

NRG ENERGY, INC.
Form 10-Q
May 05, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2011

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
(State or other jurisdiction)

of incorporation or organization)

211 Carnegie Center, Princeton, New Jersey
(Address of principal executive offices)

41-1724239
(I.R.S. Employer

Identification No.)

08540
(Zip Code)

(609) 524-4500

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(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** **No**

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** **No**

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes** **No**

As of May 2, 2011, there were 241,089,416 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 the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the 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 Energy, Inc.'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 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, 2010, including the following:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of NRG's risk management policies and procedures, and the ability of NRG's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- NRG's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate NRG's generation units for all of 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 *Repowering* NRG strategy of developing and building new power generation facilities, including new wind and solar projects;
- NRG's ability to implement its *econrg* strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources while taking advantage of business opportunities;
- NRG's ability to implement its *FOR* NRG strategy of increasing the return on invested capital through operational performance improvements and a range of initiatives at plants and corporate offices to reduce costs or generate revenues;
- NRG's ability to achieve its strategy of regularly returning capital to shareholders;
- NRG's ability to maintain retail market share;
- NRG's ability to successfully evaluate investments in new business and growth initiatives;
- NRG's ability to successfully integrate and manage any acquired businesses; 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 Energy, Inc. 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.

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GLOSSARY OF TERMS

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

2010 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2010
316(b) Rule	A section of the Clean Water Act regulating cooling water intake structures
ASR Agreement	Accelerated Share Repurchase Agreement
Baseload capacity	Electric power generation capacity normally expected to serve loads on an around-the-clock basis throughout the calendar year
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CATR	Clean Air Transport Rule
Capital Allocation Plan	Share repurchase program
Capital Allocation Program	NRG's plan of allocating capital between debt reduction, reinvestment in the business, and share repurchases through the Capital Allocation Plan
C&I	Commercial, industrial and governmental/institutional
CFTC	U.S. Commodity Futures Trading Commission
CPS	CPS Energy
CSRA	Credit Sleeve Reimbursement Agreement with Merrill Lynch in connection with acquisition of Reliant Energy, as hereinafter defined
DNREC	Delaware Department of Natural Resources and Environmental Control
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
Exchange Act	The Securities Exchange Act of 1934, as amended
FERC	Federal Energy Regulatory Commission
Funded Letter of Credit Facility	NRG's \$1.3 billion term loan-backed fully funded senior secured letter of credit facility, of which \$500 million matures on February 1, 2013, and \$800 million matures on August 31, 2015, and is a component of NRG's Senior Credit Facility
GHG	Greenhouse Gases
Green Mountain Energy	Green Mountain Energy Company

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GWh	Gigawatt hour
IGCC	Integrated Gasification Combined Cycle
ISO	Independent System Operator, also referred to as Regional Transmission Organizations, or RTO

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ISO-NE	ISO New England Inc.
LFRM	Locational Forward Reserve Market
LIBOR	London Inter-Bank Offer Rate
LTIP	Long-Term Incentive Plan
MACT	Maximum Achievable Control Technology
Mass	Residential and small business
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
NINA	Nuclear Innovation North America LLC
NO _x	Nitrogen oxide
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NYISO	New York Independent System Operator
OCI	Other comprehensive income
PJM	PJM Interconnection, LLC
PJM market	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emissions reduction, but also to increase facility capacity, and improve system efficiency
<i>Repowering</i> NRG	NRG's program designed to develop, finance, construct and operate new, highly efficient, environmentally responsible capacity

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Revolving Credit Facility	NRG's \$875 million senior secured revolving credit facility, which matures on August 31, 2015, and is a component of NRG's Senior Credit Facility
SEC	United States Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	NRG's senior secured facility, which is comprised of a Term Loan Facility, an \$875 million Revolving Credit Facility and a \$1.3 billion Funded Letter of Credit Facility
Senior Notes	The Company's \$6.5 billion outstanding unsecured senior notes consisting of \$2.4 billion of 7.375% senior notes due 2016, \$1.1 billion of 7.375% senior notes due 2017, \$1.2 billion of 7.625% senior notes due 2018, \$700 million of 8.5% senior notes due 2019 and \$1.1 billion of 8.25% senior notes due 2020
SO2	Sulfur dioxide
STP	South Texas Project nuclear generating facility located near Bay City, Texas in which NRG owns a 44% Interest
STPNOC	South Texas Project Nuclear Operating Company
TANE	Toshiba America Nuclear Energy Corporation
TANE Facility	NINA's \$500 million credit facility with TANE which matures on February 24, 2012
TEPCO	The Tokyo Electric Power Company of Japan, Inc.
Term Loan Facility	A senior first priority secured term loan, of which approximately \$612 million matures on February 1, 2013, and \$1.0 billion matures on August 31, 2015, and is a component of NRG's Senior Credit Facility
U.S.	United States of America
U.S. DOE	United States Department of Energy
U.S. EPA	United States Environmental Protection Agency
U.S. GAAP	Accounting principles generally accepted in the United States
VaR	Value at Risk

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(In millions, except for per share amounts)	Three months ended March 31,	
	2011	2010
Operating Revenues		
Total operating revenues	\$ 1,995	\$ 2,215
Operating Costs and Expenses		
Cost of operations	1,324	1,639
Depreciation and amortization	205	202
Selling, general and administrative	143	130
Development costs	9	9
Total operating costs and expenses	1,681	1,980
Gain on sale of assets		23
Operating Income	314	258
Other Income/(Expense)		
Equity in (losses)/earnings of unconsolidated affiliates	(2)	14
Impairment charge on investment	(481)	
Other income, net	5	4
Loss on debt extinguishment	(28)	
Interest expense	(173)	(153)
Total other expense	(679)	(135)
(Loss)/Income Before Income Taxes	(365)	123
Income tax (benefit)/expense	(105)	65
Net (Loss)/Income attributable to NRG Energy, Inc.	(260)	58
Dividends for preferred shares	2	2
(Loss)/Income Available for Common Stockholders	\$ (262)	\$ 56
(Loss)/earnings per share attributable to NRG Energy, Inc. Common Stockholders		
Weighted average number of common shares outstanding basic	247	254
Net (loss)/income per weighted average common share basic	\$ (1.06)	\$ 0.22
Weighted average number of common shares outstanding diluted	247	257
Net (loss)/income per weighted average common share diluted	\$ (1.06)	\$ 0.22

See notes to condensed consolidated financial statements.

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NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except shares)	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,711	\$ 2,951
Funds deposited by counterparties	317	408
Restricted cash	13	8
Accounts receivable trade, less allowance for doubtful accounts of \$17 and \$25	687	734
Inventory	418	453
Derivative instruments valuation	1,774	1,964
Cash collateral paid in support of energy risk management activities	147	323
Prepayments and other current assets	311	296
Total current assets	6,378	7,137
Property, plant and equipment, net of accumulated depreciation of \$3,987 and \$3,796	11,579	12,517
Other Assets		
Equity investments in affiliates	521	536
Note receivable affiliate and capital leases, less current portion	415	384
Goodwill	1,863	1,868
Intangible assets, net of accumulated amortization of \$1,154 and \$1,064	1,686	1,776
Nuclear decommissioning trust fund	428	412
Derivative instruments valuation	674	758
Restricted cash supporting funded letter of credit facility	1,301	1,300
Other non-current assets	198	208
Total other assets	7,086	7,242
Total Assets	\$ 25,043	\$ 26,896
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$ 150	\$ 463
Accounts payable	568	783
Derivative instruments valuation	1,411	1,685
Deferred income taxes	137	108
Cash collateral received in support of energy risk management activities	317	408
Accrued expenses and other current liabilities	415	773
Total current liabilities	2,998	4,220
Other Liabilities		
Long-term debt and capital leases	8,802	8,748
Funded letter of credit	1,300	1,300
Nuclear decommissioning reserve	322	317
Nuclear decommissioning trust liability	281	272
Deferred income taxes	1,812	1,989
Derivative instruments valuation	335	365
Out-of-market contracts	211	223
Other non-current liabilities	1,133	1,142
Total non-current liabilities	14,196	14,356
Total Liabilities	17,194	18,576
3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)	248	248
Commitments and Contingencies		
Stockholders Equity		