NRG ENERGY INC
Form 10-K/A
November 03, 2004

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

Amendment No. 2

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year ended December 31, 2003.

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from to .

Commission File No. 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.)*
901 Marquette Avenue Minneapolis, Minnesota	**55402**
(Address of principal executive offices)	*(Zip Code)*

(612) 373-5300

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer as defined by Rule 12b-2 of the Act. Yes [X] No [ ]

As of the last business day of the most recently completed second fiscal quarter, the aggregate market value of the common stock of the registrant held by non-affiliates was approximately $1,943,806,466.

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

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Indicate the number of shares outstanding of each of the registrant s classes of common stock as of the latest practicable date.

Class	Outstanding at October 29, 2004
Common Stock, par value $0.01 per share	100,008,053

Documents Incorporated by Reference:
None

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NRG ENERGY, INC. AND SUBSIDIARIES

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Registration Rights Agreement

Consent of PricewaterhouseCoopers LLP

Certification of David Crane

Certification of Robert Flexon

Certification of James Ingoldsby

Section 1350 Certification

Financial Statements/Louisiana Generating LLC

Financial Statements/NRG Northeast Generating

Financial Statements/Indian River Power LLC

Financial Statements/NRG Mid-Atlantic Generating

Financial Statements/NRG South Central Generating

Financial Statements/NRG Eastern LLC

Financial Statements/NRG Northeast Generation

Financial Statements/NRG International LLC

In connection with the upcoming registration of our 8% Second Priority Senior Notes due December 15, 2013 issued on December 17, 2003 and January 28, 2004, we are reissuing our audited financial statements for the year ended December 31, 2003 as Amendment No. 2 on Form 10-K/A. The updated information includes 2004 discontinued operations as described in Note 6 and consolidating financial statements as required by Rule 3-10 of Regulation S-X as described in Note 30. Discontinued operations have been updated to include the addition of entities related to the sale of our interests in Penobscot Energy Recovery Company, Compania Boliviana De Energia Electrica S.A. Bolivian Power Company Limited, LSP Energy and Hsin Yu. Our segment reporting disclosures, as shown in Note 20, have been restated to be consistent with the realignment of our management team and our segment disclosures included in our quarterly financials included in our Form 10-Q for the quarter ended June 30, 2004, filed on August 9, 2004. In addition, we have attached to this Form 10-K/A exhibits 99.2 through 99.9, the audited financial statements of eight significant guarantor subsidiaries as required by Rule 3-16 of Regulation S-X.

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Item 6 *Selected Financial Data*

The following table presents our selected financial data. The data included in the following table has been restated to reflect the assets, liabilities and results of operations of certain projects that have met the criteria for treatment as discontinued operations. For additional information refer to Item 15 Note 6 to the Consolidated Financial Statements. This historical data should be read in conjunction with the Consolidated Financial Statements and the related notes thereto in Item 15 and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7. Due to the adoption of Fresh Start reporting as of December 5, 2003, the Successor Company s post Fresh Start balance sheet and statement of operations have not been prepared on a consistent basis with the Predecessor Company s financial statements and are not comparable in certain respects to the financial statements prior to the application of Fresh Start reporting. A black line has been drawn to separate and distinguish between Reorganized NRG and the Predecessor Company.

	Predecessor Company					Reorganized NRG
	Year Ended December 31,				January 1 - December 5, 2003	December 6 - December 31, 2003
	1999	2000	2001	2002		
	(In thousands, except per share amounts)					
Revenues from majority- owned operations	$ 418,888	$1,665,257	$ 2,085,597	$ 1,938,549	$ 1,798,614	**$ 138,507**
Legal settlement					462,631	
Fresh start reporting Adjustments					(4,118,636)	
Reorganization, restructuring and impairment charges				2,563,060	435,400	**2,461**
Total operating costs and Expenses	371,104	1,311,219	1,706,478	4,324,386	(1,473,481)	**122,412**
Write downs and losses on equity method investments				(200,472)	(147,124)	
Income/(loss) from continuing operations	53,457	149,665	210,049	(2,791,200)	2,947,262	**11,337**
Income/(loss) from discontinued operations, net	3,738	33,270	55,155	(673,082)	(180,817)	**(312)**

Net income/(loss)	57,195	182,935	265,204	(3,464,282)	2,766,445	**11,025**
Net income per weighted Average share basic						**$ .11**
Net income per weighted Average share diluted						**$ .11**
Total assets	3,435,304	5,978,992	12,922,385	10,896,851	N/A	**9,244,987**
Long-term debt, including current maturities	$1,705,634	$3,194,340	$ 6,857,055	$ 7,782,648	N/A	**$4,129,011**

N/A Not Applicable.

The following table provides the detail of our revenues from majority-owned operations:

	Predecessor Company					**Reorganized NRG**
	Year Ended December 31,				**January 1 - December 5, 2003**	**December 6 - December 31, 2003**
	1999	**2000**	**2001**	**2002**		
	(In thousands)					
Energy and energy related	$ 3,292	$1,091,115	$1,376,044	$1,183,514	$ 992,626	**$ 78,018**
Capacity	4,288	405,697	490,315	553,321	565,965	**39,955**
Alternative energy	83,343	92,671	161,845	97,712	115,911	**12,064**
O&M Fees	9,502	10,073	15,789	14,413	12,942	**1,135**
Other	318,463	65,701	41,604	89,589	111,170	**7,335**
Total revenues from majority-owned operations	$418,888	$1,665,257	$2,085,597	$1,938,549	$1,798,614	**$138,507**

Energy and energy related revenue consists of revenues received upon the physical delivery of electrical energy to a third party at both spot (merchant sales) and contracted rates. In addition, we also generate revenues from the sale of ancillary services and by entering into certain financial transactions. Ancillary revenues are derived from the sale of energy related products associated with the generation of electrical energy such as spinning reserves, reactive power and other similar products. Revenues derived from financial transactions are generally received upon the settlement of transactions relating to the sale of energy or fuel which do not require the physical delivery of the underlying commodity.

Capacity revenue consists of revenues received from a third party at either spot (merchant sales) or negotiated contract rates for making installed generation capacity available upon demand in order to satisfy system integrity and reliability requirements. In addition, capacity revenues includes revenues received under tolling arrangements which entitle third parties to dispatch our facilities and assume title to the electrical generation produced from that facility.

Alternative energy revenue consists of revenues received from the sale of steam, hot and chilled water generally produced at a central district energy plant and sold to commercial, governmental and residential buildings for space heating, domestic hot water heating and air conditioning. Alternative energy revenue includes the sale of high-pressure steam produced and delivered to industrial customers that is used as part of an industrial process. In addition, alternative revenue includes revenues received from the processing of municipal solid waste into refuse derived fuel that is sold to a third party to be used as fuel in the generation of electricity.

O&M fees consist of revenues received from providing certain unconsolidated affiliates with management and operational services generally under long-term operating agreements.

Other revenues consist of miscellaneous other revenues derived from the sale of natural gas, recovery of incurred costs under reliability agreements and revenues received under leasing arrangements.

Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We are a wholesale power generation company, primarily engaged in the ownership and operation of power generation facilities and the sale of energy, capacity and related products in the United States and internationally. We have a diverse portfolio of electric generation facilities in terms of geography, fuel type and dispatch levels, which help us, mitigate risk. We intend to maximize operating income through the efficient procurement and management of fuel supplies and maintenance services, and the sale of energy, capacity and ancillary services into attractive spot, intermediate and long-term markets.

Our focus will continue to be on the operating performance of our entire portfolio and, in particular, on developing the assets in our core regions into integrated businesses well-suited to serving the requirements of the load-serving entities in our core markets. Power sales, fuel procurement and risk management will remain a key strategic element of these regional businesses contributing to our overall objective to optimize the operating income generated by all of our facilities within an appropriate risk and liquidity profile. Our business will involve the reinvestment of capital in our existing assets for reasons of life extension, repowering, expansion, environmental remediation, operating efficiency, greater fuel optionality or for alternative use, among other reasons. Our business also may involve select acquisitions intended to complement and enhance the commercial performance of the asset portfolios in our core regions.

Industry Trends. In this Management s Discussion and Analysis of Financial Condition and Results of Operations, we discuss our historical results of operations and expected financial condition. During 2002 and 2003, the following factors, among others, have negatively affected our results of operations:

weak markets for electric energy, capacity and ancillary services;

a narrowing of the spark spread (the difference between power prices and fuel costs) in most regions of the United States in which we operate power generation facilities offset by our coal-fired assets, which gain a competitive advantage when gas prices rise;

mild weather during peak seasons in regions where we have significant merchant capacity;

reduced liquidity in the energy trading markets as a result of fewer participants trading lower volumes;

the imposition of price caps and other market mitigation in markets where we have significant merchant capacity;

regulatory and market frameworks in certain regions where we operate that prevent us from charging prices that will enable us to recover our operating costs and to earn acceptable returns on capital; however, we benefited from the FERC acceptance of certain RMR agreements subject to refund;

the obligation through 2003 to perform under certain long-term contracts that are not profitable;

physical, regulatory and market constraints on transmission facilities in certain regions that limit or prevent us from selling power generated by certain of our facilities;

limited access to capital due to our financial condition since July 2002 and the resulting contraction of our ability to conduct business in the merchant energy markets; and

changes and turnover in senior and middle management since June 2002 in connection with our restructuring.

We expect that these generally weak market conditions will continue for the foreseeable future in some markets. Historically, we have believed that, as supply surpluses begin to tighten and as market rules and regulatory conditions stabilize, prices will improve for energy, capacity and ancillary services. This view is consistent with our belief that in the long run market prices will support an adequate rate of return on the construction of new power generation assets needed to meet increasing demand. This view is currently being challenged in certain markets as regulatory actions and market rules unfold that limit the ability of merchant power companies to earn favorable returns on existing and new investments. To the extent unfavorable regulatory and market conditions exist in the long term; we could have significant impairments of our property, plant and equipment, which, in turn, could have a material adverse effect on our results of operations. Further, this could lead to us closing certain of our facilities resulting in additional economic losses and liabilities.

Asset Sales. As part of our strategy, we plan to continue the selective divestment of certain assets. Since July 2002, we have sold or made arrangements to sell a number of assets and equity investments. In addition, we are currently marketing our interest in certain other non-strategic assets.

Discontinued Operations. We have classified certain business operations, and gains/losses recognized on sale, as discontinued operations for projects that were sold or have met the required criteria for such classification pending final disposition. Accounting regulations require that continuing operations are reported separately in the income statement from discontinued operations, and that any gain or loss on the disposition of any such business be reported along with the operating results of such business. Assets classified as discontinued operations on our balance sheet as of December 31, 2003 include McClain, Penobscot Energy Recovery Company (PERC), Compania Boliviana De Energia Electrica S.A. Bolivian Power Company Limited, or Cobee , LSP Energy and Hsin Yu projects. For the periods January 1, 2003 through December 5, 2003, discontinued results of operations include our McClain, PERC, Cobee, Killingholme, NEO Landfill Gas, Inc., or NLGI , three NEO Corporation projects (NEO Fort Smith LLC, NEO Woodville LLC, NEO Phoenix LLC), Timber Energy Resources, Inc., or TERI , Cahua, Energia Pacasmayo, LSP Energy and Hsin Yu projects. For the period December 6, 2003 through December 31, 2003, discontinued results of operations included McClain, PERC, Cobee, LSP Energy and Hsin Yu. All prior periods presented have been restated accordingly.

The following table summarizes our discontinued operations for all periods presented in our consolidated financial statements:

Discontinued Operations

Projects	Initial Discontinued Operations Treatment	Disposal Date
Bulo Bulo	Second Quarter 2002	Fourth Quarter 2002
Crockett Cogeneration Project	Third Quarter 2002	Fourth Quarter 2002
Csepel and Entrade	Third Quarter 2002	Fourth Quarter 2002
Killingholme	Fourth Quarter 2002	First Quarter 2003
NLGI	Second Quarter 2003	Second Quarter 2003
NEO Corp. projects	Fourth Quarter 2003	Fourth Quarter 2003
TERI	Third Quarter 2003	Third Quarter 2003
Cahua and Pacasmayo	Fourth Quarter 2003	Fourth Quarter 2003
McClain	Third Quarter 2003	Third Quarter 2004
PERC	First Quarter 2004	Second Quarter 2004
Cobee	First Quarter 2004	Second Quarter 2004
LSP Energy	Second Quarter 2004	Third Quarter 2004
Hsin Yu	Second Quarter 2004	Second Quarter 2004

New Management. On October 21, 2003, we announced the appointment of David Crane as our President and Chief Executive Officer, effective December 1, 2003. Before joining us, Mr. Crane served as the Chief Executive Officer of London-based International Power PLC and has over 12 years of energy industry experience. On March 11, 2004 we announced the appointment of Robert Flexon as Executive Vice President and Chief Financial Officer, effective March 29, 2004. Before joining us Mr. Flexon served as Vice President, Work Processes, Corporate Resources and Development at Hercules, Inc. In addition, we have filled several other senior and middle management positions over the last 12 months. Our board of directors currently is comprised of Mr. Crane and ten independent individuals, three of whom have been designated by MatlinPatterson, a significant holder of NRG common stock.

Independent Registered Public Accounting Firm; Audit Committee. On May 3, 2004, we announced that we had initiated a search for a new independent auditor because PricewaterhouseCoopers LLP, our previous auditor, informed us that they would not be standing for re-election as our independent auditor for the year ended December 31, 2004. For each of the two fiscal years ended December 31, 2002 and 2003 and for the period from January 1, 2004 through April 27, 2004, there had been no disagreements with

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PricewaterhouseCoopers on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

On May 25, 2004, we announced that the audit committee of our board of directors had engaged KPMG LLP to serve as our independent auditor, effective immediately. On August 4, 2004, our stockholders ratified the appointment of KPMG LLP as our independent registered public accounting firm at our 2004 annual meeting of stockholders. KPMG s engagement with us commenced with its review of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

Our new board of directors appointed an audit committee consisting entirely of independent directors in January 2004. Pursuant to its charter, the committee appoints, retains, oversees, evaluates, compensates and terminates on its sole authority our independent auditors and approves all audit engagements, including the scope, fees, and terms of each engagement. The audit committee s oversight process is intended to ensure that we will continue to have high-quality, cost efficient independent auditing services.

Results of Operations

Due to the adoption of Fresh Start as of December 5, 2003, Reorganized NRG s balance sheet, statement of operations and statement of cash flows have not been prepared on a consistent basis with, and are therefore generally not comparable to those of the Predecessor Company prior to the application of Fresh Start. In accordance with SOP 90-7, Reorganized NRG s balance sheet, statement of operations and statement of cash flows have been presented separately from those of the Predecessor Company.

Reorganized NRG s revenues from majority-owned operations, operating costs and expenses and general, administrative and development expenses, were not significantly affected by the adoption of Fresh Start. Therefore, the Predecessor Company s 2003 amounts have been combined with Reorganized NRG s 2003 amounts for comparison and analysis purposes herein.

	Predecessor Company			**Reorganized NRG**	
	Year Ended December 31,		**For the Period January 1 - December 5, 2003**	**For the Period December 6 - December 31, 2003**	**Total 2003**
	2001	**2002**			
	(In thousands)				
Revenues from majority-owned operations	$2,085,597	$1,938,549	$1,798,614	**$138,507**	**$1,937,121**
Cost of majority-owned operations	1,377,093	1,334,263	1,357,531	**95,602**	**1,453,133**
General, administrative and development	187,302	218,914	170,392	**12,541**	**182,933**

Reorganized NRG s net loss, equity in earnings of unconsolidated affiliates, depreciation and amortization, other income (expense), other charges, income taxes and discontinued operations were affected by the adoption of Fresh

Start. Therefore, the Predecessor Company s 2003 and the Reorganized NRG s 2003 amounts are discussed separately for comparison and analysis purposes herein.

	Predecessor Company			**Reorganized NRG**
	Year Ended December 31		**For the Period January 1 - December 5, 2003**	**For the Period December 6 - December 31, 2003**
	2001	**2002**		
		(In thousands)		
Net income/(loss)	$ 265,204	$(3,464,282)	$ 2,766,445	**$ 11,025**
Depreciation and amortization	142,083	208,149	219,201	**11,808**
Other income/(expense)	(131,096)	(572,230)	(286,904)	**(5,419)**
Other charges/(credits)		2,563,060	(3,220,605)	**2,461**
Income tax expense/(benefit)	37,974	(166,867)	37,929	**(661)**
Income/(loss) from discontinued operations	55,155	(673,082)	(180,817)	**(312)**

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For the Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002

Net Income

Predecessor Company

During the period January 1, 2003 through December 5, 2003, we recorded net income of $2.8 billion. Net income for the period is directly attributable to our emerging from bankruptcy and adopting the Fresh Start provisions of SOP 90-7. Upon the confirmation of our Plan of Reorganization and our emergence from bankruptcy we were able to remove significant amounts of long-term debt and other prepetition obligations from our balance sheet. Accordingly, as part of net income from continuing operations, we recorded a net gain of $4.1 billion as the impact of our adopting Fresh Start in our statement of operations, $6.0 billion of this amount is directly related to the forgiveness of debt and settlement of substantial amounts of our pre-petition obligations upon our emergence from bankruptcy. In addition to the removal of substantial amounts of pre-petition debt and other obligations from our balance sheet, we have also revalued our assets and liabilities to fair value, accordingly we have substantially written down the value of our fixed assets. We have recorded a net $1.7 billion charge related to the revaluation of our assets and liabilities within the Fresh Start Reporting adjustment line of our consolidated statement of operations. In addition to our recording adjustments related to our emergence from bankruptcy, we also recorded substantial charges related to other items such as the settlement of certain outstanding litigation in the amount of $462.6 million, write downs and losses on the sale of equity investments of $147.1 million, advisor cost and legal fees directly attributable to our being in bankruptcy of $197.8 million and $237.6 million of other asset impairment and restructuring costs incurred prior to our filing for bankruptcy. Net income for the period January 1, 2003 through December 5, 2003 was also favorably impacted by our not recording interest expense on substantial amounts of corporate level debt while we were in bankruptcy and by the continued favorable results experienced by our equity investments.

During the year ended December 31, 2002, we recognized a net loss of $3.5 billion. The loss from continuing operations incurred during 2002 primarily consisted of $2.6 billion of other charges consisting primarily of asset impairments.

Reorganized NRG

During the period December 6, 2003 through December 31, 2003, we recognized net income of $11.0 million or $0.11 per share of common stock. Net income was directly attributable to a number of factors some of which are discussed below. From an overall operational perspective our facilities were profitable during this period. Our results were adversely impacted by our having to continue to satisfy the standard offer service contract that we entered into with Connecticut Light & Power, or CL&P in 2000. As a result of our inability to terminate this contract during our bankruptcy proceeding we continued to be exposed to losses under this contract. These losses were incurred, as we were unable to satisfy the requirements of this contract at a price/cost below the contracted sales price. Upon our adoption of Fresh Start, we recorded at fair value, all assets and liabilities on our opening balance sheet and accordingly we recorded as an obligation the fair value of the CL&P contract. During the period December 6, 2003 through December 31, 2003, we recognized as revenues, the entire fair value of this contract effectively offsetting the actual losses incurred under this contract. The CL&P contract terminated on December 31, 2003.

Revenues from Majority Owned Operations

Our operating revenues from majority owned operations were $1.9 billion in 2003, compared to $1.9 billion in the prior year, a decrease of $1.4 million or less than 1%.

Revenues from majority owned operations of $1.9 billion for the year 2003, includes $1.1 billion of energy revenues, $605.9 million of capacity revenues, $128.0 million of alternative energy, $14.1 million of O&M fees and $118.5 million of other revenues which include financial and physical gas sales, sales from our Schkopau facility and NEPOOL expense reimbursements. The decrease of $1.4 million is due to increased capacity revenues resulting from additional projects becoming operational in the later part of 2002, higher sales in New York, and by our recognizing, as additional revenues, the fair value of the out-of-market CL&P contract upon our emergence from bankruptcy. Offsetting these increases, we continued to recognize losses on the CL&P contract throughout 2003 resulting from higher market prices and lower generation.

Cost of Majority-Owned Operations

Our cost of majority owned operations related to continuing operations was $1.5 billion in 2003, compared to $1.3 billion for 2002, an increase of $118.9 million or 8.9%. For 2003 and 2002, cost of majority owned operations represented 75.0% and 68.8% of revenues from majority owned operations, respectively. Cost of majority owned operations, consists primarily of cost of energy (primarily fuel costs), labor, operating and maintenance costs and non income based taxes related to our majority owned operations.

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For the year 2003, cost of energy was $902.4 million compared to $900.9 million for 2002, representing an increase of $1.5 million. As a percent of revenue from majority owned operations, cost of energy was 46.6% and 46.5%, for 2003 and 2002, respectively. Cost of energy was directly affected by an overall decrease in the cost of fuel during 2003 and a favorable change in the fair value of our energy related derivatives resulting from contract terminations. Offsetting this decrease are liquidated damages of $72.9 million triggered from our financial condition.

Depreciation and Amortization

Predecessor Company

Our depreciation and amortization expense related to continuing operations was $219.2 million for the period January 1, 2003 through December 5, 2003 and $208.1 million for the year ended December 31, 2002. Depreciation and amortization consists of the allocation of our historical depreciable fixed asset costs over the remaining lives of such property as well as the amortization of certain contract based intangible assets.

Reorganized NRG

Our depreciation and amortization expense related to continuing operations was $11.8 million for the period December 6, 2003 through December 31, 2003. Depreciation and amortization consists of the allocation of our newly valued basis in our fixed assets over newly determined remaining fixed asset lives. As part of adopting the Fresh Start concepts of SOP 90-7 our tangible fixed assets were recorded at fair value as determined by a third party valuation expert who we also consulted with in determining the appropriate remaining lives for our tangible depreciable property. Depreciation expense for this period was based on preliminary depreciable lives and asset balances.

General, Administrative and Development

Our general, administrative and development costs for 2003 were $182.9 million compared to $218.9 million for 2002, a decrease of $36.0 million or 16.4%. For 2003 and 2002, general, administrative and development costs represent 9.4% and 11.3% of revenues from majority owned operations, respectively. This decrease is due to decreased costs related to work force reduction efforts, cost reductions due to the closure of certain international offices and reduced legal costs. Outside services also decreased, due to less non-restructuring legal activities.

Other Charges (Credits)

During the period January 1, 2003 to December 5, 2003, we recorded other credits of $3.2 billion, which consisted primarily of $228.9 million related to asset impairments, $462.6 million related to legal settlements and $197.8 million related to reorganization charges and $8.7 million related to restructuring charges. We also incurred a $4.1 billion credit related to Fresh Start adjustments. During 2002, we recorded other charges of $2.6 billion, which consisted primarily of $2.5 billion related to asset impairments and $111.3 million related to restructuring charges.

We review the recoverability of our long-lived assets on a periodic basis and if we determined that an asset was impaired, we compared asset-carrying values to total future estimated undiscounted cash flows. Separate analyses are completed for assets or groups of assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The estimates of future cash flows included only future cash flows, net of associated cash outflows, directly associated with and expected to arise as a result of our assumed use and eventual disposition of the asset. Cash flow estimates associated with assets in service are based on the asset s existing service potential. The cash flow estimates may include probability weightings to consider possible alternative courses of action and outcomes, given the uncertainty of available information and prospective market conditions.

If an asset was determined to be impaired based on the cash flow testing performed, an impairment loss was recorded to write down the asset to its fair value. Estimates of fair value were based on prices for similar assets and present value techniques. Fair values determined by similar asset prices reflect our current estimate of recoverability from expected marketing of project assets. For fair values determined by projected cash flows, the fair value represents a discounted cash flow amount over the remaining life of each project that reflects project-specific assumptions for long-term power pool prices, escalated future project operating costs, and expected plant operation given assumed market conditions.

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Impairment charges (credits) included the following for the year ended December 31, 2002 and for the period January 1, 2003 to December 5, 2003 and the period December 6, 2003 through December 31, 2003.

		Predecessor Company		Reorganized NRG	
Project Name	Project Status	Year Ended December 31, 2002	For the Period January 1 - December 5, 2003	For the Period December 6 - December 31, 2003	Fair Value Basis
Devon Power LLC	Operating at a loss	$	$ 64,198	$	Projected cash flows
Middletown Power LLC	Operating at a loss		157,323		Projected cash flows
Arthur Kill Power, LLC	Terminated construction project		9,049		Projected cash flows
Langage (UK)	Terminated	42,333	(3,091)		Estimated market price/Realized gain
Turbine	Sold		(21,910)		Realized gain
Berrians Project	Terminated		14,310		Realized loss
Termo Rio	Terminated		6,400		Realized loss
Nelson	Terminated	467,523			Similar asset prices
Pike	Terminated	402,355			Similar asset prices
Bourbonnais	Terminated	264,640			Similar asset prices
Meriden	Terminated	144,431			Similar asset prices
Brazos Valley	Foreclosure completed in January 2003	102,900			Projected cash flows
Kendall and other expansion Projects	Terminated	55,300			Projected cash flows
Turbines & other costs	Equipment being marketed	701,573			Similar asset prices
Audrain	Operating at a loss	66,022			Projected cash flows
Somerset	Operating at a loss	49,289			Projected cash flows
Bayou Cove	Operating at a loss	126,528			Projected cash flows

Other	28,851	2,617	
Total impairment charges (credits)	$2,451,745	$228,896	$

Reorganization Items

For the period from January 1, 2003 to December 5, 2003, we incurred $197.8 million in reorganization costs and for the period from December 6, 2003 to December 31, 2003 we incurred $2.5 million in reorganization costs. All reorganization costs have been incurred since we filed for bankruptcy in May 2003. The following table provides the detail of the types of costs incurred (in thousands):

	Predecessor Company	**Reorganized NRG**
	For the Period January 1 - December 5, 2003	**For the Period December 6 - December 31, 2003**
Reorganization items		
Professional fees	$ 82,186	**$ 2,461**
Deferred financing costs	55,374	
Pre-payment settlement	19,609	
Interest earned on accumulated cash	(1,059)	
Contingent equity obligation	41,715	
Total reorganization items	$197,825	**$ 2,461**

Restructuring Charges

We incurred total restructuring charges of approximately $111.3 million for the year ended December 31, 2002. These costs consisted of employee separation costs and advisor fees. We incurred an additional $8.7 million of employee separation costs and advisor fees during 2003 until we filed for bankruptcy in May 2003. Subsequent to that date we recorded all advisor fees as reorganization costs.

Legal Settlement Costs

During 2003, we recorded $396.0 million in connection with the resolution of the FirstEnergy Arbitration Claim. As a result of this resolution, FirstEnergy retained ownership of the Lake Plant Assets and received an allowed general unsecured claim of $396.0 million under the NRG plan of reorganization submitted to the bankruptcy court.

In November 2003, we settled various litigation with Fortistar Capital in which Fortistar Capital released us from all litigation claims in exchange for a $60.0 million pre-petition claim and an $8.0 million post-petition claim. We had previously recorded $10.8 million in connection with various legal disputes with Fortistar Capital; accordingly, we recorded an additional $57.2 million during November 2003.

In August of 1995, we entered into a Marketing, Development and Joint Proposing Agreement or the Marketing Agreement , with Cambrian Energy Development LLC, or Cambrian. Various claims had arisen in connection with this Marketing Agreement. In November 2003, we entered into a Settlement Agreement with Cambrian where we agreed to transfer our 100% interest in three gasco projects (NEO Ft. Smith, NEO Phoenix and NEO Woodville) and our 50% interest in two genco projects (MM Phoenix and MM Woodville) to Cambrian. In addition, we agreed to pay approximately $1.8 million in settlement of royalties incurred in connection with the Marketing Agreement. We had previously recorded a liability for royalties owed to Cambrian; therefore, we recorded an additional $1.4 million during November 2003.

In November 2003, we settled our dispute with Dick Corporation in connection with Meriden Gas Turbines, which resulted in our recording an additional liability of $8.0 million in November 2003.

Fresh Start Adjustments

During the fourth quarter of 2003, we recorded a credit of $4.1 billion in connection with fresh start adjustments as discussed in Item 15 Note 3. Following is a summary of the significant effects of the reorganization and Fresh Start:

	(In millions)
Discharge of corporate level debt	$ 5,162
Discharge of other liabilities	811
Establishment of creditor pool	(1,040)
Receivable from Xcel	640
Revaluation of fixed assets	(1,392)
Revaluation of equity investments	(207)
Valuation of SO(2) emission credits	374
Valuation of out of market contracts, net	(400)
Fair market valuation of debt	108
Valuation of pension liabilities	(61)
Other valuation adjustments	(100)
Total Fresh Start adjustments	3,895
Less discontinued operations	224
Total Fresh Start adjustments continuing operations	$ 4,119

Other Income (Expense)

Predecessor Company

During the period January 1, 2003 through December 5, 2003, we recorded other expense of $286.9 million. Other expense consisted primarily of $329.9 million of interest expense and $147.1 million of write downs and losses on sales of equity method investments, partially offset by equity in earnings of unconsolidated affiliates of $170.9 million and $19.2 million of other income.

For the year ended December 31, 2002, other expenses was $572.2 million, which consisted primarily of $452.2 million of interest expense and $200.5 million of write downs and losses on sales of equity method investments.

Interest expense for the period January 1, 2003 through December 5, 2003 of $329.9 million consisted of interest expense on both our project and corporate level interest bearing debt. In addition, interest expense includes the amortization of debt issuance costs and

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any interest rate swap termination costs. Subsequent to our entering into bankruptcy we ceased the recording of interest expense on our corporate level debt as these prepetition claims were deemed