NRG ENERGY, INC.
Form 10-Q
April 30, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

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

For the quarterly period ended: March 31, 2009

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 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 þ **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 o **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 12 b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	**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** þ

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities and Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes þ **No** o

As of April 28, 2009, there were 265,272,685 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 includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words believes , projects , anticipates , plans , exp 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 which 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 Risks Related to NRG in Part I, Item 1A, of the Company s Annual Report on Form 10-K, for the year ended December 31, 2008, including the following:

General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;

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;

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 nuclear, 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 achieve its strategy of regularly returning capital to shareholders;

NRG s ability to successfully integrate and manage any acquired companies; and

The effects of Exelon s tender offer and proxy contest on NRG s ability to effectively manage its business.

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.

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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:

APB	Accounting Principles Board
APB 18	APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*
Baseload capacity	Electric power generation capacity normally expected to serve loads on an around-the-clock basis throughout the calendar year
BTA	Best Technology Available
BTU	British Thermal Unit
CAA	Clean Air Act
CAGR	Compound annual growth rate
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
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
CDWR	California Department of Water Resources
CL&P	The Connecticut Light & Power Company
CO_2	Carbon dioxide
CS	Credit Suisse Group
CSF I	NRG Common Stock Finance I LLC
CSF II	NRG Common Stock Finance II LLC
CSRA	Credit sleeve facility with Merrill Lynch in connection with acquisition of Reliant Retail, as hereinafter defined
DNREC	Delaware Department of Natural Resources and Environmental Control
DPUC	Department of Public Utility Control
EAF	Annual Equivalent Availability Factor, which measures the percentage of maximum generation available over time as the fraction of net maximum generation that could be provided over a defined period of time after all types of outages and deratings, including seasonal deratings, are taken into account
EFOR	Equivalent Forced Outage Rates considers the equivalent impact that forced de-ratings have in addition to full forced outages
EITF	Emerging Issues Task Force
EITF 07-5	EITF No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock*
EITF 08-5	EITF 08-5, *Issuer s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*
EITF 08-6	EITF 08-6, *Equity Method Investment Accounting Considerations*
EPC	Engineering, Procurement and Construction
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
Expected Baseload Generation	The net baseload generation limited by economic factors (relationship between cost of generation and market price) and reliability factors (scheduled and unplanned outages)
FASB	Financial Accounting Standards Board the designated organization for establishing standards for financial accounting and reporting

FCM	Forward Capacity Market
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretation
FIN 18	FIN No. 18, *Accounting for Income Taxes in Interim Periods*
FIN 48	FIN No. 48, *Accounting for Uncertainty in Income Taxes*
FPA	Federal Power Act
Fresh Start	Reporting requirements as defined by SOP 90-7
FSP	FASB Staff Position
FSP APB 14-1	FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*
FSP FAS 107-1 and APB 28-1	FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*
FSP FAS 132R-1	FSP No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*

GLOSSARY OF TERMS (continued)

FSP FAS 141R-1	FSP No. FAS 141(R)-1 *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*
FSP FAS 142-3	FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Asset*
FSP FAS 157-3	FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*
FSP FAS 157-4	FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*
GHG	Greenhouse Gases
Gross Generation	The total amount of electric energy produced by generating units and measured at the generating terminal in kWh s or MWh s
Heat Rate	A measure of thermal efficiency computed by dividing the total BTU content of the fuel burned by the resulting kWh s 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.
Hedge Reset	Net settlement of long-term power contracts and gas swaps by negotiating prices to current market completed in November 2006
IGCC	Integrated Gasification Combined Cycle
IRS	Internal Revenue Service
ISO	Independent System Operator, also referred to as Regional Transmission Organizations, or RTO
ISO-NE	ISO New England Inc.
ITISA	Itiquira Energetica S.A.
kV	Kilovolts
kW	Kilowatts
kWh	Kilowatt-hours
LIBOR	London Inter-Bank Offer Rate
LTIP	Long-Term Incentive Plan
MACT	Maximum Achievable Control Technology
Merit Order	A term used for the ranking of power stations in order of ascending marginal cost
MIBRAG	Mitteldeutsche Braunkohlengesellschaft mbH
Moody s	Moody s Investors Services, Inc. a credit rating agency
MMBtu	Million British Thermal Units
MOU	Memorandum of Understanding
MRTU	Market Redesign and Technology Upgrade
MVA	Megavolt-ampere
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
MWt	Megawatts Thermal
NAAQS	National Ambient Air Quality Standards
NEPOOL	New England Power Pool
Net Baseload Capacity	Nominal summer net megawatt capacity of power generation adjusted for ownership and parasitic load, and excluding capacity from mothballed units as of December 31, 2008
Net Capacity Factor	The net amount of electricity that a generating unit produces over a period of time divided by the net amount of electricity it could have produced if it had run at full power over that time period. The net amount of electricity produced is the total amount of electricity

	generated minus the amount of electricity used during generation.
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Generation	The net amount of electricity produced, expressed in kWh s or MWh s, that is the total amount of electricity generated (gross) minus the amount of electricity used during generation.
NINA	Nuclear Innovation North America LLC
NO_x	Nitrogen oxide
NOL	Net Operating Loss
NOV	Notice of Violation
NPNS	Normal Purchase Normal Sale
NRC	United States Nuclear Regulatory Commission
NRG Retail	NRG Retail LLC
NSR	New Source Review
NYISO	New York Independent System Operator
OCI	Other Comprehensive Income

GLOSSARY OF TERMS (continued)

Padoma	Padoma Wind Power LLC
Phase II 316(b) Rule	A section of the Clean Water Act regulating cooling water intake structures
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
PMI	NRG Power Marketing, LLC, a wholly-owned subsidiary of NRG which procures transportation and fuel for the Company s generation facilities, sells the power from these facilities, and manages all commodity trading and hedging for NRG
Powder River Basin, or PRB, Coal	Coal produced in northeastern Wyoming and southeastern Montana, which has low sulfur content
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
Reliant Retail	Reliant Energy Inc. s Texas electric retail business operations
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
*Repowering*NRG	NRG s program designed to develop, finance, construct and operate new, highly efficient, environmentally responsible capacity over the next decade
Revolving Credit Facility	NRG s $1 billion senior secured revolving credit facility which matures on February 2, 2011
RGGI	Regional Greenhouse Gas Initiative
ROIC	Return on Invested Capital
RPM	Reliability Pricing Model term for capacity market in PJM market
RTO	Regional Transmission Organization, also referred to as an Independent System Operators, or ISO
S&P	Standard & Poor s, a credit rating agency
Sarbanes-Oxley	Sarbanes Oxley Act of 2002 (as amended)
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 and a $1.3 billion Synthetic Letter of Credit Facility which mature on February 1, 2013, and a $1 billion Revolving Credit Facility, which matures on February 2, 2011
Senior Notes	The Company s $4.7 billion outstanding unsecured senior notes consisting of $1.2 billion of 7.25% senior notes due 2014, $2.4 billion of 7.375% senior notes due 2016 and $1.1 billion of 7.375% senior notes due 2017
SFAS	Statement of Financial Accounting Standards issued by the FASB
SFAS 109	SFAS No. 109, *Accounting for Income Taxes*
SFAS 123R	SFAS No. 123 (revised 2004), *Share-Based Payment*
SFAS 133	SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities as amended*
SFAS 141R	SFAS No. 141 (revised 2007), *Business Combinations*
SFAS 142	SFAS No. 142, *Goodwill and Other Intangible Assets*
SFAS 157	SFAS No. 157, *Fair Value Measurement*
SFAS 160	SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements*
SFAS 161	

	SFAS No. 161, *Disclosure about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*
Sherbino	Sherbino I Wind Farm LLC
SO_2	Sulfur dioxide
SOP	Statement of Position issued by the American Institute of Certified Public Accountants
SOP 90-7	Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*
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
Synthetic Letter of Credit Facility	NRG s $1.3 billion senior secured synthetic letter of credit facility which matures on February 1, 2013
TANE	Toshiba American Nuclear Energy Corporation
TANE Facility	NINA s $500 million credit facility from TANE which matures on February 24, 2012
TCEQ	Texas Commission on Environmental Quality

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GLOSSARY OF TERMS (continued)

Term Loan Facility	A senior first priority secured term loan which matures on February 1, 2013, and is included as part of NRG s Senior Credit Facility
Texas Genco	Texas Genco LLC, now referred to as the Company s Texas Region
Tonnes	Metric tonnes, which are units of mass or weight in the metric system each equal to 2,205 lbs and are the global Measurement for GHG
Uprate	A sustainable increase in the electrical rating of a generating facility
US	United States of America
USEPA	United States Environmental Protection Agency
US GAAP	Accounting principles generally accepted in the United States
VAR	Value at Risk
WCP	WCP (Generation) Holdings, Inc.

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PART I FINANCIAL INFORMATION
ITEM 1 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

(In millions, except for per share amounts)	**Three months ended March 31, 2009**	**2008**
Operating Revenues		
Total operating revenues	$ 1,658	$ 1,302
Operating Costs and Expenses		
Cost of operations	766	804
Depreciation and amortization	169	161
General and administrative	95	75
Development costs	13	12
Total operating costs and expenses	1,043	1,052
Operating Income	615	250
Other Income/(Expense)		
Equity in earnings/(losses) of unconsolidated affiliates	22	(4)
Other (loss)/income, net	(3)	9
Interest expense	(138)	(156)
Total other expense	(119)	(151)
Income From Continuing Operations Before Income Taxes	496	99
Income tax expense	298	54
Income From Continuing Operations	198	45
Income from discontinued operations, net of income taxes		4
Net Income attributable to NRG Energy, Inc.	198	49
Dividends for preferred shares	14	14
Income Available for NRG Energy, Inc. Common Stockholders	$ 184	$ 35
Earnings per share attributable to NRG Energy, Inc. Common Stockholders		
Weighted average number of common shares outstanding basic	237	236
Income from continuing operations per weighted average common share basic	$ 0.78	$ 0.13
Income from discontinued operations per weighted average common share basic		0.02
Net Income per Weighted Average Common Share Basic	$ 0.78	$ 0.15

Weighted average number of common shares outstanding diluted		275		245
Income from continuing operations per weighted average common share diluted	$	0.70	$	0.12
Income from discontinued operations per weighted average common share diluted				0.02
Net Income per Weighted Average Common Share Diluted	$	0.70	$	0.14
Amounts attributable to NRG Energy, Inc.:				
Income from continuing operations, net of income taxes	$	198	$	45
Income from discontinued operations, net of income taxes				4
Net Income	$	198	$	49

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, 2009 (unaudited)	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,188	$ 1,494
Funds deposited by counterparties	1,275	754
Restricted cash	17	16
Accounts receivable, less allowance for doubtful accounts of $3 and $3, respectively	399	464
Inventory	488	455
Derivative instruments valuation	3,862	4,600
Cash collateral paid in support of energy risk management activities	178	494
Prepayments and other current assets	258	215
Total current assets	7,665	8,492
Property, plant and equipment, net of accumulated depreciation of $2,524 and $2,343, respectively	11,544	11,545
Other Assets		
Equity investments in affiliates	494	490
Capital leases and note receivable, less current portion	403	435
Goodwill	1,718	1,718
Intangible assets, net of accumulated amortization of $191 and $335, respectively	815	815
Nuclear decommissioning trust fund	286	303
Derivative instruments valuation	1,148	885
Other non-current assets	125	125
Total other assets	4,989	4,771
Total Assets	$ 24,198	$ 24,808
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 263	$ 464
Accounts payable	358	451
Derivative instruments valuation	3,000	3,981
Deferred income taxes	418	201
Cash collateral received in support of energy risk management activities	1,277	760
Accrued expenses and other current liabilities	269	724
Total current liabilities	5,585	6,581

Other Liabilities		
Long-term debt and capital leases	7,685	7,697
Nuclear decommissioning reserve	288	284
Nuclear decommissioning trust liability	195	218
Deferred income taxes	1,303	1,190
Derivative instruments valuation	420	508
Out-of-market contracts	271	291
Other non-current liabilities	737	669
Total non-current liabilities	10,899	10,857
Total Liabilities	16,484	17,438
3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)	247	247
Commitments and Contingencies		
Stockholders Equity		
Preferred stock (at liquidation value, net of issuance costs)	406	853
Common stock	3	3
Additional paid-in capital	4,510	4,350
Retained earnings	2,607	2,423
Less treasury stock, at cost 17,200,777 and 29,242,483 shares, respectively	(532)	(823)
Accumulated other comprehensive income	466	310
Noncontrolling interest	7	7
Total Stockholders Equity	7,467	7,123
Total Liabilities and Stockholders Equity	$ 24,198	$ 24,808

See notes to condensed consolidated financial statements.

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

(In millions) Three months ended March 31,	2009	2008
Cash Flows from Operating Activities		
Net income	$ 198	$ 49
Adjustments to reconcile net income to net cash provided by operating activities		
Distributions and equity in (earnings)/losses of unconsolidated affiliates	(22)	6
Depreciation and amortization	169	161
Amortization of nuclear fuel	10	15
Amortization of financing costs and debt discount/premiums	9	11
Amortization of intangibles and out-of-market contracts	(34)	(66)
Changes in deferred income taxes and liability for unrecognized tax benefits	299	49
Changes in nuclear decommissioning trust liability	6	9
Changes in derivatives	(304)	132
Changes in collateral deposits supporting energy risk management activities	312	(150)
Gain on sale of assets	(1)	
Gain on sale of emission allowances	(7)	(14)
Amortization of unearned equity compensation	7	7
Changes in option premiums collected	(270)	15
Cash used by changes in other working capital	(233)	(164)
Net Cash Provided by Operating Activities	139	60
Cash Flows from Investing Activities		
Capital expenditures	(233)	(164)
Increase in restricted cash, net	(1)	(10)
Decrease in notes receivable	3	9
Purchases of emission allowances	(35)	(1)
Proceeds from sale of emission allowances	8	31
Investments in nuclear decommissioning trust fund securities	(83)	(144)
Proceeds from sales of nuclear decommissioning trust fund securities	78	135
Proceeds from sale of assets	4	12
Net Cash Used by Investing Activities	(259)	(132)
Cash Flows from Financing Activities		
Payment of dividends to preferred stockholders	(14)	(14)
Receipt from/(payment of) financing element of acquired derivatives	40	(1)
Payment for treasury stock		(55)
Proceeds from issuance of common stock, net of issuance costs		2
Payment of deferred debt issuance costs	(1)	(2)
Payments for short and long-term debt	(209)	(154)
Net Cash Used by Financing Activities	(184)	(224)

Change in cash from discontinued operations		(6)
Effect of exchange rate changes on cash and cash equivalents	(2)	4
Net Decrease in Cash and Cash Equivalents	(306)	(298)
Cash and Cash Equivalents at Beginning of Period	1,494	1,132
Cash and Cash Equivalents at End of Period	$ 1,188	$ 834

See notes to condensed consolidated financial statements.

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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 wholesale power generation company with a significant presence in major competitive power markets in the United States. NRG is engaged in the ownership, development, construction and operation of power generation facilities, the transacting in and trading of fuel and transportation services, and the trading of energy, capacity and related products in the United States and select international markets.

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 accounting policies NRG follows are set forth in Note 2, *Summary of Significant Accounting Policies*, to the Company s financial statements in its Annual Report on Form 10-K for the year ended December 31, 2008. The following notes should be read in conjunction with such policies and other disclosures in the Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim 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, 2009, the results of operations for the three months ended March 31, 2009 and 2008, and cash flows for the three months ended March 31, 2009 and 2008. Certain prior-year amounts have been reclassified for comparative purposes.

Recent Developments Reliant Retail Acquisition

On March 2, 2009, NRG announced that, acting through its wholly owned subsidiary, NRG Retail LLC, or NRG Retail, it had entered into a membership interest purchase agreement to acquire Reliant Energy Inc. s Texas electric retail business operations, or Reliant Retail, for a purchase price of $287.5 million cash, and the return of Reliant Retail s net working capital as of the closing date. NRG will also guarantee certain obligations of NRG Retail in connection with the purchase.

NRG has arranged with Merrill Lynch Commodities, Inc., or Merrill Lynch, the current credit provider of Reliant, to provide continuing credit support to the retail business subsequent to closing. The Company negotiated a transitional credit sleeve facility, or CSRA, with Merrill Lynch under which NRG will contribute $200 million of cash into the retail entity. In conjunction with the CSRA, NRG, Reliant Retail, Merrill Lynch and certain counterparties will enter into offsetting trades to move collateral with respect to NRG s in-the-money positions in order to reduce Merrill Lynch s actual and contingent collateral on Reliant Retail s out-of-money positions. The CSRA will provide collateral support for the retail enterprise up to November 1, 2010, while a transition to NRG supplying the retail business power requirements occurs, with limited ongoing collateral requirements. NRG will also have two potential cash contribution obligations: (i) in October 2009 of $250 million if a threshold level to be determined at closing is exceeded, and (ii) in October 2010 for up to $400 million at the sleeve unwind. The monthly fees for this sleeve facility is 5.875% on an annualized basis of the predetermined exposure as defined in the CSRA.

Each of the parties obligation to consummate the acquisition of Reliant Retail is subject to certain customary conditions and regulatory approvals, including: (i) the absence of any event or circumstance that would have a material adverse effect on the other party s business, assets, properties, liabilities, condition (financial or otherwise) or results of operations, taken as a whole; and (ii) the receipt of required regulatory approvals, which have been obtained. On March 30, 2009, the Federal Trade Commission, together with the US Department of Justice, granted early termination of the pre-merger waiting period pursuant to the Hart Scott Rodino Antitrust Improvements Act. Subject to the remaining foregoing conditions, the transaction is expected to be consummated effective May 1, 2009.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during the reporting period. Actual results could be different from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2009 are predominantly held in money market funds invested in treasury securities, treasury repurchase agreements or government agency debt.

Other Cash Flow Information

NRG s non-cash investing activities for the three months ended March 31, 2009 included capital expenditures of $3 million for which the associated liability is reflected within accrued expenses.

Recent Accounting Developments

The Company adopted SFAS No. 141 (revised 2007), *Business Combinations*, or SFAS 141R, on January 1, 2009. The provisions of SFAS 141R are applied prospectively to business combinations for which the acquisition date occurs after January 1, 2009. The statement requires an acquirer to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value at the acquisition date. It also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity s financial statements to evaluate the nature and financial effects of the business combination. In addition, transaction costs are required to be expensed as incurred. The Company has applied the provisions of SFAS 141R to the Reliant Retail acquisition, and has expensed $12 million in transactions costs related to the acquisition during the three months ended March 31, 2009. As discussed further in Note 12, *Income Taxes*, any future reductions to existing net deferred tax assets or valuation allowances, and changes to uncertain tax benefits, as they relates to Fresh Start or previously completed acquisitions, occurring after January 1, 2009 will be recorded to income tax expense rather than additional paid-in capital or goodwill, respectively.

In April 2009, the FASB issued FSP No. FAS 141(R)-1 *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, or FSP FAS 141R-1, which the Company adopted effective January 1, 2009. This FSP amends and clarifies SFAS 141R, to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The provisions of FSP FAS 141R-1 are applied prospectively to assets or liabilities arising from contingencies in business combinations for which the acquisition date occurs after January 1, 2009. Accordingly, the Company will apply the provisions of FSP FAS 141R-1 to the Reliant Retail acquisition.

The Company adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51, Consolidated Financial Statements*, or SFAS 160, on January 1, 2009. This Statement amends ARB No. 51 to establish accounting and reporting standards for the minority interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB No. 51 s consolidation procedures for consistency with the requirements of SFAS 141R. This Statement is applied prospectively from the date of adoption, except for the presentation and disclosure requirements, which shall be applied retrospectively. Accordingly, the Company has conformed its financial statement presentation and disclosures to the requirements of SFAS 160.

The Company adopted FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement),* or FSP APB 14-1, on January 1, 2009, applying it retrospectively to all periods presented. FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) do not fall within the scope of paragraph 12 of Accounting Principles Board Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants,* and specifies that issuers of such instruments should separately account for the liability component and the equity component represented by the embedded conversion option in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Upon settlement, the entity shall allocate consideration transferred and transaction costs incurred to the extinguishment of the liability component and the reacquisition of the equity component.

During the third quarter 2006, NRG s unrestricted wholly-owned subsidiaries CSF I and CSF II issued notes and preferred interests, or CSF Debt, which included an embedded derivative requiring NRG to pay to Credit Suisse Group, or CS, at maturity, either in cash or stock at NRG s option, the excess of NRG s then current stock price over a threshold price. The CSF Debt and its embedded derivative are accounted for under the guidance in FSP APB 14-1. The fair value of the embedded derivative at the date of issuance was determined to be $32 million and has been recorded as a debt discount to the CSF Debt, with a corresponding credit to Additional Paid-in Capital. This debt discount will be amortized over the terms of the underlying CSF Debt. The cumulative effect of the change in accounting principle for periods prior to December 31, 2008, was recorded as a $7 million decrease to Long-Term Debt, a $13 million decrease to Additional Paid-In Capital, and a $20 million increase to Retained Earnings on the Condensed Consolidated Balance Sheet as of December 31, 2008.

The following table summarizes the effect of the adoption of FSP APB 14-1 on income and per-share amounts for all periods presented:

	Three Months Ended March 31,	
(In millions, except per share amounts)	**2009**	**2008**
Increase/(decrease):		
Interest Expense	$ 2	$ 3
Income From Continuing Operations	(2)	(3)
Net Income attributable to NRG Energy, Inc.	(2)	(3)
Basic Earnings Per Share	$	$ (0.01)
Diluted Earnings Per Share	$ (0.01)	$ (0.02)

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly,* or FSP FAS 157-4. FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP applies to all assets and liabilities within the scope of accounting pronouncements that require or permit fair value measurements. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and will be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. FSP FAS 157-4 will not have a material impact on the Company s results of operations, financial position, or cash flows.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* or FSP 107-1 and APB 28-1. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. This FSP applies to all financial instruments within the scope of Statement 107 held by publicly traded companies, as defined by Opinion 28. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FSP FAS 107-1 and APB 28-1 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The enhanced disclosure requirements are relevant to NRG but will not have an impact on the Company s results of operations, financial position, or cash flows.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* or FSP FAS 115-2 and FAS 124-2. This FSP amends the other-than-temporary impairment guidance in US GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with earlier application permitted for periods ending after March 15, 2009. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. FSP FAS 115-2 and FAS 124-2 will not have a material impact on the Company s results of operations, financial position, or cash flows.

The following accounting standards were adopted on January 1, 2009, with no impact on the Company s results of operations, financial position, or cash flow:

FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*
FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*
SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities*
FSP No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*
EITF No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock*
EITF No. 08-5, *Issuer s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement*
EITF No. 08-6, *Equity Method Investment Accounting Considerations*

Note 2 Comprehensive Income/(Loss)

The following table summarizes the components of the Company s comprehensive income/(loss), net of tax:

(In millions)	Three months ended March 31, 2009	Three months ended March 31, 2008
Net income	$ 198	$ 49
Changes in derivative activity	173	(302)
Foreign currency translation adjustment	(18)	42
Unrealized gain on available-for-sale securities	1	2
Other comprehensive income/(loss), net of tax	156	(258)
Comprehensive income/(loss) attributable to NRG Energy, Inc.	$ 354	$ (209)

The following table summarizes the changes in the Company s accumulated other comprehensive income, net of tax:

(In millions)	
Accumulated other comprehensive income as of December 31, 2008	$ 310
Changes in derivative activity	173
Foreign currency translation adjustments	(18)
Unrealized gain on available-for-sale securities	1
Accumulated other comprehensive income as of March 31, 2009	$ 466

Note 3 Investments Accounted for by the Equity Method

MIBRAG On February 25, 2009, NRG entered into an agreement to sell its 50% ownership interest in Mibrag B.V. to a consortium of Severočeské doly Chomutov, a member of the CEZ Group, and J&T Group. Mibrag B.V. s principal holding is MIBRAG, which is jointly owned by NRG and URS Corporation. As part of the transaction, URS Corporation also has entered into an agreement to sell its 50% stake in MIBRAG.

For its share, NRG expects to receive EUR 202 million, subject to certain adjustments including transaction costs. The transaction is subject to customary closing conditions, including European Commission regulatory approvals and the absence of material adverse changes. NRG expects to recognize a pre-tax gain of approximately $100 million to $120 million and to close on the sale during the second quarter 2009. Prior to completion of the sale, NRG continues to record its share of MIBRAG s operations to Equity in earnings of unconsolidated affiliates.

In connection with the transaction, NRG entered into a foreign currency forward contract on March 12, 2009 to hedge the impact of exchange rate fluctuations on the sale proceeds. The foreign currency forward contract has a fixed exchange rate of 1.277. The contract requires NRG to pay EUR 200 million in exchange for $255 million on June 30, 2009. For the three months ended March 31, 2009, NRG recorded an unrealized exchange loss of $9 million on the contract within Other income/(expense), net.

NRG will provide certain indemnities in connection with its share of the transaction. See Note 17, *Guarantees,* to this Form 10-Q for further discussion.

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Note 4 Fair Value of Financial Instruments

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

(In millions)	Fair Value			
As of March 31, 2009	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,188	$	$	$ 1,188
Funds deposited by counterparties	1,275			1,275
Restricted cash	17			17
Cash collateral paid in support of energy risk management activities	178			178
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities			7	7
Marketable equity securities	2			2
Trust fund investments	157	104	27	288
Derivative assets	925	3,942	143	5,010
Total assets	$ 3,742	$ 4,046	$ 177	$ 7,965
Cash collateral received in support of energy risk management activities	$ 1,277	$	$	$ 1,277
Derivative liabilities	874	2,529	17	3,420
Total liabilities	$ 2,151	$ 2,529	$ 17	$ 4,697

The following table reconciles, for the three months ended March 31, 2009, 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:

(In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
Three months ended March 31, 2009	**Debt Securities**	**Trust Fund Investments**	**Derivatives**	**Total**
Beginning balance as of January 1, 2009	$ 7	$ 31	$ 49	$ 87
Total gains/(losses) (realized and unrealized)				
Included in earnings			19	19
Included in nuclear decommissioning obligations		(4)		(4)
Purchases/(sales), net			4	4
Transfer into Level 3			54	54
Ending balance as of March 31, 2009	$ 7	$ 27	$ 126	$ 160
	$	$	$ 29	$ 29

The amount of the total gains for the period included in earnings attributable to the change in unrealized gains relating to assets still held as of March 31, 2009

Realized and unrealized gains and losses included in earnings that are related to the debt securities are recorded in other income, while those related to energy derivatives are recorded in operating revenues and cost of operations.

In determining the fair value of NRG s Level 2 and 3 derivative contracts, NRG applies a credit reserve to reflect credit risk which is calculated based on credit default swaps. As of March 31, 2009, the credit reserve resulted in a $46 million decrease in fair value which is composed of a $23 million loss in OCI and a $23 million loss in revenue and cost of operations.

This footnote should be read in conjunction with the complete description under Note 4, *Fair Value of Financial Instruments*, to the Company s financial statements in its Annual Report on Form 10-K for the year ended December 31, 2008.

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Note 5 Nuclear Decommissioning Trust Fund

The following table summarizes the fair values of the securities held in the nuclear decommissioning trust fund for the decommissioning of South Texas Project, or STP:

(In millions)	March 31, 2009	December 31, 2008
Cash and cash equivalents	$ 5	$ 2
US government and federal agency obligations	28	21
Federal agency mortgage-backed securities	45	49
Commercial mortgage-backed securities	14	16
Corporate debt securities	35	37
Marketable equity securities	159	178
Total	$ 286	$ 303

Note 6 Accounting for Derivative Instruments and Hedging Activities

SFAS 133 requires NRG to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a Normal Purchase Normal Sale, or NPNS, exception. If certain conditions are met, NRG may be able to designate certain derivatives as cash flow hedges and defer the effective portion of the change in fair value of the derivatives to Other Comprehensive Income, or OCI, until the hedged transactions occur and are recognized in earnings. The ineffective portion of a cash flow hedge is immediately recognized in earnings.

For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair value of both the derivative and the hedged transaction are recorded in current earnings. The ineffective portion of a hedging derivative instrument s change in fair value is immediately recognized into earnings.

For derivatives that are not designated as cash flow hedges or do not qualify for hedge accounting treatment, the changes in the fair value will be immediately recognized in earnings. Under the guidelines established per SFAS 133, certain derivative instruments may qualify for the NPNS exception and are therefore exempt from fair value accounting treatment. SFAS 133 applies to NRG s energy related commodity contracts, interest rate swaps, and foreign exchange contracts.

As the Company engages principally in the trading and marketing of its generation assets, many of NRG s commercial activities qualify for hedge accounting under the requirements of SFAS 133. In order to so qualify, the physical generation and sale of electricity should be highly probable at inception of the trade and throughout the period it is held, as is the case with the Company s baseload plants. For this reason, many trades in support of NRG s baseload units normally qualify for NPNS or cash flow hedge accounting treatment, and trades in support of NRG s peaking units will generally not qualify for hedge accounting treatment, with any changes in fair value likely to be reflected on a mark-to-market basis in the statement of operations. All of NRG s hedging and trading activities are in accordance with the Company s risk management policy.

Energy-Related Commodities

To manage the commodity price risk associated with the Company s competitive supply activities and the price risk associated with power sales from the Company s electric generation facilities, NRG may enter into a variety of derivative and non-derivative hedging instruments, utilizing the following:

- Forward contracts, which commit NRG to sell energy commodities or purchase fuels in the future.

- Futures contracts, which are exchange-traded standardized commitments to purchase or sell a commodity or financial instrument.

Swap agreements, which require payments to or from counter-parties based upon the differential between two prices for a predetermined contractual, or notional, quantity.

Option contracts, which convey the right or obligation to buy or sell a commodity.

The objectives for entering into derivative contracts designated as hedges include:

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Fixing the price for a portion of anticipated future electricity sales through the use of various derivative instruments including gas collars and swaps at a level that provides an acceptable return on the Company s electric generation operations.

Fixing the price of a portion of anticipated fuel purchases for the operation of NRG s power plants.

Fixing the price of a portion of anticipated energy purchases to supply NRG s load-serving customers.

NRG s trading activities include contracts entered into to profit from market price changes as opposed to hedging an exposure, and are subject to limits in accordance with the Company s risk management policy. These contracts are recognized on the balance sheet at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings. These trading activities are a complement to NRG s energy marketing portfolio.

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, 2009, NRG had interest rate derivative instruments extending through June 2019, all of which had been designated as either cash flow or fair value hedges.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of NRG s derivative transactions broken out by commodity with the exception of those that qualified for the NPNS exception as of March 31, 2009. 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.

Commodity	**Units**	**Total Volume (In millions)**
Emissions	Short Ton	2
Coal	Short Ton	62
Natural Gas	MMBtu	(797)
Oil	Barrel	1
Power	MWH	(99)
Interest	Dollars	$ 2,419

Fair Value of Derivative Instruments

The following table summarizes the fair value within the derivative instrument valuation on the balance sheet as of March 31, 2009:

	Fair Value	
(In millions)	**Derivatives Asset**	**Derivatives Liability**
Derivatives Designated as Cash Flow or Fair Value Hedges:		
Interest rate contracts current	$	$ 6
Interest rate contracts long term	15	135
Commodity contracts current	414	3
Commodity contracts long term	473	20
Total Derivatives Designated as Cash Flow or Fair Value Hedges	902	164

Derivatives Not Designated as Cash Flow or Fair Value Hedges:		
Commodity contracts current	3,448	2,982
Commodity contracts long term	660	265
Foreign currency current		9
Total Derivatives Not Designated as Cash Flow or Fair Value Hedges	4,108	3,256
Total Derivatives	$ 5,010	$ 3,420

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Impact of Derivative Instruments on the Statement of Financial Performance

The following table summarizes the amount of gain/(loss) resulting from fair value hedges reflected in interest income/(expense) for interest rate contracts:

(In millions) Three months ended March 31, 2009		Amount of gain/(loss) recognized
Derivative	$	(1)
Senior Notes (hedged item)	$	1

The following table summarizes the location and amount of gain/(loss) resulting from cash flow hedges:

(In millions) Three months ended March 31, 2009		Amount of gain/(loss) recognized in OCI (effective portion) after tax	Location of gain/(loss) reclassified from Accumulated OCI into Income		Amount of gain/(loss) reclassified from Accumulated OCI into Income	Location of gain/(loss) recognized in income (ineffective portion)		Amount of gain/(loss) recognized in income (ineffective portion)
Interest rate contracts	$	12	Interest expense	$	(1)	Interest expense	$	
Commodity contracts		161	Operating revenue		112	Operating revenue		4
Total	$	173		$	111		$	4

The following table summarizes the amount of gain/(loss) recognized in income for derivatives not designated as cash flow or fair value hedges on commodity contracts:

(In millions) Three months ended March 31, 2009		Amount of gain/(loss) recognized in income or cost of operations for derivatives
Location of gain/(loss) recognized in income for derivatives:		
Operating revenue	$	323
Cost of operations	$	(52)

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. While deterioration in credit quality is not defined, it could generally be interpreted to mean at least a three notch downgrade from existing credit ratings. Other agreements contain provisions that require the Company to post additional collateral if there was a one notch downgrade in the Company s credit rating. The aggregate fair value of all derivative instruments that have adequate assurance clauses that are in a net liability position as of March 31, 2009 was $21 million. The aggregate fair value of all derivative instruments with credit rating contingent features that are in a net liability position as of March 31, 2009 was $37 million. In addition, there are certain marginable agreements where NRG has a net liability position but the counterparty has not called for the collateral due, which is approximately $95 million.

Concentration of Credit Risk

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

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Under the current economic downturn in the US and overseas, the Company has heightened its management and mitigation of counterparty credit risk by using credit limits, netting agreements, collateral thresholds, volumetric limits and other mitigation measures, where available. NRG avoids concentration of counterparties whenever possible and applies credit policies that include an evaluation of counterparties financial condition, collateral requirements and the use of standard agreements that allow for netting and other security.

As of March 31, 2009, total credit exposure to substantially all counterparties was $2.6 billion and NRG held collateral (cash and letters of credit) against those positions of $1.3 billion resulting in a net exposure of $1.3 billion. Total credit exposure is discounted at a risk free rate.

The following table highlights the credit quality and the net counterparty credit exposure by industry sector. 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) as of March 31, 2009 (% of Total)
Coal suppliers	2%
Financial institutions	63
Utilities, energy, merchants, marketers and other	32
ISOs	3
Total	100%

Category	Net Exposure(a) as of March 31, 2009 (% of Total)
Investment grade	95%
Non-investment grade	1
Non-rated	4
Total	100%

(a) Credit exposure excludes California tolling, uranium, coal transportation/railcar leases, New England Reliability-Must-Run, cooperative load contracts and Texas Westmoreland coal contracts.

NRG has credit risk exposure to certain counterparties representing more than 10% of total net exposure and the aggregate of such counterparties was $444 million. No single counterparty represents more than 19% of total net credit exposure. Approximately 85% of NRG s positions relating to credit risk roll-off by the end of 2011. 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 results from nonperformance by a counterparty.

Accumulated Other Comprehensive Income

The following table summarizes the effects of SFAS 133 on NRG s accumulated OCI balance attributable to hedged derivatives, net of tax:

(In millions) **Three months ended March 31, 2009**	**Energy Commodities**	**Interest Rate**	**Total**
Accumulated OCI balance at December 31, 2008	$ 406	$ (91)	$ 315
Realized from OCI during the period:			
Due to realization of previously deferred amounts	(112)	1	(111)
Due to discontinuance of cash flow hedge accounting	(133)		(133)
Mark-to-market of cash flow hedge accounting contracts	406	11	417
Accumulated OCI balance at March 31, 2009	$ 567	$ (79)	$ 488
Gains/(losses) expected to be realized from OCI during the next 12 months, net of $180 tax	$ 287	$ (4)	$ 283

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(In millions) **Three months ended March 31, 2008**	**Energy Commodities**	**Interest Rate**	**Total**
Accumulated OCI balance at December 31, 2007	$ (234)	$ (31)	$ (265)
Realized from OCI during the period:			
Due to realization of previously deferred amounts	(15)		(15)
Mark-to-market of cash flow hedge accounting contracts	(244)	(43)	(287)
Accumulated OCI balance at March 31, 2008	$ (493)	$ (74)	$ (567)
Losses expected to be realized from OCI during the next 12 months, net of $69 tax	$ (104)	$ (2)	$ (106)

As of March 31, 2009, the net balance in OCI relating to SFAS 133 was an unrecognized gain of approximately $488 million, which is net of $305 million in income taxes. As of March 31, 2008, the net balance in OCI relating to SFAS 133 was unrecognized losses of approximately $567 million, which was net of $371 million in income taxes.

As of July 31, 2008, the Company s regression analysis for natural gas prices to ERCOT power prices while positively correlated did not meet the required threshold for cash flow hedge accounting for calendar years 2012 and 2013. As a result, the Company de-designated its 2012 and 2013 ERCOT cash flow hedges as of July 31, 2008 and prospectively mark these derivatives to market. The Company will continue to monitor the correlations in this market, and if the regression analysis meets the required thresholds in the future, the Company may elect to re-designate these transactions as cash flow hedges.

Statement of Operations

In accordance with SFAS 133, unrealized gains and losses associated with changes in the fair value of derivative instruments not accounted for as cash flow hedge derivatives and ineffectiveness of hedge derivatives are reflected in current period earnings.

The following table summarizes the pre-tax effects of economic hedges that did not qualify for cash flow hedge accounting, ineffectiveness on cash flow hedges, and trading activity on NRG s statement of operations. These amounts are included within operating revenues and cost of operations.

	Three Months Ended March 31,	
(In millions)	**2009**	**2008**
Unrealized mark-to-market results		
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	$ (16)	$ (10)
Reversal of previously recognized unrealized gains on settled positions related to trading activity	(69)	(5)
Net unrealized gains/(losses) on open positions related to economic hedges	349	(97)
Gains/(losses) on ineffectiveness associated with open positions treated as cash flow hedges	4	(45)
Net unrealized gains on open positions related to trading activity	7	16
Total unrealized gains/(losses)	$ 275	$ (141)

(In millions)	Three months ended March 31, 2009		2008	
Revenue from operations energy commodities	$	327	$	(141)
Cost of operations		(52)		
Total impact to statement of operations	$	275	$	(141)

For the three months ended March 31, 2009, the unrealized gain associated with changes in the fair value of derivative instruments not accounted for as hedge derivatives of $275 million was comprised of $349 million of fair value increases in forward sales of electricity and fuel, $4 million of ineffectiveness, $85 million loss from the reversal of mark-to-market gains, which ultimately settled as financial revenues, and $7 million of gains associated with the Company s trading activity. The $349 million gain from economic hedge positions includes $217 million recognized in earnings from previously deferred amounts in OCI as the Company discontinued cash flow hedge accounting for certain 2009 transactions in Texas and New York due to lower expected generation, and $132 million of increase in value of forward sales of electricity and fuel due to forward power and gas prices. The $4 million gain is primarily from hedge accounting ineffectiveness related to gas trades in Texas which was driven by decreasing forward gas prices while forward power prices decreased at a slower pace. The Company recognized a derivative loss of $29 million resulting from discontinued NPNS designated coal purchases due to expected lower coal consumption and accordingly could not assert taking physical delivery of coal purchase transaction under NPNS designation. This amount is included in the Company s cost of operations.

For the three months ended March 31, 2008, the unrealized loss associated with changes in the fair value of derivative instruments not accounted for as hedge derivatives of $141 million was comprised of $97 million of fair value decreases in forward sales of electricity and fuel, a $45 million loss due to the ineffectiveness associated with financial forward contracted electric and gas sales, $15 million from the reversal of mark-to-market gains which ultimately settled as financial revenues of which $10 million was related to economic hedges and $5 million was related to trading activity. These decreases were partially offset by $16 million of gains associated with open positions related to trading activity.

Discontinued Hedge Accounting During the first quarter 2009, a relatively sharp decline in commodity prices resulted in falling power prices and expected lower power generation for the remainder of 2009. As such, NRG discontinued cash flow hedge accounting for certain 2009 contracts previously accounted for as cash flow hedges. These contracts were originally entered into as hedges of forecasted sales by baseload plants in Texas and Northeast. As a result, $217 million of gain previously deferred in OCI was recognized in earnings for the three months ended March 31, 2009.

Discontinued Normal Purchase and Sale for Coal Purchase Due to the decline in commodity prices, the Company s coal consumption is lower than forecasted, and the Company expects to build-up inventory due to anticipated lower baseload plant generation. The Company may need to net settle some of its coal purchases under NPNS designation and thus would no longer be able to assert physical delivery under these coal contracts. The forward positions previously treated as accrual accounting have been reclassified into mark-to-market accounting during the quarter and prospectively. The impact of discontinuance of coal NPNS designated transactions resulted in a derivative loss of $29 million and reflected in cost of operations for the three months ended March 31, 2009.

Note 7 Long-Term Debt

Senior Credit Facility

In March 2009, NRG made a repayment of approximately $197 million to its first lien lenders under the Term Loan Facility. This payment resulted from the mandatory annual offer of a portion of NRG s excess cash flow (as defined in the Senior Credit Facility) for the prior year.

TANE Facility

On February 24, 2009, Nuclear Innovation North America LLC, or NINA, executed an Engineering, Procurement and Construction, or EPC, agreement with Toshiba American Nuclear Energy Corporation, or TANE, which specifies the terms under which STP Units 3 and 4 will be constructed. Concurrent with the execution of the EPC agreement, NINA and TANE entered into a credit facility, or the TANE Facility, wherein TANE has committed up to $500 million to finance purchases of long-lead materials and equipment for the construction of STP 3 and 4. The TANE Facility matures on February 24, 2012, subject to two renewal periods, and provides for customary events of default, which include, among others: nonpayment of principal or interest; default under other indebtedness; the rendering of judgments; and certain events of bankruptcy or insolvency. Outstanding borrowings will accrue interest at LIBOR plus 3%, subject to a ratings grid, and are secured by substantially all of the assets of and membership interests in NINA and its subsidiaries. As of March 31, 2009, no amounts have been borrowed under the TANE Facility. NINA will be required to repay all outstanding amounts associated with its existing $20 million revolving credit facility before borrowing under the TANE Facility.

Debt Related to Capital Allocation Program

Share Lending Agreements On February 20, 2009, CSF I and CSF II, wholly-owned unrestricted subsidiaries of the Company, entered into Share Lending Agreements with affiliates of Credit Suisse Group, or CS, relating to the shares of NRG common stock currently held by CSF I and II in connection with the CSF I and CSF II issued notes and preferred interests agreements, or CSF Debt, originally entered into on August 4, 2006, by and between CSF I and II and affiliates of CS. The Company entered into Share Lending Agreements due to the current lack of liquidity in the stock borrow market for NRG shares and in order to maintain the intended economic benefits of the CSF Debt agreements. As of March 31, 2009 CSF I and II have lent affiliates of CS 12,000,000 shares of the 21,970,903 shares of NRG common stock held by CSF I and II. The Share Lending Agreements permit affiliates of CS to borrow up to the total number of shares of NRG common stock held by CSF I and II.

Shares borrowed by affiliates of CS under the Share Lending Agreement will be used to replace shares borrowed by affiliates of CS from third parties in connection with CS hedging activities related to the financing agreements.

The shares are expected to be returned upon the termination of the financing agreements. Until the shares are returned, the shares will be treated as outstanding for corporate law purposes, and accordingly, the holders of the borrowed shares will have all of the rights of a holder of the Company s outstanding shares, including the right to vote the shares on all matters submitted to a vote of the Company s stockholders. However, because the CS affiliates must return all borrowed shares (or identical shares), the borrowed shares are not considered outstanding for the purpose of computing and reporting the Company s basic or diluted earnings per share.

Adoption of FSP APB 14-1 As discussed in Note 1, *Basis of Presentation*, the Company adopted FSP APB 14-1 on January 1, 2009. The following table summarizes certain information related to the CSF Debt in accordance with FSP APB 14-1:

	March 31, 2009	December 31, 2008
Equity Component		
Additional Paid-in Capital	$ 14	$ 14
Liability Component		
Principal amount	$ 333	$ 333
Unamortized discount	(6)	(8)
Net carrying amount	$ 327	$ 325

The unamortized discount will be amortized through the maturity of the CSF Debt. The CSF I debt has a maturity date of June 2010 and the CSF II debt has a maturity date October 2009. Interest expense for the CSF Debt, including the debt discount amortization for the three months ended March 31, 2009 and 2008 was $9 million and $10 million, respectively. The effective interest rate as of March 31, 2009 was 11.4% for the CSF I debt and 12.0% for the CSF II debt.

Subsequent events

Dunkirk Power LLC Tax-Exempt Bonds On April 15, 2009, NRG executed a $59 million tax-exempt bond financing through its wholly owned subsidiary, Dunkirk Power LLC. The bonds were issued by the County of Chautauqua Industrial Development Agency and will be applied towards construction of emission control equipment on the Dunkirk Generating Station in Dunkirk, NY. The bonds initially bear weekly interest based on the Securities Industry and Financial Markets Association, or SIFMA, rate, have a maturity date of April 1, 2042, and are enhanced by a letter of credit under the Company s Revolving Credit Facility covering amounts drawn on the facility. The initial proceeds were $31 million with the remaining balance being released over time as construction costs are paid.

GenConn Energy LLC related financings On April 27, 2009, a wholly owned subsidiary of NRG closed on an equity bridge loan facility, or EBL, in the amount of $121.5 million from a syndicate of banks. The purpose of the EBL is to fund the Company s proportionate share of the project construction costs required to be contributed into GenConn Energy LLC, or GenConn, a 50% equity method investment of the Company. The EBL, which is fully collateralized with a letter of credit issued under the Company s Synthetic Letter of Credit Facility, will bear interest at a rate of LIBOR plus 2% on drawn amounts. The EBL will mature on the earlier of the commercial operations date of the Middletown project or July 26, 2011. The EBL also features a mandatory prepayment of the portion of the loan utilized for the Devon project (approximately $56 million) becoming due on the earlier of Devon s commercial operations date or January 27, 2011. The initial proceeds of the EBL were $61 million and the remaining amounts will be drawn as necessary to fund construction costs.

At the same time, GenConn secured financing from the same syndicate of banks for 50% of its project construction costs through a 7-year term loan facility, as well as a 5 year revolving working capital loan and letter of credit facility, collectively the GenConn Facility. The aggregate credit amount secured under the GenConn Facility, which is non-recourse to NRG, was $291 million, including $48 million for the revolving facility. No amounts were immediately drawn under the GenConn Facility.

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Note 8 Changes in Capital Structure

The following table reflects the changes in NRG s common stock issued and outstanding during the three months ended March 31, 2009:

	Authorized	Issued	Treasury	Outstanding
Balance as of December 31, 2008	500,000,000	263,599,200	(29,242,483)	234,356,717
Shares issued from LTIP		199,135		199,135
Shares issued under NRG Employee Stock Purchase Plan, or ESPP			41,706	41,706
Shares borrowed by affiliates of CS			12,000,000	12,000,000
4.00% Preferred Stock conversion		10,500		10,500
5.75% Preferred Stock conversion		18,601,201		18,601,201
Balance as of March 31, 2009	500,000,000	282,410,036	(17,200,777)	265,209,259

Employee Stock Purchase Plan

As of March 31, 2009, there remained 458,294 shares of treasury stock reserved for issuance under the ESPP.

5.75% Preferred Stock

Certain holders of the Company s 5.75% convertible perpetual preferred stock, or 5.75% Preferred Stock, elected to convert their preferred shares into NRG common shares prior to the mandatory conversion date of March 16, 2009 at the minimum conversion rate of 8.2712. As of March 16, 2009, each remaining outstanding share of the 5.75% Preferred Stock automatically converted into shares of common stock at a rate of 10.2564, based upon the applicable market value of NRG s common stock. These conversions resulted in a decrease in preferred stock of $447 million, and a corresponding increase in Additional Paid-in Capital. The following table summarizes the conversion of the 5.75% Preferred Stock into NRG Common Stock:

	Preferred Stock Shares	Conversion Rate (per share)	Common Stock Shares
Balance as of December 31, 2008	1,841,680		
Preferred shares converted by the holders prior to March 16, 2009	144,975	8.2712	1,199,116
Preferred shares automatically converted as of March 16, 2009	1,696,705	10.2564	17,402,085
Balance at March 31, 2009			18,601,201

4% Preferred Stock

As of March 31, 2009, 210 shares of the 4% Preferred Stock were converted into 10,500 shares of common stock in 2009.

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Note 9 Equity Compensation

Non-Qualified Stock Options, or NQSO s

The following table summarizes the Company s NQSO activity as of March 31, 2009, and changes during the three months then ended:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (In millions)
Outstanding as of December 31, 2008	4,008,188	$ 25.84	
Granted	1,195,600	23.64	
Forfeited	(8,967)	29.77	
Outstanding at March 31, 2009	5,194,821	25.33	$ 7
Exercisable at March 31, 2009	2,801,309	$ 21.56	7

The weighted average grant date fair value of NQSO s granted for the three months ended March 31, 2009, was $8.55.

Restricted Stock Units, or RSU s

The following table summarizes the Company s non-vested RSU awards as of March 31, 2009 and changes during the three months then ended:

	Units	Weighted Average Grant-Date Fair Value Per Unit
Non-vested as of December 31, 2008	1,061,996	$ 32.97
Granted	147,000	23.64
Vested	(288,578)	23.73
Forfeited	(10,720)	39.55
Non-vested as of March 31, 2009	909,698	$ 34.32

Performance Units, or PU s

The following table summarizes the Company s non-vested PU awards as of March 31, 2009 and changes during the three months then ended:

	Units	Weighted Average Grant- Date Fair Value Per Unit
Non-vested as of December 31, 2008	659,564	$ 22.81
Granted	285,200	22.73

Forfeited	(216,064)		18.72
Non-vested as of March 31, 2009	728,700	$	24.16

In the first quarter 2009, there were no performance unit payouts in accordance with the provisions.

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Note 10 Earnings Per Share

Basic earnings per share attributable to NRG common stockholders is computed by dividing net income attributable to NRG adjusted for 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 12,000,000 shares outstanding under the Share Lending Agreements with CS affiliates are not treated as outstanding for earnings per share purposes because the CS affiliates must return all borrowed shares (or identical shares) upon termination of the Agreements. See Note 7 *Long-Term Debt,* for more information on the Share Lending Agreements. Diluted earnings per share attributable to NRG common stockholders is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during the period.

The reconciliation of basic earnings per common share to diluted earnings per share attributable to NRG is as follows:

	Three months ended March 31,	
(In millions, except per share data)	**2009**	**2008**
Basic earnings per share attributable to NRG common stockholders		
Numerator:		
Income from continuing operations, net of income taxes	$ 198	$ 45
Dividends for preferred shares	(14)	(14)
Net income available to common stockholders from continuing operations	184	31
Income from discontinued operations, net of income taxes		4
Net income attributable to NRG Energy, Inc. available to common stockholders	$ 184	$ 35
Denominator:		
Weighted average number of common shares outstanding	237.1	236.3
Basic earnings per share:		
Income from continuing operations	$ 0.78	$ 0.13
Income from discontinued operations, net of income taxes		0.02
Net income attributable to NRG Energy, Inc.	$ 0.78	$ 0.15
Diluted earnings per share attributable to NRG common stockholders		
Numerator:		
Net income available to common stockholders from continuing operations	$ 184	$ 31
Add preferred stock dividends for dilutive preferred stock	10	
Adjusted income from continuing operations	194	31
Income from discontinued operations, net of income taxes		4
Net income attributable to NRG Energy, Inc. available to common stockholders	$ 194	$ 35
Denominator:		
Weighted average number of common shares outstanding	237.1	236.3
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	1.0	3.7
		5.3

Incremental shares attributable to embedded derivatives of certain financial instruments (if-converted method)		
Incremental shares attributable to assumed conversion features of outstanding preferred stock (if-converted method)	37.3	
Total dilutive shares	275.4	245.3
Diluted earnings per share:		
Income from continuing operations	$ 0.70	$ 0.12
Income from discontinued operations, net of income taxes		0.02
Net income attributable to NRG Energy, Inc.	$ 0.70	$ 0.14

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Effects on Earnings per Share

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 earnings per share:

(In millions of shares)	Three months ended March 31, 2009	Three months ended March 31, 2008
Equity compensation (NQSO s and PU s)	5.4	1.3
4.0% convertible preferred stock		21.0
5.75% convertible preferred stock		16.5
Embedded derivative of 3.625% redeemable perpetual preferred stock	16.0	12.2
Embedded derivative of CSF preferred interests and notes	7.6	16.8
Total	29.0	67.8

Note 11 Segment Reporting

NRG s segment structure reflects the Company s core areas of operation which are primarily the geographic regions of the Company s wholesale power generation, thermal and chilled water business, and corporate activities. Within NRG s wholesale power generation operations, there are distinct components with separate operating results and management structures for the following regions: Texas, Northeast, South Central, West, and International.

(In millions) Three months ended March 31, 2009	Wholesale Power Generation Texas	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
Operating revenues	$ 925	$ 464	$ 162	$ 28	$ 34	$ 42	$ 4	$ (1)	$ 1,658
Depreciation and amortization	117	29	17	2		2	2		169
Equity in earnings of unconsolidated affiliates	4			1	17				22
Income/(loss) from continuing operations before income taxes	378	211	1	(3)	14	4	(109)		496
Net income attributable to NRG Energy, Inc.	$ 217	$ 211	$ 1	$ (3)	$ 12	$ 4	$ (244)	$	$ 198
Total assets	$ 13,298	$ 1,687	$ 929	$ 262	$ 952	$ 206	$ 19,966	$ (13,102)	$ 24,198

(In millions) Three months ended March 31, 2008	Wholesale Power Generation Texas	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
Operating revenues	$ 649	$ 360	$ 179	$ 38	$ 38	$ 44	$ (5)	$ (1)	$ 1,302
Depreciation and amortization	113	26	17	1		3	1		161
Equity in (losses)/earnings of unconsolidated affiliates	(18)			(2)	16				(4)
Income/(loss) from continuing operations before income taxes	67	59	39	12	24	5	(107)		99

Income from discontinued operations, net of income taxes					4				4
Net income attributable to NRG Energy, Inc.	$ 37	$ 59	$ 39	$ 12	$ 24	$ 5	$ (127)	$	$ 49

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Note 12 Income Taxes

Effective Tax Rate

Income taxes included in continuing operations were as follows:

	Three months ended March 31,	
(In millions except otherwise noted)	**2009**	**2008**
Income tax expense	$ 298	$ 54
Effective tax rate	60.0%	54.5%

For the three months ended March 31, 2009 and 2008, NRG s overall effective tax rate on continuing operations was different than the statutory rate of 35% primarily due to state income taxes and an increase in valuation allowance as a result of capital losses generated in the quarter for which there are no projected capital gains or available tax planning strategies. In addition, NRG s overall effective tax rate on continuing operations for the three months ended March 31, 2008 was impacted by a taxable dividend from foreign operations.

Valuation Allowance

As of March 31, 2009, the Company s valuation allowance was increased by approximately $96 million primarily due to losses generated in the first quarter from derivative trading activity which require capital treatment for tax purposes. The Company reduced its foreign valuation allowance by approximately $1 million.

Uncertain tax benefits

NRG has identified certain unrecognized tax benefits whose after-tax value is $556 million, which would impact the Company s income tax expense.

As of March 31, 2009, NRG has recorded a $272 million non-current tax liability for unrecognized tax benefits, resulting from taxable earnings for the period for which there are no NOLs available to offset for financial statement purposes. NRG has accrued interest related to these unrecognized tax benefits of approximately $4 million for the three months ended March 31, 2009, and has accrued approximately $12 million since adoption. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

NRG is subject to examination by taxing authorities for income tax returns filed in the US federal jurisdiction and various state and foreign jurisdictions including major operations located in Germany and Australia. The Company is no longer subject to US federal income tax examinations for years prior to 2002. With few exceptions, state and local income tax examinations are no longer open for years before 2002. The Company s significant foreign operations are also no longer subject to examination by local jurisdictions for years prior to 2000. The Company continues to be under examination by the Internal Revenue Service.

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Note 13 Benefit Plans and Other Postretirement Benefits

NRG Defined Benefit Plans

NRG sponsors and operates three defined benefit pension and other postretirement plans. The NRG Plan for Bargained Employees and the NRG Plan for Non-Bargained Employees are maintained solely for eligible legacy NRG participants. A third plan, the Texas Genco Retirement Plan, is maintained for participation solely by eligible Texas-based employees. The total amount of employer contributions paid for the three months ended March 31, 2009 was $6 million. NRG expects to make $24 million in further contributions for the remainder of 2009. The total 2009 planned contribution of $30 million was a decrease of $30 million from the expected contributions as disclosed in Note 12 *Benefit Plans and Other Postretirement Benefits*, in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008. This decrease in the 2009 expected contributions is due to the adoption by the Company in March 2009 of the new funding method options now available. The new methods were made allowable under new IRS guidance on the application of recent Congressional legislation on funding requirements.

The net periodic pension cost related to all of the Company s defined benefit pension plans include the following components:

(In millions) **Three months ended March 31,**	**Defined Benefit Pension Plans** **2009**	 **2008**
Service cost benefits earned	$ 4	$ 4
Interest cost on benefit obligation	5	5
Expected return on plan assets	(4)	(4)
Net periodic benefit cost	$ 5	$ 5

The net periodic cost related to all of the Company s other post retirement benefits plans include the following components:

(In millions) **Three months ended March 31,**	**Other Postretirement Benefits Plans** **2009**	 **2008**
Service cost benefits earned	$ 1	$ 1
Interest cost on benefit obligation	2	1
Net periodic benefit cost	$ 3	$ 2

STP Defined Benefit Plans

NRG has a 44% undivided ownership interest in South Texas Project, or STP. South Texas Project Nuclear Operating Company, or STPNOC, which operates and maintains STP, provides its employees a defined benefit pension plan as well as postretirement health and welfare benefits. Although NRG does not sponsor the STP plan, it reimburses STPNOC for 44% of the contributions made towards its retirement plan obligations. There were no employer contributions reimbursed to STPNOC for the three months ended March 31, 2009. The Company recognized net periodic costs related to its 44% interest in STP defined benefits plans of $3 million and $2 million for the three months ended March 31, 2009 and 2008, respectively.

Note 14 Commitments and Contingencies

Commitments

Fuel Commitments

NRG enters into long-term contractual arrangements to procure fuel and transportation services for the Company s generation assets. NRG s total net coal commitments, which span from 2009 through 2012, decreased by approximately $120 million during the three months ended March 31, 2009 as the 2009 monthly commitments were settled. In addition, NRG s natural gas purchase commitments decreased by approximately $124 million during the three months ended March 31, 2009, as the 2009 monthly commitments were settled and average natural gas prices decreased.

First and Second Lien Structure

NRG has granted first and second liens to certain counterparties on substantially all of the Company s assets 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, 2009, and April 23, 2009, there was no exposure to out-of-the-money positions to counterparties on hedges under either the first or second liens.

***Repowering*NRG Initiatives**

NRG has capitalized $32 million through March 31, 2009, for the repowering of its El Segundo generating facility in California. As a result of permitting delays related to on-going Natural Resource Defense Counsel claims, the El Segundo project will not reach its original completion date of June 1, 2011. The Company is contemplating certain PPA modifications including the commercial operations date.

Contingencies

Set forth below is a description of the Company s material legal proceedings. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. Pursuant to the requirements of SFAS No. 5, *Accounting for Contingencies,* or SFAS 5, and related guidance, 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 vary from its currently recorded reserves and such differences 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.

Exelon Related Litigation

Delaware Chancery Court

On November 11, 2008, Exelon and its wholly-owned subsidiary Exelon Xchange filed a complaint against NRG and NRG s Board of Directors. The complaint alleges, among other things, that NRG s Board of Directors failed to give due consideration and to take appropriate action in response to the acquisition proposal announced by Exelon on October 19, 2008, in which Exelon offered to acquire all of the outstanding shares of NRG common stock at an exchange ratio of 0.485 Exelon shares for each NRG common share. On November 14, 2008, NRG and NRG s Board of Directors filed a motion to dismiss Exelon s complaint on the grounds that it failed to state a claim upon which relief can be granted. On March 16, 2009, prior to responding to the motion to dismiss, Exelon and Exelon Xchange filed an amended complaint. The amended complaint seeks, among other things, declaratory and injunctive relief: (1) declaring that NRG and its Board of Directors breached its fiduciary duties by summarily rejecting the October 19, 2008 Exelon offer, by resorting to defensive measures to interfere with Exelon s tender offer, and by making false and misleading statements to NRG stockholders; (2) compelling NRG and its Board of Directors to approve the Exelon tender offer by waiving the application of Section 203 of the Delaware General Corporation Law; (3) compelling NRG and its Board of Directors from taking any actions with respect to regulatory authorities that would thwart or interfere with the Exelon tender offer; and (4) compelling NRG and its Board of Directors to correct any false and misleading statements to NRG stockholders and to disclose all material facts necessary for NRG stockholders to make informed decisions regarding the October 19, 2008 Exelon offer. On April 17, 2009, NRG and NRG s Board of Directors filed a partial motion to dismiss the amended complaint asserting that many of the claims are subject to the business judgment rule, are premature, and should be dismissed for failure to state a claim upon which relief can be granted. A schedule for briefing the motion will be agreed by the parties or set by the court.

On December 11, 2008, the Louisiana Sheriffs Pension & Relief Fund and City of St. Claire Shores Police & Fire Retirement System, on behalf of themselves and all others similarly situated, served a previously filed complaint on NRG and its Board of Directors alleging substantially similar allegations as the Exelon complaint. On December 23, 2008, NRG and NRG s Board of Directors filed a motion to dismiss the complaint on the grounds that it failed to state a claim upon which relief can be granted. On March 16, 2009, prior to responding to the motion to dismiss, these plaintiffs filed an amended complaint against only NRG s Board of Directors. The amended complaint seeks, among other things, declaratory and injunctive relief: (1) declaring that it is a proper class action; (2) declaring that the NRG Board of Directors breached its fiduciary duties by summarily rejecting the October 19, 2008, Exelon offer and by resorting to defensive measures designed to prevent any potential acquirer from entering into a value-maximizing transaction with NRG; (3) compelling NRG s Board of Directors to engage in a dialogue with Exelon to more fully understand the October 19, 2008, offer and to determine the potential for any improvement thereon; (4) enjoining NRG from proceeding with the acquisition of Reliant Energy s retail business; (5) enjoining the NRG s Board of Directors from taking any actions designed to block a transaction with Exelon; and (6) awarding plaintiffs their costs and fees. On April 17, 2009, the NRG Board of Directors filed a motion to dismiss the amended complaint asserting that it fails to state a claim upon which relief can be granted. A schedule for briefing the motion will be agreed by the parties or set by the court.

On April 3, 2009, the Louisiana Sheriffs Pension & Relief Fund and City of St. Claire Shores Police & Fire Retirement System filed (1) a motion for injunctive relief to rescind the appointment of Pastor Kirbyjon H. Caldwell to NRG s Board of Directors and to prevent the NRG Board from taking any action that would impede the vote for directors at the next annual meeting of NRG stockholders; and (2) a motion to expedite the injunction proceeding. The NRG Board of Directors filed its opposition to the motions on April 8, 2009, a telephonic hearing was held on April 9, 2009, and on April 14, 2009, the court denied both motions.

Mercer County, New Jersey Superior Court

On January 6, 2009, three lawsuits previously filed against NRG and NRG s Board of Directors on behalf of individual shareholders and all others similarly situated were consolidated into one case in the Law Division of the Superior Court of Mercer County, New Jersey. On January 21, 2009, the plaintiffs filed an Amended Consolidated Complaint in which they allege a single count of breach of fiduciary duty against NRG s Board of Directors and seek injunctive relief: (1) declaring that the action is a class action and certifying plaintiffs as class plaintiffs and counsel as class counsel; (2) declaring that defendants breached their fiduciary duties by summarily rejecting the Exelon offer; (3) ordering defendants to negotiate with respect to the Exelon offer or with respect to another transaction to maximize shareholder value; (4) ordering defendants to exempt Exelon s offer from Section 203 of the Delaware General Corporations Law; (5) awarding compensatory damages including interest; (6) awarding plaintiffs costs and fees; and (7) granting other relief the Court deems proper. On February 20, 2009, NRG s Board of Directors filed a motion to dismiss the amended consolidated complaint for failure to state a claim or, in the alternative, to stay the action in favor of the Delaware Chancery Court proceedings. On March 19, 2009, the plaintiffs filed their response and on April 6, 2009, NRG s Board of Directors filed its reply. On April 17, 2009, oral argument was held on the NRG Board of Director s motion to dismiss. Additional oral argument will be scheduled by the court.

California Department of Water Resources

This matter concerns, among other contracts and other defendants, the California Department of Water Resources, or CDWR, and its wholesale power contract with subsidiaries of WCP (Generation) Holdings, Inc., or WCP. The case originated with a February 2002 complaint filed by the State of California alleging that many parties, including WCP subsidiaries, overcharged the State of California. For WCP, the alleged overcharges totaled approximately $940 million for 2001 and 2002. The complaint demanded that the Federal Energy Regulatory Commission, or FERC, abrogate the CDWR contract and sought refunds associated with revenues collected under the contract. In 2003, the FERC rejected this complaint, denied rehearing, and the case was appealed to the US Court of Appeals for the Ninth Circuit where oral argument was held on December 8, 2004. On December 19, 2006, the Ninth Circuit decided that in the FERC s review of the contracts at issue, the FERC could not rely on the *Mobile-Sierra* standard presumption of just and reasonable rates, where such contracts were not reviewed by the FERC with full knowledge of the then existing market conditions. WCP and others sought review by the US Supreme Court. WCP s appeal was not selected, but instead held by the Supreme Court. In the appeal that was selected by the Supreme Court, on June 26, 2008, the Supreme Court ruled: (1) that the *Mobile-Sierra* public interest standard of review applied to contracts made under a seller s market-based rate authority; (2) that the public interest bar required to set aside a contract remains a very high one to overcome; and (3) that the *Mobile-Sierra* presumption of contract reasonableness applies when a contract is formed during a period of market dysfunction unless (a) such market conditions were caused by the illegal actions of one of the parties or (b) the contract negotiations were tainted by fraud or duress. In this related case, the US Supreme Court affirmed the Ninth Circuit s decision agreeing that the case should be remanded to FERC to clarify FERC s 2003 reasoning regarding its rejection of the original complaint relating to the financial burdens under the contracts at issue and to alleged market manipulation at the time these contracts were formed. As a result, the US Supreme Court then reversed and remanded the WCP CDWR case to the Ninth Circuit for treatment consistent with its June 26, 2008 decision in the related case. On October 20, 2008, the Ninth Circuit asked the parties in the remanded CDWR case, including WCP and the FERC, whether that Court should answer a question the US Supreme Court did not address in its June 26, 2008, decision; whether the *Mobile-Sierra* doctrine applies to a third-party that was not a signatory to any of the wholesale power contracts, including the CDWR contract, at issue in that case. Without answering that reserved question, on December 4, 2008, the Ninth Circuit vacated its prior opinion and remanded the WCP CDWR case back to the FERC for proceedings consistent with the US Supreme Court s June 26, 2008, decision. On December 15, 2008, WCP and the other seller-defendants filed with FERC a Motion for Order Governing Proceedings on Remand. On January 14, 2009, the Public Utilities Commission of the State of California filed an Answer and Cross Motion for an Order Governing Procedures on Remand, and on January 28, 2009, WCP and the other seller-defendants filed their reply.

At this time, while NRG cannot predict with certainty whether WCP will be required to make refunds for rates collected under the CDWR contract or estimate the range of any such possible refunds, a reconsideration of the CDWR contract by the FERC with a resulting order mandating significant refunds could have a material adverse impact on NRG s financial position, statement of operations, and statement of cash flows. As part of the 2006 acquisition of Dynegy s 50% ownership interest in WCP, WCP and NRG assumed responsibility for any risk of loss arising from this case, unless any such loss was deemed to have resulted from certain acts of gross negligence or willful misconduct on the part of Dynegy, in which case any such loss would be shared equally between WCP and Dynegy.

On April 27, 2009, the US Supreme Court granted *certiorari* in an unrelated proceeding involving the *Mobile-Sierra* doctrine that may affect the standard of review applied to the CDWR contract on remand before the FERC. Specifically, on March 18, 2008, the U.S. Court of Appeals for the DC Circuit rejected the appeals filed by the Attorneys General of the State of Connecticut and Commonwealth of Massachusetts regarding the settlement that established the current New England capacity market. That settlement, filed with FERC on March 7, 2006, provides for interim capacity transition payments for all generators in New England for the period starting December 1, 2006 through May 31, 2010, and for the Forward Capacity Market thereafter. The Court of Appeals rejected all substantive challenges to the settlement, but sustained one procedural argument relating to the applicability of the *Mobile-Sierra* doctrine to non-settling parties. After the Court of Appeals denied rehearing *en banc*, NRG sought certiorari before the US Supreme Court, which was granted on April 27, 2009.

Louisiana Generating, LLC

On February 11, 2009, the US Department of Justice acting at the request of the US Environmental Protection Agency, or USEPA, commenced a lawsuit against Louisiana Generating, LLC in federal district court in the Middle District of Louisiana alleging violations of the Clean Air Act, or CAA, at the Big Cajun II power plant. This is the same matter for which Notices of Violation, or NOVs, were issued to Louisiana Generating, LLC on February 15, 2005, and on December 8, 2006. Specifically, it is alleged that in the late 1990 s, several years prior to NRG s acquisition of the Big Cajun II power plant from the Cajun Electric bankruptcy and several years prior to the NRG bankruptcy, modifications were made to Big Cajun II Units 1 and 2 by the prior owners without appropriate or adequate permits and without installing and employing the best available control technology, or BACT, to control emissions of nitrogen oxides and/or sulfur dioxides. The relief sought in the complaint includes a request for an injunction to: (1) preclude the operation of Units 1 and 2 except in accordance with the CAA; (2) order the installation of BACT on Units 1 and 2 for each pollutant subject to regulation under the CAA; (3) obtain all necessary permits for Units 1 and 2; (4) order the surrender of emission allowances or credits; (5) conduct audits to determine if any additional modifications have been made which would require compliance with the CAA s Prevention of Significant Deterioration program; (6) award to the Department of Justice its costs in prosecuting this litigation; and (7) assess civil penalties of up to $27,500 per day for each CAA violation found to have occurred between January 31, 1997, and March 15, 2004, up to $32,500 for each CAA violation found to have occurred between March 15, 2004, and January 12, 2009, and up to $37,500 for each CAA violation found to have occurred after January 12, 2009.

On April 27, 2009, Louisiana Generating, LLC made several filings. First, it filed an objection in the Cajun Electric Cooperative Power, Inc. s bankruptcy proceeding challenging the February 19, 2009, Motion for Final Decree, Discharge of the Trustee, and For Order Closing the Chapter 11 Case, to prevent the bankruptcy from closing. The objection was filed in the U.S. Bankruptcy Court for the Middle District of Louisiana. Second, it filed a complaint in the same bankruptcy proceeding in the same court seeking a judgment that: (i) it did not assume liability from Cajun Electric for any claims or other liabilities under environmental laws with respect to Big Cajun II that arose, or are based on activities that were undertaken, prior to the closing date of the acquisition; (ii) it is not otherwise the successor to Cajun Electric; and (iii) Cajun Electric and/or the Bankruptcy Trustee are exclusively liable for the violations alleged in the February 11, 2009, lawsuit to the extent that such claims are determined to have merit. Last, it filed in the federal district court for the Middle District of Louisiana a Motion for an Extension of Time to File Responsive Pleadings arguing that the court should extend the May 11, 2009, deadline to respond to the February 11, 2009, lawsuit until such time as directed by the court following resolution of Louisiana Generating, LLC s Motion for Stay of Proceedings Pending Resolution of Certain Bankruptcy Actions filed concurrently with the Motion for an Extension of Time.

Citizens for Clean Power

On November 6, 2008, Citizens for Clean Power, or CCP, filed a notice of its intent to file a lawsuit under the CAA against Indian River Power, LLC, or IRP, seeking to enforce opacity limitations applicable to units 1, 2, 3, and 4. On January 5, 2009, the Delaware Department of Natural Resources and Environmental Control, or DNREC, filed a lawsuit relating to opacity issues against IRP in the Superior Court in Kent County, Delaware. On January 6, 2009, DNREC and IRP agreed to a consent order resolving the DNREC action in which IRP agreed to pay a $5,000 civil penalty and agreed to purchase for DNREC s use an Ultrafine Particle Monitor for approximately $60,000. The consent order was filed with the court on February 6, 2009, and entered by the court on February 13, 2009, thereby precluding CCP s ability under the CAA to commence its noticed lawsuit. On February 26, 2009, notwithstanding the entry of the consent order, CCP filed a complaint against IRP, in federal district court in Delaware. The complaint seeks injunctive and declarative relief in addition to civil penalties: (1) declaring that IRP violated the CAA through 6,304 opacity violations between 2004 and 2008; (2) seeking civil penalties of up to $32,500 for each such violation; (3) enjoining IRP from violating the CAA; (4) ordering IRP to assess and mitigate any environmental injuries caused by its emissions; and (5) awarding CCP its fees and costs. On March 25, 2009, IRP filed a motion to dismiss the complaint, on April 7, 2009, CCP filed its opposition, and on April 20, 2009, IRP filed its reply.

Disputed Claims Reserve

As part of NRG s plan of reorganization, NRG funded a disputed claims reserve for the satisfaction of certain general unsecured claims that were disputed claims as of the effective date of the plan. Under the terms of the plan, as such claims are resolved, the claimants are paid from the reserve on the same basis as if they had been paid out in the bankruptcy. To the extent the aggregate amount required to be paid on the disputed claims exceeds the amount remaining in the funded claims reserve, NRG will be obligated to provide additional cash and common stock to satisfy the claims. Any excess funds in the disputed claims reserve will be reallocated to the creditor pool for the pro rata benefit of all allowed claims. The contributed common stock and cash in the reserves is held by an escrow agent to complete the distribution and settlement process. Since NRG has surrendered control over the common stock and cash provided to the disputed claims reserve, NRG recognized the issuance of the common stock as of December 6, 2003 and removed the cash amounts from the balance sheet. Similarly, NRG removed the obligations relevant to the claims from the balance sheet when the common stock was issued and cash contributed.

On April 3, 2006, the Company made a supplemental distribution to creditors under the Company s Chapter 11 bankruptcy plan, totaling $25 million in cash and 5,082,000 shares of common stock. On December 18, 2008, NRG filed with the US Bankruptcy Court for the Southern District of New York a Closing Report and an Application for Final Decree Closing the Chapter 11 Case for NRG Energy, Inc. et al and on December 29, 2008, the court entered the Final Decree. As of December 21, 2008, the reserve held approximately $9.8 million in cash and 1,282,783 shares of common stock. On December 21, 2008, the Company issued an instruction letter to The Bank of New York Mellon to distribute all remaining cash and stock in the Disputed Claims Reserve to NRG s creditors. On January 12, 2009, The Bank of New York Mellon commenced the distribution of all remaining cash and stock in the Disputed Claim Reserve to the Company s creditors pursuant to NRG s Chapter 11 bankruptcy plan.

Note 15 Regulatory Matters

NRG operates in a highly regulated industry and is subject to regulation by various federal and state agencies. As such, NRG is affected by regulatory developments at both the federal and state levels and in the regions in which NRG operates. In addition, NRG is subject to the market rules, procedures and protocols of the various ISO markets in which NRG participates. These wholesale power markets are subject to ongoing legislative and regulatory changes.

PJM By Order dated March 17, 2009, the US Court of Appeals for the DC Circuit denied the remaining appeals of the FERC orders establishing the RPM capacity market. In February of 2009, the entities representing load interests, including the New Jersey Board of Public Utilities, the District of Columbia Office of the People s Counsel, and the Maryland Office of People s Counsel, agreed to withdraw their appeals regarding the establishment of the RPM market design.

On May 30, 2008, the Maryland Public Service Commission together with other load interests, filed with FERC a complaint against PJM challenging the results of the RPM transition Base Residual Auctions for installed capacity, held between April 2007 and January 2008. The complaint sought to replace the auction-determined results for installed capacity for the 2008/2009, 2009/2010, and 2010/2011 delivery years with administratively-determined prices. On September 19, 2008, FERC dismissed the complaint. The parties representing load interests have sought rehearing of the dismissal of the complaint, and a reversal by FERC, could result in a refund obligation.

Note 16 Environmental Matters

The construction and operation of power projects are subject to stringent environmental and safety protection and land use laws and regulation in the US. If such laws and regulations become more stringent, or new laws, interpretations or compliance policies apply and NRG s facilities are not exempt from coverage, the Company could be required to make modifications to further reduce potential environmental impacts. New legislation and regulations to mitigate the effects of greenhouse gases, or GHGs, including CO_2 from power plants, are under consideration at the federal and state levels. In general, the effect of such future laws or regulations is expected to require the addition of pollution control equipment or the imposition of restrictions or additional costs on the Company s operations.

Environmental Capital Expenditures

Based on current rules, technology and plans, NRG has estimated that environmental capital expenditures to be incurred during the remainder of 2009 through 2013 to meet NRG s environmental commitments will be approximately $1.1 billion. These capital expenditures, in general, are related to installation of particulate, SO_2, NO_x, and mercury controls to comply with federal and state air quality rules and consent orders, as well as installation of Best Technology Available under the Phase II 316(b) Rule. NRG continues to explore cost effective alternatives that can achieve desired results. This estimate reflects anticipated schedules and controls related to the Clean Air Interstate Rule, or CAIR, Maximum Achievable Control Technology, or MACT, for mercury, and the Phase II 316(b) rule which are under remand to the USEPA, and, as such, the full impact on the scope and timing of environmental retrofits from any new or revised regulations cannot be determined at this time.

Northeast Region

NRG operates electric generating units located in Connecticut, Delaware, Maryland, Massachusetts and New York which are subject to RGGI. These units must surrender one allowance for every US ton of CO_2 emitted with true up for 2009-2011 occurring in 2012. Allowances are partially allocated only in the state of Delaware. In 2008, NRG emitted approximately 12 million tonnes of CO_2 in RGGI states, although 2009 is tracking lower than 2008 year to date. NRG believes that to the extent CO_2 will not be fully reflected in wholesale electricity prices, the direct financial impact on the Company is likely to be negative as costs will be incurred in the course of securing the necessary RGGI allowances and offsets at auction and in the market.

In January 2006, NRG s Indian River Operations, Inc. received a letter of informal notification from the DNREC stating that the Company may be a potentially responsible party with respect to a historic captive landfill. On October 1, 2007, NRG signed an agreement with DNREC to investigate the site through the Voluntary Clean-up Program. On February 4, 2008, the DNREC issued findings that no further action is required in relation to surface water and that a previously planned shoreline stabilization project would adequately address shore line erosion. The landfill itself will require a further Remedial Investigation and Feasibility Study to determine the type and scope of any additional work required. Until the Remedial Investigation and Feasibility Study are completed, the Company is unable to predict the impact of any required remediation.

On May 29, 2008, the DNREC issued an invitation to NRG s Indian River Operations, Inc. to participate in the development and performance of a Natural Resource Damage Assessment, or NRDA, at the Burton Island Old Ash Landfill. NRG is currently working with the DNREC and other trustees to close out the property.

Note 17 Guarantees

NRG and its subsidiaries enter into various contracts that include indemnification and guarantee provisions as a routine part of the Company s business activities. Examples of these contracts include asset purchases and sale agreements, commodity sale and purchase agreements, joint venture agreements, EPC agreements, operation and maintenance agreements, service agreements, settlement agreements, and other types of contractual agreements with vendors and other third parties, as well as affiliates. These contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in these agreements. In some cases, NRG s maximum potential liability cannot be estimated, since the underlying agreements contain no limits on potential liability.

This footnote should be read in conjunction with the complete description under Note 25, *Guarantees*, to the Company s financial statements in its Annual Report on Form 10-K for the year ended December 31, 2008.

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In connection with the agreement to sell its 50% ownership interest in Mibrag B.V., NRG signed an agreement guaranteeing the performance of its subsidiary Lambique Beheer under the purchase and sale agreement. The Company s guarantee is limited to EUR 206 million, which represents the expected sales proceeds including expected interest through closing. In addition, the Company guaranteed the performance of NRGenerating International B.V. under a currency exchange agreement related to the proceeds of the sale of MIBRAG. The guarantee is limited to $35 million. NRG has no reason to believe that the Company currently has any material liability relating to such routine indemnification obligations.

NRG signed a guarantee agreement on behalf of its subsidiary NRG Retail, LLC guaranteeing the payment and performance of its obligations under the LLC Membership Interest Purchase Agreement and related agreements with Reliant Energy in connection with the purchase of its retail business, including the purchase price of $287.5 million and an additional $2.6 million for additional marketing services agreed upon as part of the transaction. NRG has no reason to believe that the Company currently has any material liability relating to such routine indemnification obligations.

Note 18 Condensed Consolidating Financial Information

As of March 31, 2009, the Company had $1.2 billion of 7.25% Senior Notes due 2014, $2.4 billion of 7.375% Senior Notes due 2016 and $1.1 billion Senior Notes due 2017 outstanding. These notes are guaranteed by certain of NRG s current and future wholly-owned domestic subsidiaries, or guarantor subsidiaries.

Each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of March 31, 2009:

Arthur Kill Power LLC
Astoria Gas Turbine Power LLC
Berrians I Gas Turbine Power LLC
Big Cajun II Unit 4 LLC
Cabrillo Power I LLC
Cabrillo Power II LLC
Chickahominy River Energy Corp.
Commonwealth Atlantic Power LLC
Conemaugh Power LLC
Connecticut Jet Power LLC
Devon Power LLC
Dunkirk Power LLC
Eastern Sierra Energy Company
El Segundo Power, LLC
El Segundo Power II LLC
GCP Funding Company LLC
Hanover Energy Company
Hoffman Summit Wind Project LLC
Huntley IGCC LLC
Huntley Power LLC
Indian River IGCC LLC
Indian River Operations Inc.
Indian River Power LLC
James River Power LLC
Kaufman Cogen LP
Keystone Power LLC
Lake Erie Properties Inc.
Louisiana Generating LLC
Middletown Power LLC
NRG Construction LLC
NRG Devon Operations Inc.
NRG Dunkirk Operations, Inc.
NRG El Segundo Operations Inc.
NRG Generation Holdings, Inc.
NRG Huntley Operations Inc.
NRG International LLC
NRG Kaufman LLC
NRG Mesquite LLC
NRG MidAtlantic Affiliate Services Inc.
NRG Middletown Operations Inc.
NRG Montville Operations Inc.
NRG New Jersey Energy Sales LLC
NRG New Roads Holdings LLC
NRG North Central Operations, Inc.
NRG Northeast Affiliate Services Inc.
NRG Norwalk Harbor Operations Inc.
NRG Operating Services Inc.
NRG Oswego Harbor Power Operations Inc.
NRG Power Marketing LLC
NRG Rocky Road LLC
NRG Saguaro Operations Inc.
NRG South Central Affiliate Services Inc.
NRG South Central Generating LLC
NRG South Central Operations Inc.
NRG South Texas LP
NRG Texas LLC
NRG Texas Power LLC
NRG West Coast LLC

Montville IGCC LLC	NRG Western Affiliate Services Inc.
Montville Power LLC	Oswego Harbor Power LLC
NEO Chester-Gen LLC	Padoma Wind Power, LLC
NEO Corporation	Saguaro Power LLC
NEO Freehold-Gen LLC	San Juan Mesa Wind Project II, LLC
NEO Power Services Inc.	Somerset Operations Inc.
New Genco GP LLC	

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Norwalk Power LLC	Somerset Power LLC
NRG Affiliate Services Inc.	Texas Genco Financing Corp.
NRG Arthur Kill Operations Inc.	Texas Genco GP, LLC
NRG Asia-Pacific Ltd.	Texas Genco Holdings, Inc.
NRG Astoria Gas Turbine Operations Inc.	Texas Genco LP, LLC
NRG Bayou Cove LLC	Texas Genco Operating Services, LLC
NRG Cabrillo Power Operations Inc.	Texas Genco Services, LP
NRG Cadillac Operations Inc.	Vienna Operations, Inc.
NRG California Peaker Operations LLC	Vienna Power LLC
NRG Cedar Bayou Development Company LLC	WCP (Generation) Holdings LLC
NRG Connecticut Affiliate Services Inc.	West Coast Power LLC

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

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

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

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2009

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations (a)	Consolidated Balance
Operating Revenues					