decree resolving the matter. In addition to a fine of $3.5 million and mitigation projects totaling $10.5 million, the terms of the agreement include: (a) annual emission caps for NO_x and SO_2; (b) installation of SNCRs on Units 1, 2 and 3 by May 1, 2014; (c) installation of DSI on Unit 1 by April 15, 2015 followed by a further reduction in SO_2 in March 2025; (d) conversion of Unit 2 to gas; and (e) surrender of any excess allowances associated with the NRG owned portion of the plant. For further discussion of this matter, please refer to Note 13, Commitments and Contingencies.

Note 16 — Condensed Consolidating Financial Information

As of March 31, 2013, the Company had outstanding $5.7 billion of Senior Notes due from 2018 - 2023, as shown in Note 7, Debt and Capital Leases. These Senior Notes are guaranteed by certain of NRG's current and future 100% owned domestic subsidiaries, or guarantor subsidiaries. These guarantees are both joint and several. The non-guarantor subsidiaries include all of NRG's foreign subsidiaries and certain domestic subsidiaries, including GenOn and its subsidiaries.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of March 31, 2013:

Allied Home Warranty GP LLC	NEO Corporation	NRG Power Marketing LLC
Allied Warranty LLC	NEO Freehold-Gen LLC	NRG Reliability Solutions LLC
Arthur Kill Power LLC	NEO Power Services Inc.	NRG Renter's Protection LLC
Astoria Gas Turbine Power LLC	New Genco GP, LLC	NRG Retail LLC
Cabrillo Power I LLC	Norwalk Power LLC	NRG Rockford Acquisition LLC
Cabrillo Power II LLC	NRG Affiliate Services Inc.	NRG Saguaro Operations Inc.
Carbon Management Solutions LLC	NRG Artesian Energy LLC	NRG Security LLC
Clean Edge Energy LLC	NRG Arthur Kill Operations Inc.	NRG Services Corporation
Conemaugh Power LLC	NRG Astoria Gas Turbine Operations Inc.	NRG SimplySmart Solutions LLC
Connecticut Jet Power LLC	NRG Bayou Cove LLC	NRG South Central Affiliate Services Inc.
Cottonwood Development LLC	NRG Cabrillo Power Operations Inc.	NRG South Central Generating LLC
Cottonwood Energy Company LP	NRG California Peaker Operations LLC	NRG South Central Operations Inc.
Cottonwood Generating Partners I LLC	NRG Cedar Bayou Development Company, LLC	NRG South Texas LP
Cottonwood Generating Partners II LLC	NRG Connecticut Affiliate Services Inc.	NRG Texas C&I Supply LLC
Cottonwood Generating Partners III LLC	NRG Construction LLC	NRG Texas Holding Inc.
Cottonwood Technology Partners LP	NRG Development Company Inc.	NRG Texas LLC
Devon Power LLC	NRG Devon Operations Inc.	NRG Texas Power LLC
Dunkirk Power LLC	NRG Dispatch Services LLC	NRG Unemployment Protection LLC
Eastern Sierra Energy Company LLC	NRG Dunkirk Operations Inc.	NRG Warranty Services LLC
El Segundo Power, LLC	NRG El Segundo Operations Inc.	NRG West Coast LLC
El Segundo Power II LLC	NRG Energy Labor Services LLC	NRG Western Affiliate Services Inc.
Elbow Creek Wind Project LLC	NRG Energy Services Group LLC	O'Brien Cogeneration, Inc. II
Energy Alternatives Wholesale LLC	NRG Energy Services LLC	ONSITE Energy, Inc.
Energy Plus Holdings LLC	NRG Generation Holdings, Inc.	Oswego Harbor Power LLC
Energy Plus Natural Gas LLC	NRG Home & Business Solutions LLC	RE Retail Receivables, LLC
Energy Protection Insurance Company	NRG Home Solutions LLC	Reliant Energy Northeast LLC
Everything Energy LLC	NRG Home Solutions Product LLC	Reliant Energy Power Supply, LLC
GCP Funding Company, LLC	NRG Homer City Services LLC	Reliant Energy Retail Holdings, LLC
Green Mountain Energy Company	NRG Huntley Operations Inc.	Reliant Energy Retail Services, LLC
Green Mountain Energy Company (NY Com) LLC	NRG Identity Protect LLC	RERH Holdings, LLC
	NRG Ilion Limited Partnership	Saguaro Power LLC
Green Mountain Energy Company (NY Res) LLC	NRG Ilion LP LLC	Somerset Operations Inc.
	NRG International LLC	Somerset Power LLC
Huntley Power LLC	NRG Maintenance Services LLC	Texas Genco Financing Corp.

Independence Energy Alliance LLC	NRG Mextrans Inc.	Texas Genco GP, LLC
Independence Energy Group LLC	NRG MidAtlantic Affiliate Services Inc.	Texas Genco Holdings, Inc.
Independence Energy Natural Gas LLC	NRG Middletown Operations Inc.	Texas Genco LP, LLC
Indian River Operations Inc.	NRG Montville Operations Inc.	Texas Genco Operating Services, LLC
Indian River Power LLC	NRG New Jersey Energy Sales LLC	Texas Genco Services, LP
Keystone Power LLC	NRG New Roads Holdings LLC	US Retailers LLC
Langford Wind Power, LLC	NRG North Central Operations Inc.	Vienna Operations Inc.
Lone Star A/C & Appliance Repair LLC	NRG Northeast Affiliate Services Inc.	Vienna Power LLC
Louisiana Generating LLC	NRG Norwalk Harbor Operations Inc.	WCP (Generation) Holdings LLC
Meriden Gas Turbines LLC	NRG Operating Services, Inc.	West Coast Power LLC
Middletown Power LLC	NRG Oswego Harbor Power Operations Inc.	
Montville Power LLC	NRG PacGen Inc.	

NRG conducts much of its business through and derives much of its income from its subsidiaries. Therefore, the Company's ability to make required payments with respect to its indebtedness and other obligations depends on the financial results and condition of its subsidiaries and NRG's ability to receive funds from its subsidiaries. Except for NRG Bayou Cove, LLC, which is subject to certain restrictions under the Company's Peaker financing agreements, there are no restrictions on the ability of any of the guarantor subsidiaries to transfer funds to NRG. In addition, there may be restrictions for certain non-guarantor subsidiaries.

The following condensed consolidating financial information presents the financial information of NRG Energy, Inc., the guarantor subsidiaries and the non-guarantor subsidiaries in accordance with Rule 3-10 under the Securities and Exchange Commission's Regulation S-X. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor subsidiaries or non-guarantor subsidiaries operated as independent entities.

In this presentation, NRG Energy, Inc. consists of parent company operations. Guarantor subsidiaries and non-guarantor subsidiaries of NRG are reported on an equity basis. For companies acquired, the fair values of the assets and liabilities acquired have been presented on a push-down accounting basis.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2013
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated Balance
	(In millions)				
Operating Revenues					
Total operating revenues	$1,590	$525	$—	$(34)	$2,081
Operating Costs and Expenses					
Cost of operations	1,258	527	7	(27)	1,765
Depreciation and amortization	204	91	3	—	298
Selling, general and administrative	115	54	67	(7)	229
Acquisition-related transaction and integration costs	—	19	13	—	32
Development activity expenses	—	4	12	—	16
Total operating costs and expenses	1,577	695	102	(34)	2,340
Operating Income/(Loss)	13	(170)	(102)	—	(259)
Other Income/(Expense)					
Equity in earnings/(losses) of consolidated subsidiaries	1	(4)	(157)	160	—
Equity in earnings of unconsolidated affiliates	1	2	—	—	3
Other income, net	1	2	1	—	4
Loss on debt extinguishment	—	—	(28)	—	(28)
Interest expense	(5)	(64)	(127)	—	(196)
Total other expense	(2)	(64)	(311)	160	(217)
Income/(Loss) Before Income Taxes	11	(234)	(413)	160	(476)
Income tax expense/(benefit)	21	(85)	(85)	—	(149)
Net Loss	(10)	(149)	(328)	160	(327)
Less: Net income attributable to noncontrolling interest	—	1	—	—	1
Net Loss attributable to NRG Energy, Inc.	$(10)	$(150)	$(328)	$ 160	$(328)

(a) All significant intercompany transactions have been eliminated in consolidation.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS
For the Three Months Ended March 31, 2013
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated Balance
	(In millions)				
Net Loss	$(10)	$(149)	$(328)	$ 160	$(327)
Other comprehensive (loss)/income, net of tax					
Unrealized (loss)/gain on derivatives, net	(9)	5	7	4	7
Foreign currency translation adjustments, net	—	—	—	—	—
Available-for-sale securities, net of income tax benefit	—	—	2	—	2
Defined benefit plan, net of income tax benefit	—	—	5	—	5
Other comprehensive (loss)/income	(9)	5	14	4	14
Comprehensive loss	(19)	(144)	(314)	164	(313)
Less: Comprehensive income attributable to noncontrolling interest	—	1	—	—	1
Comprehensive loss attributable to NRG Energy, Inc.	(19)	(145)	(314)	164	(314)
Dividends for preferred shares	—	—	2	—	2
Comprehensive loss available for common stockholders	$(19)	$(145)	$(316)	$ 164	$(316)

(a) All significant intercompany transactions have been eliminated in consolidation.

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
March 31, 2013
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated Balance
ASSETS	(In millions)				
Current Assets					
Cash and cash equivalents	$68	$ 1,140	$499	$ —	$ 1,707
Funds deposited by counterparties	—	105	—	—	105
Restricted cash	12	200	9	—	221
Accounts receivable, net	740	242	—	—	982
Inventory	446	460	(2)	—	904
Derivative instruments	2,344	514	—	(53)	2,805
Deferred income taxes	—	88	40	—	128
Cash collateral paid in support of energy risk management activities	301	154	—	—	455
Accounts receivable - affiliate	2,880	(105)	(2,737)	(33)	5
Prepayments and other current assets	115	573	39		