NRG ENERGY, INC.
Form 10-Q
May 06, 2014

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, 2014
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, 2014, there were 337,240,638 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, 2013, 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;
- The collateral demands of counterparties 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 its 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 renewable 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, realize cost savings and manage any acquired businesses; and
- NRG's ability to develop and maintain successful partnering relationships.

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:

2013 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2013
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
ASU	Accounting Standards Updates which reflect updates to the ASC
Baseload	Units expected to satisfy minimum baseload requirements for the system and produce electricity at an essentially constant rate and run continuously
BTU	British Thermal Unit
CAA	Clean Air Act
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, investment in acquisition opportunities, share repurchases and shareholder dividends
CCS-EOR	Carbon Capture and Sequestration with Enhanced Oil Recovery project
Cirro Energy	Cirro Energy, Inc.
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
EME	Edison Mission Energy
Energy Plus Holdings	Energy Plus Holdings LLC
EPA	U.S. 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
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 $1.9 billion outstanding unsecured senior notes consisting of $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
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

ISO	Independent System Operator
ITC	Investment Tax Credit
Kansas South	NRG Solar Kansas South LLC
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	NRG Marsh Landing, LLC (formerly known as 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
MISO	Midcontinent Independent 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
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
NOL	Net Operating Loss
NOV	Notice of Violation
NO_x	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG Yield	Reporting segment including the following projects: Alpine, Avenal, Avra Valley, AZ DG Solar, Blythe, Borrego, CVSR, GenConn, Marsh Landing, PFMG DG Solar, Roadrunner, South Trent and Thermal.
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
PADEP	Pennsylvania Department of Environmental Protection
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
Reliant Energy	Reliant Energy Retail Services, LLC
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	NRG's retail energy brands, including Cirro Energy, Reliant Energy, Green Mountain Energy, Energy Plus and NRG Residential Solutions
Revolving Credit Facility	The Company's $2.5 billion revolving credit facility due 2018, a component of the Senior Credit Facility
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must Run
RSS	Reliability Support Service
RTO	Regional Transmission Organization
Senior Credit Facility	NRG's senior secured facility, comprised of the Term Loan Facility and the Revolving Credit Facility
Senior Notes	The Company’s $6.4 billion outstanding unsecured senior notes, consisting of $1.1 billion of 7.625% senior notes due 2018, $299 million of 8.5% senior notes due 2019, $709 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, $990 million of 6.625% senior notes due 2023, and $1.1 billion of 6.25% senior notes due 2022
SO_2	Sulfur dioxide
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
Term Loan Facility	The Company's $2.0 billion term loan facility due 2018, a component of the Senior Credit Facility
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 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

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)	2014	2013
Operating Revenues		
Total operating revenues	$3,486	$2,081
Operating Costs and Expenses		
Cost of operations	2,733	1,753
Depreciation and amortization	335	307
Selling, general and administrative	226	227
Acquisition-related transaction and integration costs	12	42
Development activity expenses	19	18
Total operating costs and expenses	3,325	2,347
Gain on sale of assets	19	—
Operating Income/(Loss)	180	(266)
Other Income/(Expense)		
Equity in earnings of unconsolidated affiliates	7	3
Other income, net	11	4
Loss on debt extinguishment	(41)	(28)
Interest expense	(255)	(196)
Total other expense	(278)	(217)
Loss Before Income Taxes	(98)	(483)
Income tax benefit	(31)	(152)
Net Loss	(67)	(331)
Less: Net (loss)/income attributable to noncontrolling interest	(11)	1
Net Loss Attributable to NRG Energy, Inc.	(56)	(332)
Dividends for preferred shares	2	2
Loss Available for Common Stockholders	$(58)	$(334)
Loss Per Share Attributable to NRG Energy, Inc. Common Stockholders		
Weighted average number of common shares outstanding — basic and diluted	324	323
Net loss per weighted average common share — basic and diluted	$(0.18)	$(1.03)
Dividends Per Common Share	$0.12	$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,	
	2014	2013
	(In millions)	
Net Loss	$(67)	$(331)
Other Comprehensive Income, net of tax		
Unrealized (loss)/gain on derivatives, net of income tax (benefit)/expense of $(3) and $9	(9)	7
Foreign currency translation adjustments, net of income tax expense of $2 and $0	6	—
Available-for-sale securities, net of income tax expense of $2 and $1	6	2
Defined benefit plans, net of tax expense of $0 and $5	2	5
Other comprehensive income	5	14
Comprehensive Loss	(62)	(317)
Less: Comprehensive (loss)/income attributable to noncontrolling interest	(15)	1
Comprehensive Loss Attributable to NRG Energy, Inc.	(47)	(318)
Dividends for preferred shares	2	2
Comprehensive Loss Available for Common Stockholders	$(49)	$(320)

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	December 31, 2013
(In millions, except shares)	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$3,187	$2,254
Funds deposited by counterparties	4	63
Restricted cash	209	268
Accounts receivable — trade, less allowance for doubtful accounts of $32 and $40	1,149	1,214
Inventory	781	898
Derivative instruments	1,573	1,328
Cash collateral paid in support of energy risk management activities	687	276
Deferred income taxes	78	258
Renewable energy grant receivable	116	539
Prepayments and other current assets	599	498
Total current assets	8,383	7,596
Property, plant and equipment, net of accumulated depreciation of $6,885 and $6,573	19,644	19,851
Other Assets		
Equity investments in affiliates	462	453
Notes receivable, less current portion	69	73
Goodwill	2,038	1,985
Intangible assets, net of accumulated amortization of $1,248 and $1,977	1,300	1,140
Nuclear decommissioning trust fund	557	551
Derivative instruments	333	311
Deferred income taxes	1,416	1,202
Other non-current assets	759	740
Total other assets	6,934	6,455
Total Assets	$34,961	$33,902
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$685	$1,050
Accounts payable	1,082	1,038
Derivative instruments	1,504	1,055
Cash collateral received in support of energy risk management activities	4	63
Accrued expenses and other current liabilities	950	998
Total current liabilities	4,225	4,204
Other Liabilities		
Long-term debt and capital leases	16,803	15,767
Nuclear decommissioning reserve	298	294
Nuclear decommissioning trust liability	324	324
Deferred income taxes	24	22
Derivative instruments	257	195
Out-of-market contracts	1,157	1,177
Other non-current liabilities	1,230	1,201
Total non-current liabilities	20,093	18,980
Total Liabilities	24,318	23,184

3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)	249	249
Commitments and Contingencies		
Stockholders' Equity		
Common stock	4	4
Additional paid-in capital	7,842	7,840
Retained earnings	3,594	3,695
Less treasury stock, at cost — 77,275,933 and 77,347,528 shares, respectively	(1,940)	(1,942)
Accumulated other comprehensive income	10	5
Noncontrolling interest	884	867
Total Stockholders' Equity	10,394	10,469
Total Liabilities and Stockholders' Equity	$34,961	$33,902

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,	
	2014	2013
	(In millions)	
Cash Flows from Operating Activities		
Net loss	$(67)	(331)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	(2)	—
Depreciation and amortization	335	307
Provision for bad debts	21	9
Amortization of nuclear fuel	11	6
Amortization of financing costs and debt discount/premiums	(5)	(13)
Loss on debt extinguishment	19	2
Amortization of intangibles and out-of-market contracts	13	31
Amortization of unearned equity compensation	8	18
Changes in deferred income taxes and liability for uncertain tax benefits	(111)	(215)
Changes in nuclear decommissioning trust liability	5	10
Changes in derivative instruments	525	317
Changes in collateral deposits supporting energy risk management activities	(407)	(226)
Gain on sale of assets	(19)	—
Cash used by changes in other working capital	65	(39)
Net Cash Provided/(Used) by Operating Activities	391	(124)
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(218)	(18)
Capital expenditures	(237)	(813)
Decrease/(Increase) in restricted cash, net	3	(13)
Decrease in restricted cash to support equity requirements for U.S. DOE funded projects	56	12
Decrease/(Increase) in notes receivable	1	(9)
Investments in nuclear decommissioning trust fund securities	(188)	(95)
Proceeds from sales of nuclear decommissioning trust fund securities	183	85
Proceeds from renewable energy grants	387	16
Proceeds from sale of assets, net of cash disposed of	77	—
Cash proceeds to fund cash grant bridge loan payment	57	—
Other	3	(1)
Net Cash Provided/(Used) by Investing Activities	124	(836)
Cash Flows from Financing Activities		
Payment of dividends to common and preferred stockholders	(41)	(31)
Payment for treasury stock	—	(20)
Net (payments for)/receipts from settlement of acquired derivatives that include financing elements	(223)	98
Proceeds from issuance of long-term debt	1,564	736
Contributions and sale proceeds from noncontrolling interest in subsidiaries	9	20
Proceeds from issuance of common stock	3	1
Payment of debt issuance costs	(23)	(5)
Payments for short and long-term debt	(873)	(219)

Net Cash Provided by Financing Activities	416	580
Effect of exchange rate changes on cash and cash equivalents	2	—
Net Increase/(Decrease) in Cash and Cash Equivalents	933	(380)
Cash and Cash Equivalents at Beginning of Period	2,254	2,087
Cash and Cash Equivalents at End of Period	$3,187	$1,707

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 residential, industrial and commercial consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. NRG engages in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; the transacting in and trading of fuel and transportation services and the direct sale of energy, services, and innovative, sustainable products to retail customers. The Company sells retail electric products and services under the name "NRG" and various brands owned by NRG. Finally, NRG aspires to be a clean energy leader and is focused on the deployment and commercialization of potentially transformative technologies, like electric vehicles, Distributed Solar and smart meter/home automation technology that collectively have the potential to fundamentally change the nature of the power industry, including a substantial change in the role of the national electric transmission grid and distribution system.

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 financial statements in the Company's 2013 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, 2014, and the results of operations, comprehensive loss and cash flows for the three months ended March 31, 2014, and 2013.

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. Certain prior period depreciation amounts have been recast to revise provisional purchase accounting estimates for the GenOn acquisition.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassifications did not affect results from operations or cash flows.

Note 2 — Summary of Significant Accounting Policies

Other Cash Flow Information

NRG's investing activities exclude capital expenditures of $63 million which were accrued and unpaid at March 31, 2014.

Noncontrolling Interest

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

	(In millions)
Balance as of December 31, 2013	$867
Contributions from noncontrolling interest	17
Distributions to noncontrolling interest	(8)
Non-cash adjustments for equity component of NRG Yield, Inc. convertible notes	$23
Comprehensive loss attributable to noncontrolling interest	(15)
Balance as of March 31, 2014	$884

Recent Accounting Developments

The following accounting standard was issued in 2013 and was adopted on January 1, 2014:

•ASU 2013-11 - In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, or ASU No. 2013-11. The amendments of ASU 2013-11 require an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction of a deferred tax asset for a net operating loss, or NOL, a similar tax loss or tax credit carryforwards rather than a liability when the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and the entity intends to use the deferred tax asset for that purpose. The adoption of this standard did not impact the Company's results of operations or cash flows as the unrecognized tax benefits relate to state issues and the Company either has no NOL's or the NOL's are limited for that particular jurisdiction.

Note 3 — Business Acquisitions

The Company has completed the following business acquisitions which are material to the Company's financial statements:

Acquisition of Dominion's Electric Retail Business

On March 31, 2014, the Company acquired the retail electric business of Dominion Resources, Inc., or Dominion. The acquisition of Dominion's retail electricity business is expected to add approximately 500,000 customers in Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania and Texas, after customary transitions, to NRG's retail portfolio by the end of 2014. The acquisition supports NRG's ongoing efforts to expand the Company's retail footprint in the Northeast and to grow its retail position in Texas. The Company paid approximately $195 million as cash consideration for the acquisition, including $165 million of purchase price and $30 million paid for working capital balances, which was funded by cash on hand. The purchase price was provisionally allocated to the following: $50 million to accounts receivable-trade, $145 million to customer relationships, $10 million to current assets, $20 million to derivative assets and $30 million to current and non-current liabilities. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

EME Acquisition

On April 1, 2014, the Company acquired substantially all of the assets of Edison Mission Energy, or EME. EME, through its subsidiaries and affiliates, owned, operated, and leased a portfolio of approximately 8,000 MW consisting of wind energy facilities and coal- and gas-fired generating facilities. The Company paid an aggregate purchase price of $3.4 billion, which was comprised of the following:

	Original Purchase Price	Purchase Price on Acquisition Date
Cash and equivalents [(a)]	2,285	3,021
Common shares [(b)]	350	401
Total purchase price	$2,635	$3,422
Less: cash acquired		1,422
Net purchase price		$2,000

(a) The increase in cash paid relates to an increase in acquired cash on hand as well as changes in cash collateral, restricted cash and cash related to unconsolidated subsidiaries. It also reflects lease and debt payments in 2014.

(b) The increase in the value of the common shares reflects an increase in trading price of NRG common shares between October 18, 2013 and April 1, 2014. The shares of NRG common stock were given a value of $350 million in determining the cash purchase price, which was based upon the volume-weighted average trading price over the 20 trading days prior to October 18, 2013.

The purchase price was funded through the issuance of 12,671,977 shares of NRG common stock on April 1, 2014, the issuance of $700 million in newly-issued corporate debt, as described in Note 7, Debt and Capital Leases, and cash on hand. The Company also assumed non-recourse debt of approximately $1.2 billion.

In connection with the transaction, NRG agreed to certain conditions with the parties to the Powerton and Joliet, or POJO, sale-leaseback transaction subject to which an NRG subsidiary assumed the POJO leveraged leases and NRG guaranteed the remaining payments under each lease, which total $485 million through 2034. In connection with this agreement, NRG has committed to fund up to $350 million in capital expenditures for plant modifications at Powerton and Joliet to comply with MATS.

The acquisition was recorded as a business combination under ASC 805, 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 evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. 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.

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The purchase price of $3.4 billion was provisionally allocated as follows:

	(In millions)
Assets	
Cash	$1,422
Current assets	502
Property, plant and equipment	2,576
Intangible assets	1,062
Non-current assets	655
Total assets acquired	6,217
Liabilities	
Current and non-current liabilities	905
Out-of-market contracts and leases	288
Long-term debt	1,249
Total liabilities assumed	2,442
Less: noncontrolling interest	354
Net assets acquired	$3,421

The Company incurred and expensed acquisition-related transaction and integration costs of $3 million in the quarter ended March 31, 2014.

Fair value measurements

The provisional fair values of the property, plant and equipment, intangible assets and out-of-market contracts at the acquisition date were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Significant inputs were as follows:

Property, plant and equipment - The estimated fair values were determined primarily based on an income method using discounted cash flows and validated using a market approach based on recent transactions of comparable assets. The income approach was primarily relied upon as the forecasted cash flows more appropriately incorporate differences in regional markets, plant types, age, useful life, equipment condition and environmental controls of each asset. The income approach also allows for a more accurate reflection of current and expected market dynamics such as supply and demand, commodity prices and regulatory environment as of the acquisition date.

Intangible assets - The fair values of the power purchase agreements, or PPAs, acquired were determined utilizing a variation of the income approach where the expected future cash flows resulting from the acquired PPAs were reduced by operating costs and charges for contributory assets and then discounted to present value at the weighted average cost of capital of an integrated utility peer group adjusted for project-specific financing attributes. The values were corroborated with available market data.

Out-of-market lease contracts - The estimated fair values of the acquired leases were determined utilizing a variation of the income approach under which the fair value of the lease was determined by discounting the future lease payments at an appropriate discount rate and comparing it to the fair value of the property, plant and equipment being leased.

Supplemental Pro-forma Information

The following supplemental pro-forma information represents the results of operations as if NRG had acquired EME on January 1, 2013:

	For the quarter ended March 31, 2014	For the year ended December 31, 2013
	(in millions except per share amounts)	
Operating revenues	4,044	$12,598
Net loss attributable to NRG Energy, Inc.	(49)	(1,040)
Loss per share attributable to NRG common stockholders:		
Basic	$(0.15)	$(3.09)
Diluted	$(0.15)	$(3.09)

The supplemental pro-forma information has been adjusted to include the pro-forma impact of depreciation of property, plant and equipment, amortization of lease obligations and out-of-market contracts, based on the preliminary purchase price allocations. The pro-forma data has also been adjusted to eliminate non-recurring transaction costs incurred by NRG, as well as the related tax impact. There were no transactions during the periods between NRG and EME. The pro-forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings or any related integration costs. The Company expects to achieve certain cost savings from the acquisition; however, there can be no assurance that these cost savings will be achieved.

2013 Acquisitions

Energy Systems Acquisition

On December 31, 2013, NRG Energy Center Omaha Holdings, LLC, an indirect wholly owned subsidiary of NRG Yield LLC, acquired 100% of Energy Systems Company, or Energy Systems, for approximately $120 million. The acquisition was financed from cash on hand. Energy Systems is an operator of steam and chilled thermal facilities that provides heating and cooling services to nonresidential customers in Omaha, Nebraska. The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The purchase price was primarily allocated to property, plant and equipment of $60 million, customer relationships of $59 million, and working capital of $1 million. The initial accounting for the business combination is not complete because the evaluations necessary to assess the fair values of certain net assets acquired and the amount of goodwill to be recognized are still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

Gregory Acquisition

On August 7, 2013, NRG Texas Gregory, LLC, a wholly owned subsidiary of NRG, acquired Gregory Power Partners, L.P. for approximately $245 million in cash, net of $32 million cash acquired. Gregory is a cogeneration plant located in Corpus Christi, Texas, which has generation capacity of 388 MW and steam capacity of 160 MWt. The Gregory cogeneration plant provides steam, processed water and a small percentage of its electrical generation to the Corpus Christi Sherwin Alumina plant. The majority of the plant's generation is available for sale in the ERCOT market. The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The purchase price was provisionally allocated primarily to property, plant, and equipment of $248 million, current assets of $13 million, and other liabilities of $16 million. The initial accounting for the business combination is not complete because the evaluations necessary to assess the fair value of certain net assets acquired are still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

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 2013 Form 10-K.

For cash and cash equivalents, funds deposited by counterparties, accounts and other receivables, accounts payable, 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, 2014		As of December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable [(a)]	$97	$97	$99	$99
Liabilities:				
Long-term debt, including current portion	17,478	17,631	16,804	17,222

(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 2 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 sheets on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2014			
	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	$—	$—	$18	$18
Available-for-sale securities	8	—	—	8
Other [(a)]	22	—	11	33
Trust fund investments:				
Cash and cash equivalents	1	—	—	1
U.S. government and federal agency obligations	37	3	—	40
Federal agency mortgage-backed securities	—	62	—	62
Commercial mortgage-backed securities	—	25	—	25
Corporate debt securities	—	90	—	90
Equity securities	280	—	56	336
Foreign government fixed income securities	—	3	—	3
Other trust fund investments:				
U.S. government and federal agency obligations	1	—	—	1
Derivative assets:				
Commodity contracts	366	1,408	120	1,894
Interest rate contracts	—	12	—	12

Total assets	$715	$1,603	$205	$2,523
Derivative liabilities:				
Commodity contracts	$257	$1,337	$97	$1,691
Interest rate contracts	—	70	—	70
Total liabilities	$257	$1,407	$97	$1,761

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

	As of December 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	$—	$—	$16	$16
Available-for-sale securities	2	—	—	2
Other [(a)]	37	—	10	47
Trust fund investments:				
Cash and cash equivalents	26	—	—	26
U.S. government and federal agency obligations	40	5	—	45
Federal agency mortgage-backed securities	—	62	—	62
Commercial mortgage-backed securities	—	14	—	14
Corporate debt securities	—	70	—	70
Equity securities	276	—	56	332
Foreign government fixed income securities	—	2	—	2
Other trust fund investments:				
U.S. government and federal agency obligations	1	—	—	1
Derivative assets:				
Commodity contracts	346	1,126	147	1,619
Interest rate contracts	—	20	—	20
Total assets	$728	$1,299	$229	$2,256
Derivative liabilities:				
Commodity contracts	$216	$831	$134	$1,181
Interest rate contracts	—	69	—	69
Total liabilities	$216	$900	$134	$1,250

(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, 2014 and 2013 between Levels 1 and 2. The following tables reconcile, for the three months ended March 31, 2014 and 2013, 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, 2014				
(In millions)	Debt Securities	Other	Trust Fund Investments	Derivatives[(a)]	Total
Beginning balance as of December 31, 2013	$16	$10	$56	$ 13	$95
Total gains/(losses) — realized/unrealized:					
Included in earnings	—	1	—	16	17
Included in OCI	2	—	—	—	2
Purchases	—	—	—	(21)	(21)
Contracts acquired in Dominion acquisition	—	—	—	3	3
Transfers into Level 3 [(b)]	—	—	—	18	18
Transfers out of Level 3 [(b)]	—	—	—	(6)	(6)
Ending balance as of March 31, 2014	$18	$11	$56	$ 23	$108
Gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of	$—	$—	$—	$ 19	$19

March 31, 2014

(a) Consists of derivative 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.

	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 (losses)/gains — 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
Losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of March 31, 2013	$—	$—	$(21)	$(21)

(a) Consists of derivative 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 portion of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A majority 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. 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. As of March 31, 2014, contracts valued with prices provided by models and other valuation techniques make up 6% of the total derivative assets and 6% 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. As of March 31, 2014, the credit reserve was not a material amount. 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.

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 2013 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's counterparty credit risk policies are disclosed in its 2013 Form 10-K. As of March 31, 2014, counterparty credit exposure, excluding credit risk exposure under certain long term agreements, was $688 million and NRG held collateral (cash and letters of credit) against those positions of $24 million, resulting in a net exposure of $666 million. Approximately 82% of the Company's exposure before collateral is expected to roll off by the end of 2015. 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 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	41.3	%
Utilities, energy merchants, marketers and other	33.1	
ISOs	21.4	
Coal and emissions	4.2	
Total as of March 31, 2014	100	%

Category	Net Exposure [(a)] (% of Total)	
Investment grade	92.0	%
Non-rated [(b)]	7.0	
Non-investment grade	1.0	
Total as of March 31, 2014	100	%

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

(b) For non-rated counterparties, a significant portion 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, each of which, represent more than 10% of total net exposure discussed above. The aggregate of such counterparties' exposure was $218 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 PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company values 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, 2014, aggregate credit risk exposure managed by NRG to these counterparties was approximately $2.3 billion, including $627 million related to assets of NRG Yield, Inc., for the next five years. The majority of these power contracts are with utilities or public power entities with strong credit quality and public utility commission or other regulatory support. However, such regulated utility counterparties can be impacted by changes in government regulations, which NRG is unable to predict.

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 customers and the 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, 2014, the Company's retail customer credit exposure was diversified across many customers and various industries, as well as 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, 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, 2014				As of December 31, 2013			
(In millions, except otherwise noted)	Fair Value	Unrealized Gains	Unrealized Losses	Weighted-average Maturities (In years)	Fair Value	Unrealized Gains	Unrealized Losses	Weighted-average Maturities (In years)
Cash and cash equivalents	$1	$—	$—	—	$26	$—	$—	—
U.S. government and federal agency obligations	40	1	—	10	45	1	1	9
Federal agency mortgage-backed securities	62	1	1	24	62	1	1	24
Commercial mortgage-backed securities	25	—	—	30	14	—	—	29
Corporate debt securities	90	2	1	9	70	1	1	9
Equity securities	336	205	—	—	332	204	—	—
Foreign government fixed income securities	3	—	—	12	2	—	—	9
Total	$557	$209	$2		$551	$207	$3	

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,	
	2014	2013
	(In millions)	
Realized gains	$3	$1
Realized losses	1	1
Proceeds from sale of securities	183	85

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 2013 Form 10-K.

Energy-Related Commodities

As of March 31, 2014, NRG had energy-related derivative financial instruments extending through 2019. The Company voluntarily de-designated all remaining commodity cash flow hedges as of January 1, 2014, and prospectively marked these derivatives to market through the income statement.

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, 2014, the Company had interest rate derivative instruments on non-recourse debt extending through 2032, 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, 2014 and December 31, 2013. 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	
		March 31, 2014	December 31, 2013
Commodity	Units	(In millions)	
Emissions	Short Ton	2	—
Coal	Short Ton	50	51
Natural Gas	MMBtu	(111)	(166)
Oil	Barrel	1	1
Power	MWh	(35)	(27)
Interest	Dollars	$1,439	$1,444

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.

Fair Value of Derivative Instruments

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

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
	(In millions)			
Derivatives designated as cash flow hedges:				
Interest rate contracts current	$—	$—	$32	$35
Interest rate contracts long-term	8	14	31	29
Commodity contracts current	—	—	—	1
Commodity contracts long-term	—	—	—	1
Total derivatives designated as cash flow hedges	8	14	63	66
Derivatives not designated as cash flow hedges:				
Interest rate contracts current	—	—	5	4
Interest rate contracts long-term	4	6	2	1
Commodity contracts current	1,573	1,328	1,467	1,015
Commodity contracts long-term	321	291	224	164
Total derivatives not designated as cash flow hedges	1,898	1,625	1,698	1,184

Total derivatives	$1,906	$ 1,639	$1,761	$ 1,250

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			
As of March 31, 2014	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
	(In millions)			
Commodity contracts:				
Derivative assets	$1,894	$(1,501)	$—	$393
Derivative liabilities	(1,691)	1,501	38	(152)
Total commodity contracts	203	—	38	241
Interest rate contracts:				
Derivative assets	12	(8)	—	4
Derivative liabilities	(70)	8	—	(62)
Total interest rate contracts	(58)	—	—	(58)
Total derivative instruments	$145	$—	$38	$183

	Gross Amounts Not Offset in the Statement of Financial Position			
As of December 31, 2013	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
	(In millions)			
Commodity contracts:				
Derivative assets	$1,619	$(1,032)	$(62)	$525
Derivative liabilities	(1,181)	1,032	18	(131)
Total commodity contracts	438	—	(44)	394
Interest rate contracts:				
Derivative assets	20	(12)	—	8
Derivative liabilities	(69)	12	—	(57)
Total interest rate contracts	(49)	—	—	(49)
Total derivative instruments	$389	$—	$(44)	$345

Accumulated Other Comprehensive Loss

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

	Three months ended March 31, 2014		
	Energy Commodities	Interest Rate	Total
	(In millions)		
Accumulated OCI beginning balance	$(1)	$(22)	$(23)
Reclassified from accumulated OCI to income:			
Due to realization of previously deferred amounts	—	(1)	(1)
Mark-to-market of cash flow hedge accounting contracts	—	(8)	(8)
Accumulated OCI ending balance, net of $17 tax	$(1)	$(31)	$(32)
Losses expected to be realized from OCI during the next 12 months, net of $7 tax	$(1)	$(13)	$(14)

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

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. There was no ineffectiveness for the three months ended March 31, 2014.

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,	
	2014	2013
Unrealized mark-to-market results	(In millions)	
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	$3	$(25)
Reversal of gain positions acquired as part of the Reliant Energy, Green Mountain Energy and GenOn acquisitions	(78)	(88)
Net unrealized losses on open positions related to economic hedges	(193)	(149)
Losses on ineffectiveness associated with open positions treated as cash flow hedges	—	(1)
Total unrealized mark-to-market losses for economic hedging activities	(268)	(263)
Reversal of previously recognized unrealized gains on settled positions related to trading activity	—	(28)
Reversal of gain positions acquired as part of the GenOn acquisitions	(1)	(2)
Net unrealized gains/(losses) on open positions related to trading activity	16	(13)
Total unrealized mark-to-market gains/(losses) for trading activity	15	(43)
Total unrealized losses	$(253)	$(306)

	Three months ended March 31,	
	2014	2013
	(In millions)	
Unrealized losses included in operating revenues	$(316)	$(521)
Unrealized gains included in cost of operations	63	215
Total impact to statement of operations — energy commodities	$(253)	$(306)
Total impact to statement of operations — interest rate contracts	$(4)	$2

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, 2014, the unrealized loss from open economic hedge positions was primarily the result of a decrease in value of forward sales of natural gas and electricity due to an increase in forward natural gas and electricity prices.

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 sales of natural gas and electricity due to an increase in forward natural gas and electricity prices.

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, 2014 was $55 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 $21 million as of March 31, 2014.

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 12, Debt and Capital Leases, to the Company's 2013 Form 10-K. Long-term debt and capital leases consisted of the following:

(In millions, except rates)	March 31, 2014	December 31, 2013	Current interest rate % [(a)]
Recourse debt:			
Senior notes, due 2018	$1,130	$1,130	7.625
Senior notes, due 2019	709	800	7.625
Senior notes, due 2019	296	602	8.500
Senior notes, due 2020	1,063	1,062	8.250
Senior notes, due 2021	1,128	1,128	7.875
Senior notes, due 2022	$1,100	—	6.250
Senior notes, due 2023	990	990	6.625
Term loan facility, due 2018	1,997	2,002	L+3.00/L+2.00
Indian River Power LLC, tax-exempt bonds, due 2040 and 2045	247	247	5.375 - 6.00
Dunkirk Power LLC, tax-exempt bonds, due 2042	59	59	5.875
Fort Bend County, tax-exempt bonds, due 2038, 2042, and 2045	67	67	4.750
Subtotal NRG recourse debt	8,786	8,087	
Non-recourse debt:			
GenOn senior notes, due 2017	778	782	7.875
GenOn senior notes, due 2018	774	780	9.500
GenOn senior notes, due 2020	618	621	9.875
GenOn Americas Generation senior notes, due 2021	501	503	8.500
GenOn Americas Generation senior notes, due 2031	434	435	9.125
Subtotal GenOn debt (non-recourse to NRG)	3,105	3,121	
NRG Marsh Landing, due 2017 and 2023	465	473	L+2.75 - 3.00
South Trent Wind LLC, due 2020	68	69	L+2.625
NRG Energy Center Minneapolis LLC, due 2017 and 2025	125	127	5.95 - 7.25
NRG Solar Alpine LLC, due 2022	158	221	L+2.50
NRG Solar Borrego I LLC, due 2024 and 2038	78	78	L+2.50/5.65
NRG Solar Avra Valley LLC, due 2031	62	63	L+2.25
NRG Yield Inc. Convertible Senior Notes, due 2019	323	—	3.5
NRG Yield - other	102	102	various
Subtotal NRG Yield debt (non-recourse to NRG)	1,381	1,133	
CVSR High Plains Ranch II LLC, due 2037	798	1,104	2.339 - 3.579
NRG West Holdings LLC, due 2023	520	512	L+2.50 - 2.875
Agua Caliente Solar LLC, due 2037	889	878	2.395 - 3.633
Ivanpah Financing, due 2014, 2015 and 2038	1,588	1,575	1.116 - 4.256
NRG Peaker Finance Co. LLC, bonds due 2019	127	154	L+1.07
TA - High Desert LLC, due 2014, 2023 and 2033	79	80	L+2.50/5.15
NRG Solar Kansas South LLC, due 2014 and 2031	58	58	L+2.00 - 2.625
NRG - other	146	102	various
Subtotal NRG non-recourse debt	4,205	4,463	
Subtotal non-recourse debt (including GenOn and NRG Yield)	8,691	8,717	
Subtotal long-term debt (including current maturities)	17,477	16,804	
Capital leases:			
Chalk Point capital lease, due 2015	9	10	8.190
Other	2	3	various

Subtotal long-term debt and capital leases (including current maturities)	17,488	16,817
Less current maturities	685	1,050
Total long-term debt and capital leases	$16,803	$15,767

(a) As of March 31, 2014, L+ equals 3 month LIBOR plus x%, with the exception of the NRG Solar Kansas South LLC cash grant bridge loan which are 1 month LIBOR plus x% and NRG Solar Kansas South LLC term loan which is 6 month LIBOR plus x%.

NRG Recourse Debt
Senior Notes
Issuance of 2024 Senior Notes
On April 21, 2014, NRG issued $1.0 billion in aggregate principal amount at par of 6.25% senior notes due 2024. The notes are senior unsecured obligations of NRG and are guaranteed by certain of its subsidiaries. Interest is payable semi-annually beginning on November 1, 2014, until the maturity date of May 1, 2024. The Company expects to utilize the proceeds to redeem all of the outstanding 8.5% and 7.625% 2019 Senior Notes, as described below.
In connection with the 2024 Senior Notes, NRG entered into a registration payment arrangement. For the first 90-day period immediately following a registration default, additional interest will be paid in an amount equal to 0.25% per annum of the principal amount of 2024 Senior Notes outstanding, as applicable. The amount of interest paid will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults are cured, up to a maximum amount of interest of 1.0% per annum of the principal amount of the 2024 Senior Notes outstanding, as applicable. The additional interest is paid on the next scheduled interest payment date and following the cure of the registration default, the additional interest payment will cease.
Issuance of 2022 Senior Notes
On January 27, 2014, NRG issued $1.1 billion in aggregate principal amount at par of 6.25% senior notes due 2022. The notes are senior unsecured obligations of NRG and are guaranteed by certain of its subsidiaries. Interest is payable semi-annually beginning on July 15, 2014, until the maturity date of July 15, 2022. The proceeds were utilized to redeem the 8.5% and 7.625% 2019 Senior Notes, as described below, and to fund the acquisition of EME, as further described in Note 3, Business Acquisitions and Dispositions.
In connection with the 2022 Senior Notes, NRG entered into a registration payment arrangement. For the first 90-day period immediately following a registration default, additional interest will be paid in an amount equal to 0.25% per annum of the principal amount of 2022 Senior Notes outstanding, as applicable. The amount of interest paid will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults are cured, up to a maximum amount of interest of 1.0% per annum of the principal amount of the 2022 Senior Notes outstanding, as applicable. The additional interest is paid on the next scheduled interest payment date and following the cure of the registration default, the additional interest payment will cease.
Redemptions of 8.5% and 7.625% 2019 Senior Notes
On February 10, 2014, the Company redeemed $308 million of its 8.5% 2019 Senior Notes and $91 million of its 7.625% 2019 Senior Notes through a tender offer, at an average early redemption percentage of 106.992% and 105.500%, respectively. A $33 million loss on debt extinguishment of the 8.5% and 7.625% 2019 Senior Notes was recorded during the three months ended March 31, 2014, primarily consisting of the premiums paid on the redemption and the write-off of previously deferred financing costs.
On April 21, 2014, the Company redeemed $74 million of its 8.5% 2019 Senior Notes and $337 million of its 7.625% 2019 Senior Notes through a tender offer and call, at an average early redemption percentage of 105.250% and 104.200%, respectively. A $22 million loss on debt extinguishment of the 8.5% and 7.625% 2019 Senior Notes will be recorded during the three months ended June 30, 2014, primarily consisting of the premiums paid on the redemption and the write-off of previously deferred financing costs.
On April 21, 2014, NRG gave the required notice to redeem for cash all of its remaining 7.625% 2019 Senior Notes on May 21, 2014. The Company expects to redeem all of its remaining 8.5% 2019 Notes when such notes become callable.

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 which primarily consisted of the premiums paid on the

repurchases and the write-off of previously deferred financing costs.

NRG Non-Recourse Debt

NRG Yield, Inc. Convertible Notes

During the first quarter of 2014, NRG Yield, Inc. closed on its offering of $345 million aggregate principal amount of 3.50% Convertible Senior Notes due 2019, or the NRG Yield Senior Notes. The NRG Yield Senior Notes are convertible, under certain circumstances, into NRG Yield, Inc. Class A common stock, cash or a combination thereof at an initial conversion price of $46.55 per Class A common share, which is equivalent to an initial conversion rate of approximately 21.4822 shares of Class A common stock per $1,000 principal amount of NRG Yield Senior Notes. Interest on the NRG Yield Senior Notes is payable semi-annually in arrears on February 1 and August 1 of each year, commencing on August 1, 2014. The NRG Yield Senior Notes mature on February 1, 2019, unless earlier repurchased or converted in accordance with their terms. Prior to the close of business on the business day immediately preceding August 1, 2018, the NRG Yield Senior Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The notes are accounted for in accordance with ASC 470-20. Under ASC 470-20, issuers of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are required to separately account for the liability (debt) and equity (conversion option) components. The equity component, the $23 million conversion option value, was recorded to NRG's noncontrolling interest for NRG Yield, Inc. with the offset to debt discount. The debt discount will be amortized to interest expense over the term of the notes.

NRG Yield LLC and NRG Yield Operating LLC Revolving Credit Facility

NRG Yield LLC and NRG Yield Operating LLC, entered into a senior secured revolving credit facility, which provides a revolving line of credit of $60 million. The revolving credit facility can be used for cash or for the issuance of letters of credit. There was no cash drawn or letters of credit issued under the revolving credit facility as of March 31, 2014. On April 25, 2014, NRG Yield LLC and NRG Yield Operating LLC amended the revolving credit facility to increase the available line of credit to $450 million and extend its maturity to April 2019.

Peakers

On February 21, 2014, NRG Peaker Finance Company LLC elected to redeem approximately $30 million of the outstanding bonds at a redemption price equal to the principal amount plus a redemption premium, accrued and unpaid interest, swap breakage, and other fees, totaling approximately $35 million in connection with the removal of Bayou Cove Peaking Power LLC from the peaker financing collateral package, which also involved limited commitments for certain repairs on other assets that were funded concurrently with the December 10, 2013 debt service payment. On March 3, 2014, Bayou Cove Peaking Power LLC sold Bayou Cove Unit 1, which the Company continues to manage and operate.

Note 8 — Variable Interest Entities

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 consolidated subsidiary, NRG Yield Operating LLC, the Company owns a 50% interest in GenConn, a limited liability company which owns and operates two 190 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 $116 million as of March 31, 2014.

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 $84 million as of March 31, 2014.

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 $68 million as of March 31, 2014.

Note 9 — Changes in Capital Structure

As of March 31, 2014 and December 31, 2013, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common stock issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2013	401,126,780	(77,347,528)	323,779,252
Shares issued under LTIPs	682,672	—	682,672
Shares issued under ESPP	—	71,595	71,595
Balance as of March 31, 2014	401,809,452	(77,275,933)	324,533,519

As discussed in Note 3, Business Acquisitions, on April 1, 2014, the Company issued 12,671,977 shares of NRG common stock in connection with the acquisition of EME.

The following table lists the dividends paid during the three months ended March 31, 2014:

	First Quarter 2014
Dividends per Common Share	$0.12

On April 21, 2014, NRG declared a quarterly dividend on the Company's common stock of $0.14 per share, payable May 15, 2014, to stockholders of record as of May 1, 2014, representing $0.56 on an annualized basis, a 17% increase from $0.48 per share.

The Company's common stock dividends 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)	2014	2013
Basic and diluted loss per share attributable to NRG common stockholders		
Net loss attributable to NRG Energy, Inc.	$(56)	$(332)
Dividends for preferred shares	2	2
Loss Available for Common Stockholders	$(58)	$(334)
Weighted average number of common shares outstanding	324	323
Loss per weighted average common share — basic and diluted	$(0.18)	$(1.03)

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)	2014	2013
Equity compensation plans	8	13
Embedded derivative of 3.625% redeemable perpetual preferred stock	16	16
Total	24	29

Note 11 — Segment Reporting

Effective June 2013, the Company's segment structure and its allocation of corporate expenses were updated to reflect how management currently makes financial decisions and allocates resources. The Company has recast data from prior periods to reflect this change in reportable segments to conform to the current year presentation. The Company's businesses are primarily segregated based on the Retail Business, conventional power generation, alternative energy businesses, NRG Yield, and corporate activities. Within NRG's conventional power generation, 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 international businesses and maintenance services. The Company's alternative energy segment includes solar and wind assets, excluding those in the NRG Yield segment, electric vehicle services and the carbon capture business. NRG Yield includes certain of the Company's contracted generation assets including three natural gas or dual-fired facilities, eight utility-scale solar and wind generation facilities, two portfolios of distributed solar facilities and thermal infrastructure assets. Intersegment sales are accounted for at market.

(In millions)		Conventional Power Generation									
Three months ended March 31, 2014	Retail[a]	Texas[a]	East[a]	South Central[a]	West[a]	Other[a]	Alternative Energy[a]	NRG Yield[a]	Corporate[a][b]	Elimination	Total
Operating revenues	$1,526	$254	$1,400	$220	$137	$46	$54	$110	$2	$(263)	$3,486
Depreciation and amortization	33	117	66	26	18	1	51	17	6	—	335
Equity in earnings/(losses) of unconsolidated affiliates	—	—	—	—	4	2	(2)	1	—	2	7
Income/(loss) before income taxes	291	(324)	219	(13)	16	3	(76)	21	(237)	2	(98)
Net income/(loss) attributable to NRG Energy, Inc.	$291	$(324)	$219	$(13)	$16	$1	$(59)	$14	$(205)	$4	$(56)
Total assets as of March 31, 2014	$5,173	$11,597	$9,625	$2,640	$1,671	$542	$6,006	$2,534	$28,110	$(32,937)	$34,961
(a) Operating revenues include inter-segment sales and net derivative gains and losses of:	$2	$289	$83	$—	$—	$24	$6	$—	$2		

(b) Includes loss on debt extinguishment of $41 million

(In millions)		Conventional Power Generation									
	Retail[c]	Texas[c]	East[c]	South[c]	West[c]	Other[c]			Corporate[c][d]	Elimination	Total

Three months ended March 31, 2013				Central			Alternative Energy[(c)]	NRG Yield			
Operating revenues	$1,231	$84	$595	$196	$91	$34	$35	$53	$4	$(242)	$2,081
Depreciation and amortization	32	113	86	24	13	1	24	10	4	—	307
Equity in earnings of unconsolidated affiliates	—	—	—	—	1	1	2	4	—	(5)	3
Income/(loss) before income taxes	369	(426)	(159)	(7)	(7)	4	(24)	11	(244)	—	(483)
Net income/(loss) attributable to NRG Energy, Inc.	$369	$(426)	$(159)	$(7)	$(7)	$4	$(25)	$11	$(92)	$—	$(332)

(c) Operating revenues include inter-segment sales and net derivative gains and losses of:	$1	$229	$(9)	$2	$—	$16	$4	$—	$4

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

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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)	2014	2013
Loss before income taxes	$(98)	$(483)
Income tax benefit	(31)	(152)
Effective tax rate	31.6 %	31.5 %

For the three months ended March 31, 2014, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to the impact of non-taxable equity earnings, production tax credits and the impact of state and local income taxes.
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 change in the valuation allowance as a result of capital losses generated during the period.
Uncertain Tax Benefits
As of March 31, 2014, NRG has recorded a non-current tax liability of $63 million for uncertain tax benefits from positions taken on various state income 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, 2014, and has accrued $14 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. The Company is not subject to U.S. federal income tax examinations for years prior to 2007. With few exceptions, state and local income tax examinations are no longer open for years before 2004. The Company's primary foreign operations are also no longer subject to examination by local jurisdictions for years prior to 2010.

Note 13 — Commitments and Contingencies
Commitments
This footnote should be read in conjunction with the complete description under Note 22, Commitments and Contingencies, to the Company's 2013 Form 10-K.
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 and assets held by NRG Yield, Inc., 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, 2014, hedges under the first lien were out-of-the-money for NRG on a counterparty aggregate basis.
Contingencies
The Company's material legal proceedings are described below. 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.
NRG Energy Center San Francisco LLC
In 2013, NRG Energy Center San Francisco LLC received a Notice of Violation from the San Francisco Department of Public Health alleging improper monitoring of three underground storage tanks. The tanks have not leaked. The Company anticipates settling this matter in 2014 for approximately $137,000.

Louisiana Generating, LLC
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. The CCO&NPP alleges there were opacity exceedance events from the Big Cajun II Power Plant on certain dates during the years 2007-2012. In February 2014, LaGen and LDEQ settled this matter for approximately $47,000.
Actions Pursued by MC Asset Recovery
With Mirant Corporation's emergence from bankruptcy protection in 2006, 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. Under the remaining action transferred to MC Asset Recovery, MC Asset Recovery seeks to recover damages from Commerzbank AG and various other banks, or the Commerzbank Defendants, for alleged fraudulent transfers that occurred prior to GenOn Energy Holdings' bankruptcy proceedings. In December 2010, the U.S. 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 District Court's dismissal of its complaint against the Commerzbank Defendants to the U.S. Court of Appeals for the Fifth Circuit. In March 2012, the Court of Appeals reversed the 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 from the Commerzbank Defendants, 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. 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, 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.

Pending Natural Gas Litigation
GenOn is party to several lawsuits, certain 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 U.S. 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 U.S. Court of Appeals for the Ninth Circuit. The Ninth Circuit reversed the decision of the U.S. District Court for the District of Nevada. On August 26, 2013, GenOn along with the other defendants in the lawsuit filed a petition for a writ of certiorari to the U.S. Supreme Court challenging the Ninth Circuit's decision. On December 2, 2013, the Supreme Court requested the views of the U.S. Solicitor General on the petition for a writ of certiorari. 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 in the Nevada case filed a petition for a writ of certiorari to the U.S. Supreme Court. In June 2013, the U.S. Supreme Court denied the petition for a writ of certiorari, thereby ending one of the five lawsuits. GenOn has agreed to indemnify CenterPoint against certain losses relating to these lawsuits.
Cheswick Class Action Complaint
In April 2012, a putative class action lawsuit was filed against GenOn 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 U.S. District Court for the Western District of Pennsylvania. In October 2012, the court granted the Company's motion to dismiss, which Plaintiffs appealed to the U.S. Court of Appeals for the Third Circuit. On August 20, 2013, the Third Circuit reversed the decision of the District Court. On September 3, 2013, the Company filed a petition for rehearing with the Third Circuit which was subsequently denied. In February 2014, the Company filed a petition for a writ of certiorari to the U.S. Supreme Court seeking review and reversal of the Third Circuit decision. The District Court has stayed further proceedings in the case pending a decision on the petition for a writ of certiorari.
Cheswick Monarch Mine NOV
In 2008, the 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 will seek a civil penalty of approximately $200,000. 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.
Energy Plus Holdings
Energy Plus Holdings continues to cooperate with the Connecticut Office of Attorney General and Office of Consumer Counsel and the State of New York Office of Attorney General to resolve certain issues related to Energy Plus Holdings's sales, marketing and business practices. Energy Plus Holdings has been involved in settlement discussions with the Connecticut Office of Attorney General, the Connecticut Office of Consumer Counsel and the New York Office of Attorney General to reach a resolution of the matters in the respective states.
Maryland Department of the Environment v. GenOn Chalk Point and GenOn Mid-Atlantic
On January 25, 2013, Food & Water Watch, the Patuxent Riverkeeper and the Potomac Riverkeeper (together, 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. 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 did not

bring itself into compliance. On June 11, 2013, the Maryland Attorney General on behalf of the MDE filed a complaint in the U.S. District Court for the District of Maryland alleging violations of the Clean Water Act and Maryland environmental laws related to water. The lawsuit seeks injunctive relief and civil penalties in excess of $100,000.

Note 14 — Regulatory Matters
This footnote should be read in conjunction with the complete description under Note 23, Regulatory Matters, to the Company's 2013 Form 10-K.
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 and RTO 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.
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 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, or SCE, 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.
On April 14, 2014, the CPUC put forth Draft Resolutions for how station power will be handled in the SCE and PG&E service territories. The Draft Resolutions establish a 15 minute netting period, to take effect December 18, 2012, which means that there would be no refund liability associated with station power consumption prior to December 18, 2012. The CPUC is expected to take up the Draft Resolutions at its May meeting. If approved, parties would have 30 days to appeal the ruling before it would be considered final.
Texas
South Texas Project — On March 31, 2014, STP submitted the response to a request for information from the NRC regarding the re-evaluation of the seismic hazard at the site, conducted in response to recommendation 2.1 of the Near-Term Task Force that was convened in response to the accident at Fukushima. On March 12, 2012, after the initial industry-wide submittal was reviewed by the NRC, the agency questioned the varying standards applied to risk assessment for seismic hazards used for initial licensing at some stations. As a result, all stations were directed to re-evaluate the risk against present-day requirements and the current design basis. The seismic evaluation of the STP site, recently conducted when preparing the application for a combined construction and operating license for the STP Units 3 & 4 development project, provided some assurance of the adequacy of the walk-downs and analyses to be conducted. The station followed the guidance in the “Seismic Evaluation Guidance: Screening, Prioritization, and Implementation Details (SPID) for the Resolution of Fukushima Near-Term Task Force Recommendation 2.1: Seismic” report published by the Electric Power Research Institute. This re-evaluation confirmed that the updated ground motion response spectrum does not exceed the bounds of the safe shutdown earthquake found in the current design basis and as a result, no further evaluations need be performed.

Note 15 — Environmental Matters

This footnote should be read in conjunction with the complete description under Note 24, Environmental Matters, to the Company's 2013 Form 10-K.

NRG is subject to a wide range of environmental regulations in the development, ownership, construction and operation of projects in the United States and certain international regions. 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 controls or to impose certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's operations.

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. On April 29, 2014, the U.S. Supreme Court reversed and remanded the D.C. Circuit's opinion. NRG expects further proceedings in the D.C. Circuit over the next few months. While NRG is unable to predict the final outcome of the ongoing litigation, the Company believes its investment in pollution controls and cleaner technologies coupled with planned strategic plant retirement should leave the fleet well positioned for compliance.

In January 2014, the EPA re-proposed the NSPS for CO_2 emissions from new fossil-fuel-fired electric generating units that had been previously proposed in April 2012. The re-proposed standards are 1000 pounds of CO_2 per MWh for large gas units and 1100 pounds of CO_2 per MWh for coal units and small gas units. Proposed standards are in effect until a final rule is published or another rule is re-proposed. In 2014, the EPA intends to propose another rule that would require states to develop CO_2 standards that would apply to existing fossil-fueled generating facilities.

East Region

The MDE has announced that it intends to promulgate more stringent regulations regarding NO_x emissions, which could negatively affect certain of the Company's coal facilities located in Maryland.

Environmental Capital Expenditures

Based on current rules, technology and preliminary plans based on some proposed rules, NRG estimates that environmental capital expenditures from 2014 through 2018 required to comply with environmental laws will be approximately $326 million which includes $116 million for GenOn.

In connection with the acquisition of EME, as further described in Note 3, Business Acquisitions, NRG has committed to fund up to $350 million in capital expenditures for plant modifications at Powerton and Joliet to comply with MATS, of which the Company estimates that up to $100 million will be incurred in 2014. The Company is in the process of evaluating additional capital expenditures that will be incurred in connection with the acquisition and integration of EME.

Note 16 — Condensed Consolidating Financial Information
As of March 31, 2014, the Company had outstanding $6.4 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, 2014:

Ace Energy, Inc.	Meriden Gas Turbines LLC	NRG Oswego Harbor Power Operations Inc.
Allied Warranty LLC	Middletown Power LLC	NRG PacGen Inc.
Allied Home Warranty GP LLC	Montville Power LLC	NRG Power Marketing LLC
Arthur Kill Power LLC	NEO Corporation	NRG Reliability Solutions LLC
Astoria Gas Turbine Power LLC	NEO Freehold-Gen LLC	NRG Renter's Protection LLC
Bayou Cove Peaking Power, LLC	NEO Power Services Inc.	NRG Retail LLC
BidURenergy, Inc.	New Genco GP, LLC	NRG Retail Northeast 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 Gregory LLC
Cottonwood Technology Partners LP	NRG Curtailment Solutions LLC	NRG Texas Holding Inc.
Devon Power LLC	NRG Development Company Inc.	NRG Texas LLC
Dunkirk Power LLC	NRG Devon Operations Inc.	NRG Texas Power LLC
Eastern Sierra Energy Company LLC	NRG Dispatch Services LLC	NRG Unemployment Protection LLC
El Segundo Power, LLC	NRG Dunkirk Operations Inc.	NRG Warranty Services LLC
El Segundo Power II LLC	NRG El Segundo Operations Inc.	NRG West Coast LLC
Elbow Creek Wind Project LLC	NRG Energy Labor Services LLC	NRG Western Affiliate Services Inc.
Energy Alternatives Wholesale, LLC	NRG Energy Services Group LLC	O'Brien Cogeneration, Inc. II
Energy Curtailment Specialists, Inc.	NRG Energy Services International Inc.	ONSITE Energy, Inc.
Energy Plus Holdings LLC	NRG Energy Services LLC	Oswego Harbor Power LLC
Energy Plus Natural Gas LLC	NRG Generation Holdings, Inc.	RE Retail Receivables, LLC
Energy Protection Insurance Company	NRG Home & Business Solutions LLC	Reliant Energy Northeast LLC
Everything Energy LLC	NRG Home Solutions LLC	Reliant Energy Power Supply, LLC
GCP Funding Company, LLC	NRG Home Solutions Product LLC	Reliant Energy Retail Holdings, LLC

Green Mountain Energy Company	NRG Homer City Services LLC	Reliant Energy Retail Services, LLC
Green Mountain Energy Company (NY Com) LLC	NRG Huntley Operations Inc.	RERH Holdings LLC
	NRG Identity Protect LLC	Saguaro Power LLC
Green Mountain Energy Company (NY Res) LLC	NRG Ilion Limited Partnership	Somerset Operations Inc.
	NRG Ilion LP LLC	Somerset Power LLC
Gregory Partners, LLC	NRG International LLC	Texas Genco Financing Corp.
Gregory Power Partners LLC	NRG Maintenance Services LLC	Texas Genco GP, LLC
Huntley Power LLC	NRG Mextrans Inc.	Texas Genco Holdings, Inc.
Independence Energy Alliance LLC	NRG MidAtlantic Affiliate Services Inc.	Texas Genco LP, LLC
Independence Energy Group LLC	NRG Middletown Operations Inc.	Texas Genco Operating Services, LLC
Independence Energy Natural Gas LLC	NRG Montville Operations Inc.	Texas Genco Services, LP
Indian River Operations Inc.	NRG New Jersey Energy Sales LLC	US Retailers LLC
Indian River Power LLC	NRG New Roads Holdings LLC	Vienna Operations Inc.
Keystone Power LLC	NRG North Central Operations Inc.	Vienna Power LLC
Langford Wind Power, LLC	NRG Northeast Affiliate Services Inc.	WCP (Generation) Holdings LLC
Lone Star A/C & Appliance Repairs, LLC	NRG Norwalk Harbor Operations Inc.	West Coast Power LLC
Louisiana Generating LLC	NRG Operating Services, 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. 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 SEC 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, 2014
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
	(In millions)				
Operating Revenues					
Total operating revenues	$2,279	$ 1,251	$—	$ (44)	$3,486
Operating Costs and Expenses					
Cost of operations	1,793	974	(4)	(30)	2,733
Depreciation and amortization	198	134	3	—	335
Selling, general and administrative	105	57	64	—	226
Acquisition-related transaction and integration costs	—	1	11	—	12
Development activity expenses	—	10	9		19
Total operating costs and expenses	2,096	1,176	83	(30)	3,325
Gain on sale of assets	—	19	—	—	19
Operating Income/(Loss)	183	94	(83)	(14)	180
Other Income/(Expense)					
Equity in earnings/(loss) of consolidated subsidiaries	49	(6)	115	(158)	—
Equity in earnings of unconsolidated affiliates	4	1	—	2	7
Other income, net	1	4	7	(1)	11
Loss on debt extinguishment	—	(9)	(32)	—	(41)
Interest expense	(6)	(107)	(143)	1	(255)
Total other expense	48	(117)	(53)	(156)	(278)
Income/(Loss) Before Income Taxes	231	(23)	(136)	(170)	(98)
Income tax expense/(benefit)	63	(10)	(84)		(31)
Net Income/(Loss)	168	(13)	(52)	(170)	(67)
Less: Net (loss)/income attributable to noncontrolling interest	—	(3)	4	(12)	(11)
Net Income/(Loss) attributable to NRG Energy, Inc.	$168	$ (10)	$(56)	$ (158)	$(56)

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

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
For the Three Months Ended March 31, 2014
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
	(In millions)				
Net Income/(Loss)	$168	$(13)	$(52)	$ (170)	$(67)
Other comprehensive income, net of tax					
Unrealized gain/(loss) on derivatives, net	6	(6)	5	(14)	(9)
Foreign currency translation adjustments, net	—	6	—	—	6
Available-for-sale securities, net	—	—	4	2	