NRG ENERGY, INC.
Form 10-Q
August 08, 2012

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

x	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the Quarterly Period Ended: June 30, 2012
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

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

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

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

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

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

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

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

As of August 6, 2012, there were 227,845,245 shares of common stock outstanding, par value $0.01 per share.

TABLE OF CONTENTS

Index

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A — Risk Factors Related to NRG Energy, Inc., in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and Item 1A — Risk Factors, in Part II, Item 1A of this Form 10-Q, including, but not limited to, the following:

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

- NRG's ability to develop and maintain successful partnering relationships; and
- NRG's successful and timely completion of the proposed merger with GenOn Energy, Inc., which could be materially and adversely affected by, among other things, resolving any litigation brought in connection with the proposed merger, the timing and terms and conditions of required stockholder, governmental and regulatory approvals, and the ability to maintain relationships with employees, customers or suppliers as well as the ability to integrate the businesses and realize cost savings.

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

GLOSSARY OF TERMS

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

2011 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2011
2011 Revolving Credit Facility	The Company's $2.3 billion revolving credit facility due 2016, a component of the 2011 Senior Credit Facility
2011 Senior Credit Facility	As of July 1, 2011, NRG's senior secured facility, comprised of a $1.6 billion term loan facility and a $2.3 billion revolving credit facility
2011 Term Loan Facility	The Company's $1.6 billion term loan facility due 2018, a component of the 2011 Senior Credit Facility
316(b) Rule	A section of the Clean Water Act regulating cooling water intake structures
Baseload capacity	Coal and nuclear electric power generation capacity normally expected to serve loads on an around-the-clock basis throughout the calendar year
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
Capital Allocation Plan	Share repurchase and shareholder dividend program
Capital Allocation Program	NRG's plan of allocating capital between debt reduction, reinvestment in the business, share repurchases and shareholder dividends through the Capital Allocation Plan
CDWR	California Department of Water Resources
C&I	Commercial, industrial and governmental/institutional
CFTC	U.S. Commodity Futures Trading Commission
CO_2	Carbon dioxide
CSAPR	Cross-State Air Pollution Rule
Distributed Solar	Solar power projects, typically less than 20 MW in size (on an alternating current, or AC, basis), that primarily sell power produced to customers for usage on site, or are interconnected to sell power into the local distribution grid
DNREC	Delaware Department of Natural Resources and Environmental Control
Energy Plus	Energy Plus Holdings LLC
ERCOT	

	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
Exchange Act	The Securities Exchange Act of 1934, as amended
FERC	Federal Energy Regulatory Commission
GenOn	GenOn Energy, Inc.
GHG	Greenhouse Gases
Green Mountain Energy	Green Mountain Energy Company
GWh	Gigawatt hour

Heat Rate	A measure of thermal efficiency computed by dividing the total BTU content of the fuel burned by the resulting kWhs generated. Heat rates can be expressed as either gross or net heat rates, depending whether the electricity output measured is gross or net generation and is generally expressed as BTU per net kWh
ISO	Independent System Operator, also referred to as Regional Transmission Organizations, or RTO
ISO-NE	ISO New England Inc.
ITC	Investment Tax Credit
LIBOR	London Inter-Bank Offered Rate
LTIP	Long-Term Incentive Plan
Mass	Residential and small business
Merger Agreement	Agreement and Plan of Merger by and among NRG Energy, Inc., Plus Merger Corporation and GenOn Energy, Inc. dated as of July 20, 2012
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NINA	Nuclear Innovation North America LLC
NO_x	Nitrogen oxide
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NYISO	New York Independent System Operator
NYPSC	New York Public Service Commission
OCI	Other comprehensive income
PJM	PJM Interconnection, LLC
PJM market	

	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia
PM 2.5	Particulate matter particles with a diameter of 2.5 micrometers or less
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emissions reduction, but also to increase facility capacity, and improve system efficiency
SEC	United States Securities and Exchange Commission

Securities Act	The Securities Act of 1933, as amended
Senior Notes	The Company's $6 billion outstanding unsecured senior notes, consisting of $1.1 billion of 7.375% senior notes due 2017, $1.2 billion of 7.625% senior notes due 2018, $700 million of 8.5% senior notes due 2019, $800 million of 7.625% senior notes due 2019, $1.1 billion of 8.25% senior notes due 2020 and $1.1 billion of 7.875% senior notes due 2021
SO_2	Sulfur dioxide
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
Term Loan Facility	Prior to July 1, 2011, a senior first priority secured term loan, of which approximately $608 million would have matured on February 1, 2013, and $990 million would have matured on August 31, 2015, and was a component of NRG's Senior Credit Facility. On July 1, 2011, NRG replaced its Senior Credit Facility, including the Term Loan Facility, with the 2011 Senior Credit Facility.
U.S.	United States of America
U.S. DOE	United States Department of Energy
U.S. EPA	United States Environmental Protection Agency
U.S. GAAP	Accounting principles generally accepted in the United States
Utility Scale Solar	Solar power projects, typically 20 MW or greater in size (on an alternating current, or AC, basis), that are interconnected into the transmission or distribution grid to sell power at a wholesale level
VaR	Value at Risk
VIE	Variable Interest Entity

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

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

	Three months ended June 30,		Six months ended June 30,	
(In millions, except for per share amounts)	2012	2011	2012	2011
Operating Revenues				
Total operating revenues	$2,166	$2,278	$4,028	$4,273
Operating Costs and Expenses				
Cost of operations	1,319	1,608	2,892	2,932
Depreciation and amortization	234	222	464	427
Selling, general and administrative	207	167	428	310
Development costs	9	12	17	21
Total operating costs and expenses	1,769	2,009	3,801	3,690
Operating Income	397	269	227	583
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	14	12	22	10
Impairment charge on investment	—	(11)	(1)	(492)
Other income, net	2	3	4	8
Loss on debt extinguishment	—	(115)	—	(143)
Interest expense	(167)	(167)	(332)	(340)
Total other expense	(151)	(278)	(307)	(957)
Income/(Loss) Before Income Taxes	246	(9)	(80)	(374)
Income tax benefit	(13)	(630)	(133)	(735)
Net Income	259	621	53	361
Less: Net income attributable to noncontrolling interest	8	—	9	—
Net Income Attributable to NRG Energy, Inc.	251	621	44	361
Dividends for preferred shares	3	3	5	5
Income Available for Common Stockholders	$248	$618	$39	$356
Earnings Per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding — basic	228	243	228	245
Net income per weighted average common share — basic	$1.09	$2.54	$0.17	$1.45
Weighted average number of common shares outstanding — diluted	229	244	229	247
Net income per weighted average common share — diluted	$1.08	$2.53	$0.17	$1.44

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Net Income	$259	$621	$53	$361
Other comprehensive (loss)/income, net of tax				
Unrealized loss on derivatives, net of income tax benefit of $47, $39, $52, and $86	(80)	(67)	(89)	(149)
Foreign currency translation adjustments, net of income tax benefit (expense) of $5, $(5), $2, and $(12)	(8)	10	(2)	22
Available-for-sale securities, net of income tax benefit of $0, $1, $0, and $0	—	(1)	—	(1)
Defined benefit plans	—	—	—	1
Other comprehensive loss	(88)	(58)	(91)	(127)
Comprehensive income/(loss)	171	563	(38)	234
Less: Comprehensive income attributable to noncontrolling interest	8	—	9	—
Comprehensive income/(loss) attributable to NRG Energy, Inc.	163	563	(47)	234
Dividends for preferred shares	3	3	5	5
Comprehensive income/(loss) available for common stockholders	$160	$560	$(52)	$229

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2012	December 31, 2011
(In millions, except shares)	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$1,149	$1,105
Funds deposited by counterparties	135	258
Restricted cash	208	292
Accounts receivable — trade, less allowance for doubtful accounts of $23 and $21	1,000	834
Inventory	416	308
Derivative instruments	3,670	4,216
Cash collateral paid in support of energy risk management activities	71	311
Prepayments and other current assets	606	273
Total current assets	7,255	7,597
Property, plant and equipment, net of accumulated depreciation of $4,976 and $4,570	15,318	13,621
Other Assets		
Equity investments in affiliates	658	640
Note receivable — affiliate and capital leases, less current portion	81	342
Goodwill	1,886	1,886
Intangible assets, net of accumulated amortization of $1,559 and $1,452	1,256	1,419
Nuclear decommissioning trust fund	448	424
Derivative instruments	562	450
Other non-current assets	392	336
Total other assets	5,283	5,497
Total Assets	$27,856	$26,715
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$71	$87
Accounts payable	1,350	808
Derivative instruments	3,234	3,751
Deferred income taxes	115	127
Cash collateral received in support of energy risk management activities	135	258
Accrued expenses and other current liabilities	793	640
Total current liabilities	5,698	5,671
Other Liabilities		
Long-term debt and capital leases	10,485	9,745
Nuclear decommissioning reserve	345	335
Nuclear decommissioning trust liability	263	254
Deferred income taxes	1,147	1,389
Derivative instruments	720	464
Out-of-market commodity contracts	168	183
Other non-current liabilities	878	756
Total non-current liabilities	14,006	13,126
Total Liabilities	19,704	18,797
	249	249

3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)		
Commitments and Contingencies		
Stockholders' Equity		
Common stock	3	3
Additional paid-in capital	5,383	5,346
Retained earnings	4,026	3,987
Less treasury stock, at cost — 76,587,776 and 76,664,199 shares, respectively	(1,922)	(1,924)
Accumulated other comprehensive (loss)/income	(17)	74
Noncontrolling interest	430	183
Total Stockholders' Equity	7,903	7,669
Total Liabilities and Stockholders' Equity	$27,856	$26,715

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30, 2012	2011
	(In millions)	
Cash Flows from Operating Activities		
Net income	$53	$361
Adjustments to reconcile net income to net cash provided by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	(1)	—
Depreciation and amortization	464	427
Provision for bad debts	17	20
Amortization of nuclear fuel	16	20
Amortization of financing costs and debt discount/premiums	17	16
Loss on debt extinguishment	1	26
Amortization of intangibles and out-of-market commodity contracts	81	92
Amortization of unearned equity compensation	18	14
Changes in deferred income taxes and liability for uncertain tax benefits	(145)	(748)
Changes in nuclear decommissioning trust liability	17	13
Changes in derivative instruments	74	(166)
Changes in collateral deposits supporting energy risk management activities	240	69
Impairment charge on investment	—	481
Cash used by changes in other working capital	(267)	(316)
Net Cash Provided by Operating Activities	585	309
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	—	(68)
Capital expenditures	(1,593)	(839)
Increase in restricted cash, net	(58)	(42)
Decrease/(increase) in restricted cash to support equity requirements for U.S. DOE funded projects	142	(70)
(Increase)/decrease in notes receivable	(21)	20
Investments in nuclear decommissioning trust fund securities	(236)	(165)
Proceeds from sales of nuclear decommissioning trust fund securities	220	152
Proceeds from renewable energy grants	35	—
Other	(44)	(47)
Net Cash Used by Investing Activities	(1,555)	(1,059)
Cash Flows from Financing Activities		
Payment of dividends to preferred stockholders	(5)	(5)
Payment for treasury stock	—	(130)
Net payments for settlement of acquired derivatives that include financing elements	(44)	(46)
Sale proceeds and other contributions from noncontrolling interests in subsidiaries	270	—
Proceeds from issuance of long-term debt	927	3,798
Payment of debt issuance and hedging costs	(12)	(52)
Payments for short and long-term debt	(121)	(3,833)
Net Cash Provided/(Used) by Financing Activities	1,015	(268)
Effect of exchange rate changes on cash and cash equivalents	(1)	6
Net Increase/(Decrease) in Cash and Cash Equivalents	44	(1,012)
Cash and Cash Equivalents at Beginning of Period	1,105	2,951

Cash and Cash Equivalents at End of Period	$1,149	$1,939

See accompanying notes to condensed consolidated financial statements.

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

Note 1 — Basis of Presentation

NRG Energy, Inc., or NRG or the Company, is an integrated wholesale power generation and retail electricity company that aspires to be a leader in the way the industry and consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. First, NRG is a wholesale power generator engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services. Second, NRG is a retail electricity company engaged in the supply of electricity, energy services, and cleaner energy products to retail electricity customers in deregulated markets through its Retail businesses, which include Reliant Energy, Green Mountain Energy and Energy Plus. Finally, NRG is focused on the deployment and commercialization of potential disruptive technologies, like electric vehicles, Distributed Solar and smart meter technology, which have the potential to change the nature of the power supply industry.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the Securities and Exchange Commission's, or SEC's, regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Company's financial statements in its Annual Report on Form 10-K for the year ended December 31, 2011, or 2011 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of June 30, 2012, and the results of operations, comprehensive income/(loss) and cash flows for the three and six months ended June 30, 2012, and 2011.

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.

Note 2 — Summary of Significant Accounting Policies

Other Cash Flow Information

NRG’s investing activities exclude capital expenditures of $844 million which were accrued and unpaid at June 30, 2012, primarily for solar projects under construction.

Noncontrolling Interests

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

	(In millions)
Balance as of December 31, 2011	$183
Cash contributions	238
Comprehensive income attributable to noncontrolling interest	9
Balance as of June 30, 2012	$430

Tax Credits

NRG accounts for income taxes in accordance with Accounting Standards Codification, or ASC, 740, Income Taxes, or ASC 740, which requires that the Company use the asset and liability method of accounting for deferred income taxes and provide deferred income taxes for all significant temporary differences, as further described in Note 2, Summary of Significant Accounting Policies, to the Company's 2011 Form 10-K. NRG reduces its current income tax expense in the consolidated statement of operations for any investment tax credits, or ITCs, that are not convertible into cash grants, as well as other tax credits, in the period the tax credit is generated. ITCs that are convertible into cash grants, as well as the deferred income tax benefit generated by the difference in the financial statement and tax bases of the related assets, are recorded as a reduction to the carrying value of the underlying property and subsequently amortized to earnings on a straight-line basis over the useful life of each underlying property.

Recent Accounting Developments

Effective January 1, 2012, the Company adopted the provisions of Accounting Standards Update, or ASU, No. 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income, or ASU No. 2011-05, and began presenting the total of comprehensive income, the components of net income and the components of other comprehensive income in two separate but consecutive statements. The provisions of ASU No. 2011-05 are required to be adopted retroactively. As this guidance provides only presentation requirements, the adoption of this standard did not impact the Company's results of operations, cash flows or financial position.

Note 3 — Business Acquisitions and Dispositions

2012 Dispositions

Agua Caliente

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

Saale Energie GmbH

On July 17, 2012, the Company completed the sale of its 100% interest in Saale Energie GmbH, which holds a 41.9% interest in Kraftwerke Schkopau GbR and a 44.4% interest in Kraftwerke Schkopau Betriebsgesllschaft mbH, collectively, Schkopau. Schkopau holds a fixed 400 MW participation in the 900 MW Schkopau Power Station located in Germany. In connection with the sale of Schkopau, NRG entered into a foreign currency swap contract to hedge the impact of exchange rate fluctuations on the sale proceeds of €140 million. The Company received cash consideration, net of selling expenses, of $174 million, which included $4 million related to the settlement of the swap contract that was recorded as a gain within Other income, net in the third quarter. The cash consideration approximated the book value of the net assets, including cash of $41 million, and liabilities, on the date of the sale.

Within the balance sheet as of June 30, 2012, the Company reclassified the Schkopau assets held for sale into Prepayments and other current assets and the liabilities held for sale into Accrued expenses and other current liabilities.

Pending Acquisition

On July 20, 2012, the Company entered into an agreement to acquire GenOn Energy, Inc., or GenOn. GenOn, a generator of wholesale electricity, has baseload, intermediate and peaking power generation facilities using coal, natural gas and oil, totaling approximately 22,700 MW. The Company will issue, as consideration for the acquisition, 0.1216 shares of NRG common stock for each outstanding share of GenOn, including restricted stock units outstanding, on the acquisition date, except for fractional shares which will be paid in cash. The acquisition is subject to customary conditions, including shareholder approval of the share issuance and regulatory approvals, and is expected to close by the first quarter of 2013.

2011 Acquisitions

The Company's acquisitions that are considered business combinations are accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations, or ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The provisional amounts recognized are subject to revision until the evaluations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date, are required to be finalized within a measurement period not to exceed one year. The Company made several acquisitions in 2011, which were recorded as business combinations under ASC 805, for which the accounting was not finalized as of December 31, 2011. See Note 3, Business Acquisitions and Dispositions and Note 12, Debt and Capital Leases, in the Company's 2011 Form 10-K, for additional information related to these acquisitions.

The accounting for the acquisitions of Energy Plus, California Valley Solar Ranch, or CVSR, Agua Caliente and Ivanpah were completed as of March 31, 2012, at which point the provisional fair values became final with no material changes.

Note 4 — Nuclear Innovation North America LLC, or NINA, Impairment Charge

As discussed in detail in Note 4, Nuclear Innovation North America LLC Developments, including Impairment Charge, to the Company's 2011 Form 10-K, NRG deconsolidated NINA as of March 31, 2011, and recorded an impairment charge of $492 million for the six months ended June 30, 2011, including $481 million in the quarter ended March 31, 2011 for the full amount of its investment, and $11 million in the quarter ended June 30, 2011.

Note 5 — Fair Value of Financial Instruments

This footnote should be read in conjunction with the complete description under Note 5, Fair Value of Financial Instruments, to the Company's 2011 Form 10-K.

For cash and cash equivalents, funds deposited by counterparties, restricted cash, cash collateral paid and received in support of energy risk management activities, and restricted cash supporting the funded letter of credit facility, the carrying amount approximates fair value because of the short-term maturity of those instruments. Debt securities, equity securities, trust fund investments, which are comprised of various U.S. debt and equity securities, and derivative assets and liabilities are carried at fair market value.
The estimated carrying values and fair values of NRG's recorded financial instruments not carried at fair market value are as follows:

	As of June 30, 2012		As of December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable [(a)]	$82	$82	$156	$161
Liabilities:				
Long-term debt, including current portion	10,556	10,752	9,729	9,716

(a) June 30, 2012 excludes carrying amount of $109 million and fair value of $113 million related to Schkopau notes receivable reclassified to current assets held for sale.

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

Recurring Fair Value Measurements

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

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

	As of June 30, 2012			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	$—	$—	$9	$9
Marketable equity securities	1	—	—	1
Trust fund investments:				
Cash and cash equivalents	3	—	—	3
U.S. government and federal agency obligations	34	—	—	34
Federal agency mortgage-backed securities	—	61	—	61
Commercial mortgage-backed securities	—	5	—	5
Corporate debt securities	—	70	—	70
Equity securities	227	—	43	270
Foreign government fixed income securities	—	6	—	6
Derivative assets:				
Commodity contracts	1,606	1,812	814	4,232
Total assets	$1,871	$1,954	$866	$4,691
Derivative liabilities:				
Commodity contracts	$1,483	$1,688	$643	$3,814
Interest rate contracts	—	139	—	139
Foreign currency contracts	—	1	—	1
Total liabilities	$1,483	$1,828	$643	$3,954

	As of December 31, 2011			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	$—	$—	$7	$7
Marketable equity securities	1	—	—	1
Trust fund investments:				
Cash and cash equivalents	2	—	—	2
U.S. government and federal agency obligations	44	—	—	44
Federal agency mortgage-backed securities	—	63	—	63
Commercial mortgage-backed securities	—	7	—	7
Corporate debt securities	—	54	—	54
Equity securities	209	—	42	251
Foreign government fixed income securities	—	4	—	4
Derivative assets:				
Commodity contracts	2,661	1,930	75	4,666
Total assets	$2,917	$2,058	$124	$5,099

Derivative liabilities:				
Commodity contracts	$2,757	$1,283	$67	$4,107
Interest rate contracts	—	108	—	108
Total liabilities	$2,757	$1,391	$67	$4,215

There were no transfers during the three and six months ended June 30, 2012, and 2011, between Levels 1 and 2. The following tables reconcile, for the three and six months ended June 30, 2012, and 2011, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements at least annually using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)							
	Three months ended June 30, 2012				Six months ended June 30, 2012			
(In millions)	Debt Securities	Trust Fund Investments	Derivatives[a]	Total	Debt Securities	Trust Fund Investments	Derivatives[a]	Total
Beginning balance	$8	$46	$43	$97	$7	$42	$8	$57
Total gains/(losses) - realized/unrealized:								
Included in earnings	—	—	(11)	(11)	—	—	6	6
Included in OCI	1	—	—	1	2	—	—	2
Included in nuclear decommissioning obligations	—	(4)	—	(4)	—	—	—	—
Purchases	—	1	112	113	—	1	108	109
Transfers into Level 3 [b]	—	—	25	25	—	—	35	35
Transfers out of Level 3 [b]	—	—	2	2	—	—	14	14
Ending balance as of June 30, 2012	$9	$43	$171	$223	$9	$43	$171	$223
The amount of the total (losses)/gains for the period included in earnings attributable to the change in unrealized gains relating to assets still held as of June 30, 2012	$—	$—	$(12)	$(12)	$—	$—	$6	$6

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)							
	Three months ended June 30, 2011				Six months ended June 30, 2011			
(In millions)	Debt Securities	Trust Fund Investments	Derivatives[a]	Total	Debt Securities	Trust Fund Investments	Derivatives[a]	Total
Beginning balance	$9	$40	$(11)	$38	$8	$39	$(27)	$20
Total gains - realized/unrealized:								
Included in earnings	—	—	10	10	—	—	19	19
Included in OCI	—	—	—	—	1	—	—	1
Included in nuclear decommissioning obligations	—	—	—	—	—	1	—	1
Purchases	—	1	5	6	—	1	8	9
Transfers into Level 3 [b]	—	—	(12)	(12)	—	—	(30)	(30)
Transfers out of Level 3 [b]	—	—	(18)	(18)	—	—	4	4
Ending balance as of June 30, 2011	$9	$41	$(26)	$24	$9	$41	$(26)	$24
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	$—	$—	$5	$5	$—	$—	$7	$7

June 30, 2011

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

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

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

15

Derivative fair value measurements

The majority of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A portion of NRG's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. For the majority of NRG markets, the Company receives quotes from multiple sources. To the extent that NRG receives multiple quotes, the Company's prices reflect the average of the bid-ask mid-point prices obtained from all sources that NRG believes provide the most liquid market for the commodity. If the Company receives one quote, then the mid-point of the bid-ask spread for that quote is used. The terms for which such price information is available vary by commodity, region and product. A significant portion of the fair value of the Company's derivative portfolio is based on price quotes from brokers in active markets who regularly facilitate those transactions and the Company believes such price quotes are executable. The Company does not use third party sources that derive price based on proprietary models or market surveys. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available for the whole term or for certain delivery months or the contracts are retail and load following power contracts. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. Contracts valued with prices provided by models and other valuation techniques make up 19% of the total derivative assets and 16% of the total derivative liabilities.

The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that NRG's net exposure under a specific master agreement is an asset, the Company uses the counterparty's default swap rate. If the exposure under a specific master agreement is a liability, the Company uses NRG's default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume NRG's liabilities or that a market participant would be willing to pay for NRG's assets. As of June 30, 2012, the credit reserve resulted in a $9 million increase in fair value which is composed of a $6 million gain in Other Comprehensive Income, or OCI, and a $3 million gain in operating revenue and cost of operations. As of June 30, 2011, the credit reserve resulted in a $2 million decrease in fair value which is composed of a $2 million loss in operating revenue and cost of operations.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, Summary of Significant Accounting Policies, to the Company's 2011 Form 10-K, the following item is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail load activities.

Counterparty Credit Risk

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

NRG to cover the credit risk of the counterparty until positions settle.

As of June 30, 2012, counterparty credit exposure to a portion of the Company's counterparties was $995 million and NRG held collateral (cash and letters of credit) against those positions of $141 million, resulting in a net exposure of $854 million. Counterparty credit exposure is valued through observable market quotes and discounted at the risk free rate. The following table highlights net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and Normal Purchase Normal Sale, or NPNS, and non-derivative transactions. The exposure is shown net of collateral held, and includes amounts net of receivables or payables.

Category	Net Exposure [a] (% of Total)	
Financial institutions	50	%
Utilities, energy merchants, marketers and other	47	
Coal and emissions	1	
Independent System Operators, or ISOs	2	
Total as of June 30, 2012	100	%

Category	Net Exposure [a] (% of Total)	
Investment grade	79	%
Non-Investment grade	1	
Non-rated [b]	20	
Total as of June 30, 2012	100	%

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

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

NRG has counterparty credit risk exposure to certain counterparties representing more than 10% of total net exposure discussed above and the aggregate of such counterparties' exposure was $239 million. Approximately 87% of NRG's positions relating to this credit risk exposure roll-off by the end of 2013. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, NRG does not anticipate a material impact on the Company's financial position or results of operations from nonperformance by any of NRG's counterparties.

Counterparty credit exposure described above excludes credit risk exposure under certain long term agreements, including California tolling agreements, South Central load obligations, and solar Power Purchase Agreements, or PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company valued these contracts based on various techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of June 30, 2012, credit risk exposure to these counterparties allocable to NRG's ownership interests was approximately $1.1 billion for the next five years. This amount excludes potential credit exposures for projects with long term PPAs that have not reached commercial operations. Many of these power contracts are with utilities or public power entities that have strong credit quality and specific public utility commission or other regulatory support. These factors significantly reduce the risk of loss.

Retail Customer Credit Risk

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

As of June 30, 2012, the Company's retail customer credit exposure was diversified across many customers and various industries, with a significant portion of the exposure with government entities.

17

Note 6 — Nuclear Decommissioning Trust Fund

NRG's nuclear decommissioning trust fund assets, which are for its portion of the decommissioning of the South Texas Project, or STP Units 1 & 2, are comprised of securities classified as available-for-sale and recorded at fair value based on actively quoted market prices. NRG accounts for the nuclear decommissioning trust fund in accordance with ASC 980, Regulated Operations, or ASC 980, because the Company's nuclear decommissioning activities are subject to approval by the Public Utility Commission of Texas, or PUCT, with regulated rates that are designed to recover all decommissioning costs and that can be charged to and collected from the ratepayers per PUCT mandate. Since the Company is in compliance with PUCT rules and regulations regarding decommissioning trusts and the cost of decommissioning is the responsibility of the Texas ratepayers, not NRG, all realized and unrealized gains or losses (including other-than-temporary impairments) related to the Nuclear Decommissioning Trust Fund are recorded to the Nuclear Decommissioning Trust Liability and are not included in net income or accumulated other comprehensive income, consistent with regulatory treatment.

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

	As of June 30, 2012				As of December 31, 2011			
(In millions, except otherwise noted)	Fair Value	Unrealized Gains	Unrealized Losses	Weighted-average maturities (in years)	Fair Value	Unrealized Gains	Unrealized Losses	Weighted-average maturities (in years)
Cash and cash equivalents	$3	$—	$—	—	$2	$—	$—	—
U.S. government and federal agency obligations	33	2	—	12	43	3	—	10
Federal agency mortgage-backed securities	61	3	—	23	63	3	—	23
Commercial mortgage-backed securities	5	—	—	27	7	—	—	28
Corporate debt securities	70	3	—	10	54	3	1	10
Equity securities	270	128	1	—	251	113	1	—
Foreign government fixed income securities	6	—	—	6	4	—	—	8
Total	$448	$136	$1		$424	$122	$2	

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

	Six months ended June 30,	
	2012	2011
	(In millions)	
Realized gains	$7	$3
Realized losses	4	3
Proceeds from sale of securities	220	152

Note 7 — Accounting for Derivative Instruments and Hedging Activities

This footnote should be read in conjunction with the complete description under Note 6, Accounting for Derivative Instruments and Hedging Activities, to the Company's 2011 Form 10-K.

Energy-Related Commodities

As of June 30, 2012, NRG had energy-related derivative financial instruments extending through 2015, which are designated as cash flow hedges.

Interest Rate Swaps

NRG is exposed to changes in interest rates through the Company's issuance of variable and fixed rate debt. In order to manage the Company's interest rate risk, NRG enters into interest rate swap agreements. As of June 30, 2012, NRG had interest rate derivative instruments on recourse debt extending through 2013 and on non-recourse debt extending through 2029, the majority of which are designated as cash flow hedges.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of NRG's open derivative transactions broken out by commodity, excluding those derivatives that qualified for the NPNS exception as of June 30, 2012, and December 31, 2011. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume	
Commodity	Units	June 30, 2012	December 31, 2011
		(In millions)	
Emissions	Short Ton	(2)	(2)
Coal	Short Ton	37	37
Natural Gas	MMBtu	(212)	13
Oil	Barrel	—	1
Power	MWh	12	4
Interest	Dollars	$2,370	$2,121

Fair Value of Derivative Instruments

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

	Fair Value			
	Derivative Assets		Derivative Liabilities	
(In millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts current	$—	$—	$12	$39
Interest rate contracts long-term	—	—	94	68
Commodity contracts current	2	318	1	—
Commodity contracts long-term	—	—	2	1
Total Derivatives Designated as Cash Flow Hedges	2	318	109	108
Derivatives Not Designated as Cash Flow Hedges:				
Interest rate contracts current	—	—	19	—
Interest rate contracts long-term	—	—	14	1
Foreign currency contracts current	—	—	1	—
Commodity contracts current	3,668	3,898	3,201	3,712
Commodity contracts long-term	562	450	610	394
Total Derivatives Not Designated as Cash Flow Hedges	4,230	4,348	3,845	4,107
Total Derivatives	$4,232	$4,666	$3,954	$4,215

Accumulated Other Comprehensive Income

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

	Three months ended June 30, 2012			Six months ended June 30, 2012		
(In millions)	Energy Commodities	Interest Rate	Total	Energy Commodities	Interest Rate	Total
Accumulated OCI beginning balance	$170	$(47)	$123	$188	$(56)	$132
Reclassified from accumulated OCI to income:						
Due to realization of previously deferred amounts	(45)	5	(40)	(76)	8	(68)
Mark-to-market of cash flow hedge accounting contracts	(14)	(26)	(40)	(1)	(20)	(21)
Accumulated OCI ending balance, net of $35 tax	$111	$(68)	$43	$111	$(68)	$43
Gains/(losses) expected to be realized from OCI during the next 12 months, net of $45 tax	$93	$(15)	$78	$93	$(15)	$78
(Losses)/gains recognized in income from the ineffective portion of cash flow hedges	$(50)	$2	$(48)	$(51)	$—	$(51)

(In millions)	Three months ended June 30, 2011 Energy Commodities	Interest Rate	Total	Six months ended June 30, 2011 Energy Commodities	Interest Rate	Total
Accumulated OCI beginning balance	$392	$(33)	$359	$488	$(47)	$441
Reclassified from accumulated OCI to income:						
Due to realization of previously deferred amounts	(92)	—	(92)	(190)	11	(179)
Mark-to-market of cash flow hedge accounting contracts	32	(7)	25	34	(4)	30
Accumulated OCI ending balance, net of $181 tax	$332	$(40)	$292	$332	$(40)	$292
Gains/(losses) expected to be realized from OCI during the next 12 months, net of $134 tax	$230	$(2)	$228	$230	$(2)	$228
(Losses)/gains recognized in income from the ineffective portion of cash flow hedges	$(4)	$4	$—	$(1)	$3	$2

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

Accounting guidelines require a high degree of correlation between the derivative and the hedged item throughout the period in order to qualify as a cash flow hedge. As of April 30, 2012, 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 year 2012. As a result, the Company de-designated its 2012 ERCOT cash flow hedges as of April 30, 2012, and prospectively marked these derivatives to market through the income statement.

Impact of Derivative Instruments on the Statement of Operations

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Unrealized mark-to-market results				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$(34)	$24	$(75)	$22
Reversal of loss positions acquired as part of the Reliant Energy and Green Mountain Energy acquisitions	6	30	20	71
Net unrealized gains/(losses) on open positions related to economic hedges	218	(7)	81	84
Losses on ineffectiveness associated with open positions treated as cash flow hedges	(50)	(4)	(51)	(1)
	140	43	(25)	176

Total unrealized mark-to-market gains/(losses) for economic hedging activities				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to trading activity	—	—	(30)	14
Net unrealized gains on open positions related to trading activity	8	22	36	22
Total unrealized mark-to-market gains for trading activity	8	22	6	36
Total unrealized gains/(losses)	$148	$65	$(19)	$212

21

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Revenue from operations — energy commodities	$(113)	$91	$(75)	$104
Cost of operations	261	(26)	56	108
Total impact to statement of operations — energy commodities	$148	$65	$(19)	$212
Total impact to statement of operations — interest rate contracts	$(11)	$4	$(12)	$3

The reversal of loss positions acquired as part of the Reliant Energy and Green Mountain Energy acquisitions were valued based upon the forward prices on the acquisition dates. The roll off amounts were offset by realized losses at the settled prices and are reflected in the cost of operations during the same period.

For the six months ended June 30, 2012, the unrealized gain from open economic hedge positions was the result of an increase in ERCOT heat rates partially offset by decreases in forward natural gas, power and coal prices.

As of June 30, 2012, NRG had interest rate swaps designated as cash flow hedges on the Alpine solar project. The notional amount on the swaps exceeded the actual debt draws on the project. As such, NRG discontinued cash flow hedge accounting for these contracts and $4 million of loss previously deferred in OCI was recognized in earnings for the three and six months ended June 30, 2012.

For the six months ended June 30, 2011, the unrealized gain from open economic hedge positions was the result of an increase in value of forward purchases and sales of natural gas, electricity and fuel due to a decrease in forward power and gas prices.

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed “adequate assurance” under the agreements, or requires the Company to post additional collateral if there were a one notch downgrade in the Company's credit rating. The collateral required for contracts with adequate assurance clauses that are in a net liability position as of June 30, 2012, was $125 million. The collateral required for contracts with credit rating contingent features was $33 million. The Company is also a party to certain marginable agreements where NRG has a net liability position, but the counterparty has not called for the collateral due, which was approximately $94 million as of June 30, 2012.

See Note 5, Fair Value of Financial Instruments, to this Form 10-Q for discussion regarding concentration of credit risk.

Note 8 — Debt and Capital Leases

This footnote should be read in conjunction with the complete description under Note 12, Debt and Capital Leases, to the Company's 2011 Form 10-K.

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

	June 30, 2012	December 31, 2011	Interest rate % [(a)]
	(In millions, except rates)		
NRG Recourse Debt:			
Senior notes, due 2021	$1,128	$1,200	7.875
Senior notes, due 2020	1,100	1,100	8.250
Senior notes, due 2019	800	800	7.625
Senior notes, due 2019	692	691	8.500
Senior notes, due 2018	1,200	1,200	7.625
Senior notes, due 2017	1,090	1,090	7.375
Term loan facility, due 2018	1,581	1,588	L+3.00
Indian River Power LLC, tax-exempt bonds, due 2040	57	57	6.000
Indian River Power LLC, tax-exempt bonds, due 2045	157	148	5.375
Dunkirk Power LLC, tax-exempt bonds, due 2042	59	59	5.875
Other	1	—	0.300
Subtotal NRG Recourse Debt	7,865	7,933	
NRG Non-Recourse Debt:			
Ivanpah Financing:			
Solar Partners I, due 2014 and 2033	393	290	1.126 - 3.991
Solar Partners II, due 2014 and 2038	414	314	1.116 - 4.195
Solar Partners VIII, due 2014 and 2038	361	270	1.381 - 4.256
NRG Peaker Finance Co. LLC, bonds, due 2019	193	190	L+1.07
Agua Caliente Solar, LLC, due 2037	440	181	2.449 - 3.256
NRG West Holdings LLC, term loan, due 2023	248	159	L+2.25 - 2.75
NRG Energy Center Minneapolis LLC, senior secured notes, due 2013, 2017 and 2025	144	151	5.95 - 7.31
CVSR - High Plains Ranch II LLC, due 2037	277	—	0.613 - 0.710
South Trent Wind LLC, financing agreement, due 2020	73	75	L+2.50 - 2.625
Solar Power Partners - SPP Fund II/IIB LLC term loans, due 2017	16	17	L+3.50
Solar Power Partners - SPP Fund III LLC term loan, due 2024	41	42	L+3.50
NRG Solar Roadrunner LLC, due 2031	46	61	L+2.01
NRG Solar Blythe LLC, credit agreement, due 2028	27	27	L+2.50
Other	18	19	various
Subtotal NRG Non-Recourse Debt	2,691	1,796	
Subtotal long-term debt	10,556	9,729	
Capital leases:			
Saale Energie GmbH, Schkopau capital lease, due 2021 [(b)]	—	103	
Subtotal	10,556	9,832	
Less current maturities	71	87	

Total long-term debt and capital leases	$10,485	$9,745

(a) L+ equals LIBOR plus x%.
(b) Reclassified to current liabilities held for sale.

NRG Repowering Holdings LLC

On January 25, 2012, NRG Repowering Holdings LLC, or NRG Repowering, terminated its revolving credit facility, repaid the $5 million then outstanding, and a supporting letter of credit issued by NRG was returned.

On January 25, 2012, NRG Repowering entered into a Credit and Reimbursement Agreement which provides for a $10 million working capital facility that can be used for general corporate purposes or to issue letters of credit, and an $80 million letter of credit facility. Interest on the letters of credit accrues at 3.5% and on loans under the working capital facility at the London Inter-Bank Offered Rate, or LIBOR, plus 3.50%. The facility is secured by NRG Repowering's investments in GenConn Energy LLC and South Trent Wind LLC, and matures January 25, 2015. As of June 30, 2012, NRG Repowering had issued a $10 million letter of credit under the working capital facility and $80 million in letters of credit under the letter of credit facility.

Alpine Financing

On March 16, 2012, NRG, through its wholly-owned subsidiary, NRG Solar Alpine LLC, or Alpine, entered into a credit agreement with a group of lenders, or the Alpine Financing Agreement, for a $166 million construction loan that will convert to a term loan upon completion of the project and a $68 million cash grant loan. The construction loan has an interest rate of LIBOR plus an applicable margin of 2.50% and the cash grant loan has an interest rate of LIBOR plus an applicable margin of 2.25%. The term loan has an interest rate of LIBOR plus an applicable margin of 2.50%, which escalates 0.25% on the fifth anniversary of the term conversion. The term loan, which is secured by all the assets of Alpine, matures on the 10^{th} anniversary of the term conversion and amortizes based upon a predetermined schedule. The cash grant loan matures upon the earlier of the receipt of the cash grant or February 2013. The Alpine Financing Agreement also includes a letter of credit facility on behalf of Alpine of up to $37 million. Alpine pays an availability fee of 100% of the applicable margin on issued letters of credit. As of June 30, 2012, $2 million was outstanding under the construction loan, nothing was outstanding under the cash grant loans, and $18 million in letters of credit in support of the project were issued.

Also related to the Alpine Financing Agreement, on March 16, 2012, Alpine entered into a series of fixed for floating interest rate swaps for at least 85% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. Alpine will pay its counterparty the equivalent of a 2.74% fixed interest payment on a predetermined notional value, and Alpine will receive quarterly the equivalent of a floating interest payment based on a one month LIBOR calculated on the same notional value through December 31, 2012 and based on a three month LIBOR from December 31, 2012 through the term loan maturity date. All interest rate swap payments by Alpine and its counterparty are made monthly through December 31, 2012, and quarterly thereafter and the LIBOR rate is determined in advance of each interest period. The notional amount of the swap, which became effective March 31, 2012, and matures on December 31, 2029, was $141 million as of June 30, 2012 and will increase and amortize in proportion to the loan.

Roadrunner Financing

On March 20, 2012, NRG, through its wholly-owned subsidiary, NRG Roadrunner LLC, or Roadrunner, received proceeds of $21 million under its cash grant application. These proceeds were used to repay Roadrunner's cash grant loan of $17 million plus accrued interest. The remaining cash was returned to NRG under the terms of the accounts agreement.

CVSR Financing

On March 9, 2012, NRG, through its wholly-owned subsidiary, High Plains Ranch II LLC, completed its first borrowing of $138 million under the CVSR Financing Agreement with the Federal Financing Bank. As of June 30, 2012, $277 million was outstanding under the loan.

NRG Energy, Inc. Tax-Exempt Bonds

On May 3, 2012, NRG executed a $54 million tax-exempt bond financing under Section 704 of the Heartland Disaster Tax Relief Act of 2008. The bonds were issued by the Fort Bend County Industrial Development Corporation and will be used for the construction of a peaking unit with one or more components of a carbon capture system at the W.A. Parish Generating Station in Thompsons, TX. The bonds initially bear weekly interest based on the Securities Industry and Financial Markets Association, or SIFMA, rate and have a maturity date of May 1, 2038. The proceeds drawn through June 30, 2012 were $1 million, and the remaining balance will be drawn over time as construction costs are paid.

Note 9 — Variable Interest Entities, or VIEs

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

GenConn Energy LLC — Through its subsidiary, NRG Connecticut Peaking Development LLC, NRG owns a 50% interest in GenConn, a limited liability company which owns and operates two 200 MW peaking generation facilities in Connecticut at NRG's Devon and Middletown sites. NRG's maximum exposure to loss is limited to its equity investment, which was $126 million as of June 30, 2012.

Sherbino I Wind Farm LLC — NRG owns a 50% interest in Sherbino, a joint venture with BP Wind Energy North America Inc. NRG's maximum exposure to loss is limited to its equity investment, which was $100 million as of June 30, 2012.

Texas Coastal Ventures, LLC — NRG owns a 50% interest in Texas Coastal Ventures, a joint venture with Hilcorp Energy I, L.P., through its subsidiary Petra Nova LLC. NRG's maximum exposure to loss is limited to its equity investment, which was $51 million as of June 30, 2012.

Note 10 — Changes in Capital Structure

As of June 30, 2012, and December 31, 2011, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common shares issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2011	304,183,720	(76,664,199)	227,519,521
Shares issued under LTIP	167,243	—	167,243
Shares issued under ESPP	—	76,423	76,423
Balance as of June 30, 2012	304,350,963	(76,587,776)	227,763,187

Employee Stock Purchase Plan — On April 25, 2012, NRG shareholders approved an increase of 1,000,000 shares available for issuance under the NRG Energy, Inc. Employee Stock Purchase Plan, or ESPP. Subsequent to this approval, 1,100,928 shares of treasury stock were available for issuance under the ESPP. In July 2012, 82,058 shares of NRG common stock were issued to employee accounts from treasury stock under the ESPP.

On July 22, 2012, NRG announced a quarterly dividend on the Company's common stock of $0.09 per share, payable August 15, 2012, to shareholders of record as of August 1, 2012.

Note 11 — Earnings Per Share

Basic earnings per common share is computed by dividing net income less accumulated preferred stock dividends by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the year are weighted for the portion of the year that they were outstanding. Diluted earnings per share 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 NRG's basic and diluted earnings per share is shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
(In millions, except per share data)	2012	2011	2012	2011
Basic earnings per share attributable to NRG common stockholders				
Numerator:				
Net income attributable to NRG Energy, Inc.	$251	$621	$44	$361
Preferred stock dividends	(3)	(3)	(5)	(5)
Net income attributable to NRG Energy, Inc. available to common stockholders	$248	$618	$39	$356
Denominator:				
Weighted average number of common shares outstanding	228	243	228	245
Basic earnings per share:				
Net income attributable to NRG Energy, Inc.	$1.09	$2.54	$0.17	$1.45
Diluted earnings per share attributable to NRG common stockholders				
Numerator:				
Net income attributable to NRG Energy, Inc. available to common shareholders	$248	$618	$39	$356
Denominator:				
Weighted average number of common shares outstanding	228	243	228	245
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	1	1	1	2
Total dilutive shares	229	244	229	247
Diluted earnings per share:				
Net income attributable to NRG Energy, Inc.	$1.08	$2.53	$0.17	$1.44

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

	Three months ended June 30,		Six months ended June 30,	
(In millions of shares)	2012	2011	2012	2011
Equity compensation plans	9	7	9	7
Embedded derivative of 3.625% redeemable perpetual preferred stock	16	16	16	16
Total	25	23	25	23

Note 12 — Segment Reporting

Effective in fiscal year 2012, NRG's segment structure and its allocation of corporate expenses were updated to reflect how management currently makes financial decisions and allocates resources. The Company has recast the data from prior periods to reflect this change in reportable segments to conform to the current year presentation. The Company's businesses are primarily segregated based on the Retail businesses, conventional power generation, alternative energy businesses and corporate activities. Within NRG's conventional power generation operations, there are distinct components with separate operating results and management structures for the following geographical regions: Texas, Northeast, South Central, West and Other, which includes its international businesses, thermal and chilled water business and maintenance services. The Company's alternative energy businesses include solar and wind assets, electric vehicle services and carbon capture business. Intersegment sales are accounted for at market.

(In millions)		Conventional Power Generation									
Three months ended June 30, 2012	Retail	Texas[a]	North-east[a]	South Central	West	Other [a]	Alternative Energy[a]	Corporate	Elimination	Total
Operating revenues	$1,470	$127	$176	$210	$56	$100	$36	$4	$(13)	$2,166
Depreciation and amortization	44	114	32	23	3	4	12	2	—	234
Equity in earnings of unconsolidated affiliates	—	—	3	—	4	3	4	—	—	14
Income/(loss) before income taxes	797	(427)	(10)	11	21	10	(11)	(145)	—	246
Net income/(loss) attributable to NRG Energy, Inc.	$797	$(427)	$(10)	$11	$21	$8	$(19)	$(130)	$—	$251
Total assets	$3,586	$12,678	$1,877	$1,282	$714	$1,069	$5,115	$19,138	$(17,603)	$27,856
[a] Includes intersegment sales and derivative gains and losses of:		$—	$(21)	$10		$—	$—	$23	$4	$—

(In millions)		Conventional Power Generation								
Three months ended June 30, 2011	Retail	Texas[a]	North-east[a]	South Central	West	Other[a]	Alternative Energy[a]	Corporate[b]	Elimination	Total
Operating revenues	$1,422	$809	$ 246	$188	$36	$79	$14	$ 3	$(519)	$2,278
Depreciation and amortization	40	115	27	22	2	4	8	4	—	222
Equity in earnings of	—	—	3	—	5	2	2	—	—	12

unconsolidated affiliates										
Income/(loss) before income taxes	17	211	16	12	11	2	(11)	(267)	—	(9)
Net income/(loss) attributable to NRG Energy, Inc.	$17	$211	$ 16	$12	$11	$—	$(11)	$ 365	$—	$621
[(a)] Includes intersegment sales and derivative gains and losses of:	$—	$508	$5	$—	$—	$3	$4	$—		

[(b)] Includes impairment charge on investment of $11 million and loss on debt extinguishment of $115 million.

27

(In millions)		Conventional Power Generation								
Six months ended June 30, 2012	Retail	Texas[a]	North-east[a]	South Central	West	Other[a]	Alternative Energy[a]	Corporate	Elimination	Total
Operating revenues	$2,636	$585	$ 324	$383	$98	$194	$58	$7	$(257)	$4,028
Depreciation and amortization	85	228	64	46	5	8	23	5	—	464
Equity in earnings of unconsolidated affiliates	—	—	8	—	2	6	6	—	—	22
Income/(loss) before income taxes	804	(501)	(53)	(19)	7	20	(22)	(316)	—	(80)
Net income/(loss) attributable to NRG Energy, Inc.	$804	$(501)	$ (53)	$(19)	$7	$16	$(31)	$(179)	$—	$44

[a] Includes intersegment sales and derivative gains and losses of: $— $161 $45 $— $— $43 $8 $—

(In millions)		Conventional Power Generation								
Six months ended June 30, 2011	Retail	Texas[a]	North-east[a]	South Central	West	Other[a]	Alternative Energy[a]	Corporate[b]	Elimination	Total
Operating revenues	$2,548	$1,332	$ 472	$377	$77	$163	$23	$4	$(723)	$4,273
Depreciation and amortization	66	230	56	42	5	7	15	6	—	427
Equity in earnings/(losses) of unconsolidated affiliates	—	—	5	—	5	6	(6)	—	—	10
Income/(loss) before income taxes	311	238	(19)	25	24	13	(30)	(936)	—	(374)
Net income/(loss)attributable to NRG Energy, Inc.	$314	$238	$ (19)	$25	$24	$9	$(30)	$ (200)	$—	$361

[a] Includes intersegment sales and derivative gains and losses of: $— $704 $2 $— $— $9 $8 $—

[b] Includes impairment charge on investment of $492 million and loss on debt extinguishment of $143 million.

Note 13 — Income Taxes
Effective Tax Rate
The income tax provision consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
(In millions except otherwise noted)	2012	2011	2012	2011
Income/(loss) before income taxes	$246	$(9)	$(80)	$(374)
Income tax benefit	(13)	(630)	(133)	(735)
Effective tax rate	(5.3)%	7,000.0%	166.3%	196.5%

For the three and six months ended June 30, 2012, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to the generation of ITCs from the Company's Agua Caliente solar project in Arizona and the settlement of the Green Mountain IRS audit as well as the reduction in the valuation allowance.

For the three and six months ended June 30, 2011, NRG's overall effective tax rate for both of these periods was different than the statutory rate of 35% primarily due to the recognition of previously uncertain tax benefits that were effectively settled upon audit in June 2011 and that were mainly composed of net operating losses of $536 million which had been classified as capital loss carryforwards for financial statement purposes. In addition, valuation allowance decreases of $40 million and $23 million for the three and six month periods, respectively, increased the effective tax rates.

Uncertain tax benefits

As of June 30, 2012, NRG has recorded a non-current tax liability of $65 million for uncertain tax benefits from positions taken on various state tax returns, including accrued interest. NRG has accrued interest related to these uncertain tax benefits of $1 million for the six months ended June 30, 2012, and has accrued $14 million of interest and penalties since adoption. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.

The Company will continue to be under examination by various state and foreign tax jurisdictions for multiple years.

Tax Receivable and Payable

As of June 30, 2012, NRG recorded a current domestic tax receivable of $34 million, of which $18 million is related to property tax refunds as a result of the New York State Empire Zone program and $11 million relates to Federal income tax refunds for prior year tax return filings. As of June 30, 2012, NRG has a current tax payable of $13 million that represents a tax liability due for domestic state taxes of $11 million, as well as foreign taxes payable of $2 million. In addition, we have recorded a $52 million non-current asset for Empire Zone credits generated in 2010 through 2012 that are being deferred pursuant to New York State law.

Note 14 — Commitments and Contingencies

Commitments

First Lien Structure

NRG has granted first 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 June 30, 2012, in aggregate, the hedge portfolio under the lien was in the money.

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 ASC 450, Contingencies 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 be at amounts that are different from its currently recorded reserves and that such difference could be material.

In addition to the legal proceedings noted below, NRG and its subsidiaries are party to other litigation or legal proceedings arising in the ordinary course of business. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.

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 U.S. 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 FERC's review of the contracts at issue, 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 U.S. 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: (i) that the Mobile-Sierra public interest standard of review applied to contracts made under a seller's market-based rate authority; (ii) that the public interest "bar" required to set aside a contract remains a very high one to overcome; and (iii) 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 U.S. Supreme Court affirmed the Ninth Circuit's decision agreeing that the case should be remanded to the FERC to clarify the 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 U.S. 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 U.S. 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 U.S. Supreme Court's June 26, 2008, decision. On December 15, 2008, WCP and the other seller-defendants filed with the FERC a Motion for Order Governing Proceedings on Remand. On January 14, 2009, the Public Utilities

Commission of the State of California, or CPUC, 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, the FERC has not acted on remand.

On January 14, 2010, the U.S. Supreme Court issued its decision in an unrelated proceeding involving the Mobile-Sierra doctrine that will affect the standard of review applied to the CDWR contract on remand before the FERC. In NRG Power Marketing v. Maine Public Utilities Commission, the Supreme Court held that the Mobile-Sierra presumption regarding the reasonableness of contract rates does not depend on the identity of the complainant who seeks a FERC investigation/refund.

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 March 22, 2012, NRG reached an agreement in principle with the CPUC to settle and resolve this matter, including all related claims, on behalf of NRG and on behalf of Dynegy. The agreement in principle was announced by the Company on March 23, 2012, as well as by the CPUC and by the California Governor's Office. The documented agreement was executed and submitted to FERC on April 27, 2012 for its approval. The settlement agreement contains three material elements to be fulfilled over a four to six year period, depending upon several factors. First, the settlement agreement includes a $20 million cash payment due 30 days after FERC approval. Second, it includes the construction and operation of a fee-based charging network, to be owned and operated by NRG subsidiary, eVgo, which will consist of at least 200 publicly available fast-charging electric vehicle stations installed at locations across California. Last, it calls for the wiring and associated work required to improve at least 10,000 individual parking spaces to allow for the charging of electric vehicles in at least 1,000 multi-family complexes, worksites, and public interest locations such as community colleges, public universities, and public or non-profit hospitals. Although these improved newly wired parking spaces will continue to be owned by the local property owner, eVgo will have an 18-month exclusive right to obtain customers from these locations starting from the date of each completed installation. The expected $20 million cash payment was accrued and expensed in the statement of operations for the three months ended March 31, 2012. In addition, the Company expects to spend approximately $100 million over the next four to six year period, during which the Company will fulfill the other elements of the settlement, and will capitalize a substantial majority of the costs as property, plant and equipment, representing the costs to construct the charging network and the wiring, which will be productive assets. The Company will expense the costs to operate the assets as incurred. FERC approval is expected in the third quarter of 2012. On May 24, 2012, ECOtality, Inc. filed a lawsuit against the CPUC challenging the settlement.

Louisiana Generating, LLC

On February 11, 2009, the U.S. Department of Justice, or U.S. DOJ, acting at the request of the U.S. Environmental Protection Agency, or U.S. EPA, commenced a lawsuit against Louisiana Generating, LLC, or LaGen, 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 LaGen 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: (i) preclude the operation of Units 1 and 2 except in accordance with the CAA; (ii) order the installation of BACT on Units 1 and 2 for each pollutant subject to regulation under the CAA; (iii) obtain all necessary permits for

Units 1 and 2; (iv) order the surrender of emission allowances or credits; (v) conduct audits to determine if any additional modifications have been made which would require compliance with the CAA's Prevention of Significant Deterioration program; (vi) award to the U.S. DOJ its costs in prosecuting this litigation; and (vii) 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, LaGen filed an objection in the Cajun Electric Cooperative Power, Inc.'s bankruptcy proceeding in the U.S. Bankruptcy Court for the Middle District of Louisiana to seek to prevent the bankruptcy from closing. LaGen also filed a complaint, or adversary proceeding, in the same bankruptcy proceeding, 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 with respect to environmental liabilities arising prior to the acquisition; and (iii) Cajun Electric and/or the Bankruptcy Trustee are exclusively liable for any of the violations alleged in the February 11, 2009 lawsuit to the extent that such claims are determined to have merit. On April 15, 2010, the bankruptcy court signed an order granting LaGen's stipulation of voluntary dismissal without prejudice of the adversary proceeding. The bankruptcy proceeding has since closed.

On August 24, 2009, LaGen filed a motion to dismiss this lawsuit, and on September 25, 2009, the U.S. DOJ filed its opposition to the motion. Thereafter, on February 18, 2010, the Louisiana Department of Environmental Quality, or LDEQ, filed a motion to intervene in the above lawsuit and a complaint against LaGen for alleged violations of Louisiana's Prevention of Significant Deterioration, or PSD, regulations and Louisiana's Title V operating permit program. LDEQ seeks substantially similar relief to that requested by the U.S. DOJ. On February 19, 2010, the district court granted LDEQ's motion to intervene. On April 26, 2010, LaGen filed a motion to dismiss the LDEQ complaint. On July 21, 2010, the motions to dismiss the U.S. DOJ and LDEQ complaints were argued to the district court. On August 20, 2010, the parties submitted proposed findings of fact and conclusions of law, and thereafter submitted additional briefing on emerging jurisprudence from other jurisdictions touching on the issues at stake in the lawsuit. Having not ruled on the motion to dismiss, on February 4, 2011, LaGen filed motions for summary judgment requesting that the court dismiss all of the U.S. DOJ's claims. Also on February 4, 2011, the U.S. DOJ filed three motions for partial summary judgment. Additional summary judgment briefing was filed by the parties on April 4, 2011. On November 2, 2011, the court heard oral argument on three motions for summary judgment. On December 1, 2011, the court issued an order denying two of LaGen's motions for summary judgment addressing potential legal defenses to CAA liability. In the same order, the court also granted, in part, the U.S. DOJ's motion for summary judgment on its successor liability theory. The court held that LaGen could be found to have assumed liability for alleged PSD violations under the terms of the agreement through which LaGen acquired Big Cajun II in 2000, but ruled that the facts necessary to determine whether any such liabilities were actually assumed must be determined at a liability-phase trial, if necessary. In its December 1, 2011 decision, the court also ruled that any potential civil penalties would not be available for the periods prior to the five year period preceding the filing of the lawsuit on February 11, 2009.

Three additional motions for summary judgment and multiple motions in limine, including motions that could result in dismissal of the government's claims before trial if resolved in LaGen's favor, remain pending before the court; some of these motions were argued on March 21 and 22, 2012. On May 14, 2012, the court denied the motions argued on March 21 and 22, 2012. On January 17, 2012, LaGen filed a demand for a jury trial. On January 20, 2012, the court scheduled a liability-phase trial for October 15, 2012, should the case proceed to that stage, and a remedy-phase trial set to occur at a later date to be determined in the event of an adverse decision in a liability-phase trial. Because of the inherent uncertainty of litigation, including the fact that no determination of liability has yet been made by the court, NRG cannot predict the impact, at this time, that this matter may have on the Company's business, results of operations, financial position, or cash flows.

In a related matter, soon after the filing of the above referenced U.S. DOJ lawsuit, LaGen sought insurance coverage from its insurance carrier, Illinois Union Insurance Company, or ILU. ILU denied coverage and thereafter LaGen filed a lawsuit (which was consolidated with a prior suit filed by ILU) seeking a declaration that ILU must provide coverage to LaGen for the defense costs incurred in defending the U.S. DOJ lawsuit. LaGen and ILU both filed motions for summary judgment and on January 30, 2012, the court issued an order granting LaGen's motion finding that ILU has a duty to defend LaGen. The trial court certified the summary judgment for immediate interlocutory appeal, and on May 25, 2012, ILU filed a petition with the U.S. Circuit Court of Appeals for the Fifth Circuit seeking to appeal the trial court's summary judgment ruling. ILU filed a related notice of appeal with the trial court on June 14, 2012. On July 23, 2012, the trial court granted ILU's related notice of appeal thereby certifying the matter for appeal to the U.S. Circuit Court of Appeals for the Fifth Circuit.

Energy Plus Holdings, LLC Purported Class Actions

Energy Plus Holdings, LLC, or Energy Plus, is a defendant in three purported class action lawsuits, one in New York and two in New Jersey (Energy Plus Natural Gas LP is a defendant in the two New Jersey lawsuits and NRG Energy, Inc. is a defendant in one of the New Jersey lawsuits). The plaintiffs in those lawsuits generally allege that Energy Plus misrepresents that its rates are competitive in the market; fails to disclose that its rates are substantially higher than those in the market and that Energy Plus has engaged in deceptive practices in its marketing of energy services. Plaintiffs generally seek that these matters be certified as class actions, with treble damages, interest, costs, attorneys' fees, and any other relief that the court deems just and proper. We believe that these allegations are without merit and we are defending against these claims.

In addition, on July 26, 2012, the Connecticut Attorney General and Office of Consumer Counsel filed a petition with the Connecticut Public Utilities Regulatory Authority seeking to investigate Energy Plus' marketing practices. On August 7, 2012, Energy Plus Holdings LLC and Energy Plus Natural Gas LLC received a subpoena from the State of New York Office of Attorney General which generally seeks information and business records related to Energy Plus' sales, marketing and business practices.

Purported Class Actions related to July 22, 2012 Announcement of NRG/GenOn Merger Agreement

NRG Energy, Inc. has been named as a defendant in eight purported class actions pending in Texas and Delaware, related to its announcement of its agreement to acquire all outstanding shares of GenOn. The plaintiffs generally allege breach of fiduciary duties, as well as conspiracy, aiding and abetting breaches of fiduciary duties. Plaintiffs are generally seeking to: be certified as a class; enjoin the merger; direct the defendant to exercise their fiduciary duties; rescind the acquisition and be awarded attorneys' fees costs and other relief that the court deems appropriate. We believe that these allegations are without merit and we intend to cooperate with GenOn in the defense of these claims.

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 Independent System Operator, or ISO, markets in which NRG participates. These power markets are subject to ongoing legislative and regulatory changes that may impact NRG's wholesale and retail businesses.

In addition to the regulatory proceedings noted below, NRG and its subsidiaries are a party to other regulatory proceedings arising in the ordinary course of business or have other regulatory exposure. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.

California — On May 4, 2010, in Southern California Edison Company v. FERC, the U.S. Court of Appeals for the D.C. Circuit vacated the FERC's acceptance of station power rules for the California Independent System Operator, or CAISO, market, and remanded the case for further proceedings at the FERC. On August 30, 2010, the FERC issued an Order on Remand effectively disclaiming jurisdiction over how the states impose retail station power charges. Due to reservation-of-rights language in the California utilities' state-jurisdictional station power tariffs, the FERC's ruling arguably requires California generators to pay state-imposed retail charges back to the date of enrollment by the facilities in the CAISO's station period program (February 1, 2009, for the Company's Encina and El Segundo facilities; March 1, 2009, for the Company's Long Beach facility). On February 28, 2011, the FERC issued an order denying rehearing. The Company, together with other generators, filed an appeal in the D.C. Circuit which is awaiting oral argument. On November 18, 2011, Southern California Edison Company filed with the CPUC, seeking authorization to begin charging generators station power charges, and to assess such charges retroactively, which the Company and other generators have challenged. The Company has filed a protest with the CPUC objecting to Southern California Edison's filing. That protest remains pending. The Company believes it has established an appropriate reserve.

Retail (Replacement Reserve) — On November 14, 2006, Constellation Energy Commodities Group, or Constellation, filed a complaint with the PUCT alleging that ERCOT misapplied the Replacement Reserve Settlement, or RPRS, Formula contained in the ERCOT protocols from April 10, 2006, through September 27, 2006. Specifically, Constellation disputed approximately $4 million in under-scheduling charges for capacity insufficiency asserting that ERCOT applied the wrong protocol. Retail Electric Providers, or REPS, other market participants, ERCOT, and PUCT staff opposed Constellation's complaint. On January 25, 2008, the PUCT entered an order finding that ERCOT correctly settled the capacity insufficiency charges for the disputed dates in accordance with ERCOT protocols and denied Constellation's complaint. On April 9, 2008, Constellation appealed the PUCT order to the Civil District Court of Travis County, Texas and on June 19, 2009, the court issued a judgment reversing the PUCT order, finding that the ERCOT protocols were in irreconcilable conflict with each other. Under the PUCT ordered formula, Qualified

Scheduling Entities, or QSEs, who under-scheduled capacity within any of ERCOT's four congestion zones were assessed under-scheduling charges which defrayed the costs incurred by ERCOT for RPRS that would otherwise be spread among all load-serving QSEs. Under the Court's decision, all RPRS costs would be assigned to all load-serving QSEs based upon their load ratio share without assessing any separate charge to those QSEs who under-scheduled capacity. If under-scheduling charges for capacity insufficient QSEs were not used to defray RPRS costs, REPS's share of the total RPRS costs allocated to QSEs would increase. On July 20, 2009, REPS filed an appeal to the Third Court of Appeals in Travis County, Texas, thereby staying the effect of the trial court's decision. On October 6, 2010, the parties argued the appeal before the Court of Appeals for the Third District in Austin, Texas. On September 28, 2011, the Court of Appeals reversed the trial court decision, reinstating the PUCT's order, consistent with REPS' position. On January 13, 2012, Constellation filed a Petition for Review in the Supreme Court of Texas asking the Court to grant review of and reverse the Court of Appeals decision. The Texas Supreme Court has requested that briefs on the merits be filed before deciding whether to hear the Petition for Review. Constellation's brief is due September 5, 2012. Responses to Constellation's brief are due September 25, 2012.

Retail (Midwest ISO SECA) — Green Mountain Energy previously provided competitive retail energy supply in the Midwest ISO region during the relevant period of January 1, 2002, to December 31, 2005. By order dated November 18, 2004, FERC eliminated certain regional through-and-out transmission rates charged by transmission owners in the regional electric grids operated by the Midwest Independent Transmission Systems Operator, Inc., or MISO, and PJM Interconnection, L.L.C., or PJM. In order to temporarily compensate the transmission owners for revenue lost as a result of the elimination of the through-and-out transmission rates, the FERC also ordered MISO, PJM and their respective transmission owners to provide for the recovery of certain Seams Elimination Charge/Cost Adjustments/Assignments, or SECA, charges effective December 1, 2004, through March 31, 2006, based on usage during 2002 and 2003. The tariff amendments filed by MISO and the MISO transmission owners allocated certain SECA charges to various zones and sub-zones within MISO, including a sub-zone called the Green Mountain Energy Company Sub-zone. Over the last several years, there has been extensive litigation before the FERC relating to these charges, seeking, among other things, to recover monies from Green Mountain Energy, and before the federal appellate courts. Green Mountain Energy has not paid any asserted SECA charges.

On May 21, 2010, the FERC issued two orders. In its Order on Rehearing, the FERC denied all requests for rehearing of its past orders directing and accepting the SECA compliance filings of MISO, PJM, and the transmission owners. In its Order on Initial Decision, FERC: (1) affirmed an order by the Administrative Law Judge granting Green Mountain Energy partial summary judgment and holding Green Mountain Energy not liable for SECA charges for January - March 2006; and (2) reversed an August 2006 determination by the Administrative Law Judge that Green Mountain Energy could be held directly liable for some amount of SECA charges. The Order on Initial Decision also directed that the two Regional Transmission Organizations, or RTOs, and their respective transmission owners submit further compliance filings, which were filed on August 19, 2010. The FERC has not yet ruled on those compliance filings.

With regard to the SECA charges that had been invoiced to Green Mountain Energy, the FERC determined that most of those charges, approximately $22 million plus interest, were owed not by Green Mountain Energy but rather by BP Energy — one of Green Mountain Energy's suppliers during the period at issue. On August 19, 2010, the transmission owners and MISO made compliance filings in accordance with the FERC's Orders allocating SECA charges to a BP Energy Sub-zone, and making no allocation to a Green Mountain Energy sub-zone. BP Energy has not asserted any contractual claims against Green Mountain Energy. The Company believes it has established an appropriate reserve.

On September 30, 2011, the FERC issued orders denying BP Energy's request for rehearing of the May 2010 Order on Rehearing, denying all requests for rehearing of the Order on Initial Decision, and again determined that SECA charges were not owed by Green Mountain Energy. Numerous parties have sought judicial review of the FERC's Order on Initial Decision, and BP Energy has sought judicial review of the May 2010 Order on Rehearing. These appeals have been consolidated with previous appeals of orders relating to SECA before the U.S. Court of Appeals for the DC Circuit. Green Mountain Energy has been granted intervenor status in the consolidated appeals.

On May 10, 2012, the Court issued an order setting out a briefing schedule which provided for the submittal of petitioners' briefs on July 17, 2012. On July 5, 2012, BP Energy and three PJM transmission owners filed a motion asking the Court to suspend the briefing schedule. The movants stated that respondent FERC and all other petitioners either supported or did not oppose the motion. The movants further stated that they had reached a settlement resolving all SECA claims involving BP Energy, were filing the settlement agreement with the FERC that day, and desired a suspension of the briefing schedule to enable the FERC to act on the proposed settlement. The movants did in fact file the settlement agreement at the FERC that day. The agreement provided for BP Energy to pay a total of approximately $24 million to the three transmission owners signing the agreement, with another $1 million offered to the remaining PJM transmission owners, should they choose to join the settlement. On July 10, 2012, the D.C. Circuit issued an order granting the motion to vacate the briefing schedule and directing the remaining parties to submit a motion to govern further proceedings by September 17, 2012.

Note 16 — Environmental Matters

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

Environmental Capital Expenditures

Based on current rules, technology and plans as well as preliminary plans based on proposed rules, NRG has estimated that environmental capital expenditures from 2012 through 2016 to meet NRG's regulatory environmental commitments will be approximately $553 million. These costs are primarily associated with mercury controls to satisfy the Mercury and Air Toxics Standards, or MATS, on the Company's Big Cajun II, W.A. Parish and Limestone facilities and a number of intake modification projects across the fleet under state or proposed federal 316(b) rules. NRG continues to explore cost effective compliance alternatives to reduce costs. While this estimate reflects anticipated schedules and controls related to the proposed 316(b) Rule, the full impact on the scope and timing of environmental retrofits from any new or revised regulations cannot be determined until these rules are final and any legal challenges are reviewed. However, NRG believes it is positioned to meet more stringent environmental regulations through its planned capital expenditures, existing controls, and increasing generation from renewable resources.

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

Northeast Region

In January 2006, NRG's Indian River Operations, Inc. received a letter of informal notification from Delaware Department of Natural Resources and Environmental Control, or DNREC, stating that it may be a potentially responsible party with respect to Burton Island Old Ash Landfill, a historic captive landfill located at the Indian River facility. On October 1, 2007, NRG signed an agreement with DNREC to investigate the site through the Voluntary Clean-up Program. On February 4, 2008, DNREC issued findings that no further action is required in relation to surface water and that a previously planned shoreline stabilization project would satisfactorily address shoreline erosion. The landfill itself 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 is approved, the Company is unable to predict the impact of any required remediation. On May 29, 2008, DNREC requested that NRG's Indian River Operations, Inc. participate in the development and performance of a Natural Resource Damage Assessment, or NRDA, at the Burton Island Old Ash Landfill. NRG is currently working with DNREC and other trustees to close out the assessment phase.

South Central Region

On February 11, 2009, the U.S. DOJ acting at the request of the U.S. EPA commenced a lawsuit against LaGen in federal district court in the Middle District of Louisiana alleging violations of the CAA at the Big Cajun II power plant. This is the same matter for which NOVs were issued to LaGen on February 15, 2005, and on December 8, 2006. Further discussion on this matter can be found in Note 14, Commitments and Contingencies - Louisiana Generating, LLC.

Note 17 — Condensed Consolidating Financial Information

As of June 30, 2012, the Company had outstanding $6 billion of Senior Notes due from 2017 - 2021, as shown in Note 8, Debt and Capital Leases. These Senior Notes are guaranteed by certain of NRG's current and future wholly-owned domestic subsidiaries, or guarantor subsidiaries. The non-guarantor subsidiaries include all of NRG's foreign subsidiaries and certain domestic subsidiaries.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of June 30, 2012:

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

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

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

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

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2012

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated Balance
	(In millions)				
Operating Revenues					
Total operating revenues	$2,043	$ 132	$—	$ (9)	$2,166
Operating Costs and Expenses					
Cost of operations	1,255	71	—	(7)	1,319
Depreciation and amortization	216	15	3	—	234
Selling, general and administrative	121	12	76	(2)	207
Development costs	—	—	9	—	9
Total operating costs and expenses	1,592	98	88	(9)	1,769
Operating Income/(Loss)	451	34	(88)	—	397
Other Income/(Expense)					
Equity in earnings/(losses) of consolidated subsidiaries	10				