NRG ENERGY, INC.
Form 10-Q
August 02, 2018

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, 2018

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.)
804 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 June 30, 2018, there were 303,429,305 shares of common stock outstanding, par value $0.01 per share.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A — Risk Factors Related to NRG Energy, Inc., in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and the following:

- NRG's ability to achieve the expected benefits of its Transformation Plan;
- NRG's ability to engage in successful sales and divestitures as well as mergers and acquisitions activity;
- The potential adverse effects of the GenOn Entities' filings under Chapter 11 of the Bankruptcy Code and restructuring transactions on NRG's operations, management and employees and the risks associated with operating NRG's business during the restructuring process;
- Risks and uncertainties associated with the GenOn Entities' Chapter 11 Cases including the ability to achieve anticipated benefits therefrom;
- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Changes in law, including judicial decisions;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions (including wind and solar 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 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 changes in market rules, rates, tariffs and environmental laws;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately and fairly compensate NRG's generation units;
- NRG's ability to mitigate forced outage risk for units subject to capacity performance requirements in PJM, performance incentives in ISO-NE, and scarcity pricing in ERCOT;
- NRG's ability to borrow funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness going forward;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in the indentures governing NRG's outstanding notes, in NRG's Senior Credit Facility, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- Cyber terrorism and inadequate cybersecurity, or the occurrence of a catastrophic loss and the possibility that NRG may not have adequate insurance to cover losses resulting from such hazards or the inability of NRG's insurers to provide coverage;
- NRG's ability to develop and build new power generation facilities;

- NRG's ability to develop and innovate new products as retail and wholesale markets continue to change and evolve;
- NRG's ability to implement its strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources while taking advantage of business opportunities;
- NRG's ability to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout NRG to reduce costs or generate revenues;
- NRG's ability to sell assets to NRG Yield, Inc. and to close drop-down transactions;

- NRG's ability to achieve its strategy of regularly returning capital to stockholders;
- NRG's ability to obtain and maintain retail market share;
- NRG's ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives;
- NRG's ability to successfully integrate, realize cost savings and manage any acquired businesses; and
- NRG's ability to develop and maintain successful partnering relationships.

Forward-looking statements speak only as of the date they were made, and NRG 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:

2017 Form 10-K	NRG’s Annual Report on Form 10-K for the year ended December 31, 2017
2023 Term Loan Facility	The Company's $1.9 billion term loan facility due 2023, a component of the Senior Credit Facility
Adjusted EBITDA	Adjusted earnings before interest, taxes, depreciation and amortization
ARO	Asset Retirement Obligation
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASU	Accounting Standards Updates - updates to the ASC
Average realized prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
BACT	Best Available Control Technology
Bankruptcy Code	Chapter 11 of Title 11 the U.S. Bankruptcy Code
Bankruptcy Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
BETM	Boston Energy Trading and Marketing LLC
BTU	British Thermal Unit
Business Solutions	NRG's business solutions group, which includes demand response, commodity sales, energy efficiency and energy management services
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CASPR	Competitive Auctions with Sponsored Resources
CDD	Cooling Degree Day
CDWR	California Department of Water Resources
CEC	California Energy Commission
CenterPoint	CenterPoint Energy Houston Electric, LLC
CFTC	U.S. Commodity Futures Trading Commission
Chapter 11 Cases	Voluntary cases commenced by the GenOn Entities under the Bankruptcy Code in the Bankruptcy Court
C&I	Commercial industrial and governmental/institutional
Cleco	Cleco Energy LLC
COD	Commercial Operation Date
ComEd	Commonwealth Edison
Company	NRG Energy, Inc.
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CVSR	California Valley Solar Ranch
CWA	Clean Water Act
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DGPV Holdco 1	NRG DGPV Holdco 1 LLC
DGPV Holdco 2	NRG DGPV Holdco 2 LLC
DGPV Holdco 3	NRG DGPV Holdco 3 LLC
Distributed Solar	Solar power projects that primarily sell power to customers for usage on site, or are interconnected to sell power into a local distribution grid

DNREC	Delaware Department of Natural Resources and Environmental Control
DSI	Dry Sorbent Injection
Economic gross margin	Sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales
El Segundo Energy Center	NRG West Holdings LLC, the subsidiary of Natural Gas Repowering LLC, which owns the El Segundo Energy Center project
EME	Edison Mission Energy
Energy Plus Holdings	Energy Plus Holdings LLC
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction
EPSA	The Electric Power Supply Association
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESP	Electrostatic Precipitator
ESPP	NRG Energy, Inc. Amended and Restated Employee Stock Purchase Plan
ESPS	Existing Source Performance Standards
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
Fresh Start	Reporting requirements as defined by ASC-852, Reorganizations
FTRs	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the U.S.
GenConn	GenConn Energy LLC
GenOn	GenOn Energy, Inc.
GenOn Americas Generation	GenOn Americas Generation, LLC
GenOn Americas Generation Senior Notes	GenOn Americas Generation's $395 million outstanding unsecured senior notes consisting of $208 million of 8.5% senior notes due 2021 and $187 million of 9.125% senior notes due 2031
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, including GenOn Americas Generation. that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court on June 14, 2017
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generating facilities under operating leases
GenOn Senior Notes	GenOn's $1.8 billion outstanding unsecured senior notes consisting of $691 million of 7.875% senior notes due 2017, $649 million of 9.5% senior notes due 2018, and $489 million of 9.875% senior notes due 2020
GenOn Settlement	A settlement agreement and any other documents necessary to effectuate the settlement among NRG, GenOn, and certain holders of senior unsecured notes of GenOn Americas Generation and GenOn, and certain of GenOn's direct and indirect subsidiaries
GHG	Greenhouse Gas
GIP	Global Infrastructure Partners
GW	Gigawatt
GWh	Gigawatt Hour
HAP	Hazardous Air Pollutant
HDD	Heating Degree Day

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
HLBV	Hypothetical Liquidation at Book Value

IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPA	Illinois Power Agency
IPPNY	Independent Power Producers of New York
ISO	Independent System Operator, also referred to as RTOs
ISO-NE	ISO New England Inc.
ITC	Investment Tax Credit
kWh	Kilowatt-hour
LaGen	Louisiana Generating, LLC
LIBOR	London Inter-Bank Offered Rate
LTIPs	Collectively, the NRG LTIP and the NRG GenOn LTIP
Marsh Landing	NRG Marsh Landing, LLC (formerly known as GenOn Marsh Landing, LLC)
Mass Market	Residential and small commercial customers
MATS	Mercury and Air Toxics Standards promulgated by the EPA
MDth	Thousand Dekatherms
Midwest Generation	Midwest Generation, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MOPR	Minimum Offer Price Rule
MW	Megawatts
MWh	Saleable megawatt hour net of internal/parasitic load megawatt-hour
MWt	Megawatts Thermal Equivalent
NAAQS	National Ambient Air Quality Standards
NEPGA	New England Power Generators Association
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Generation	The net amount of electricity produced, expressed in kWhs or MWhs, that is the total amount of electricity generated (gross) minus the amount of electricity used during generation
NOL	Net Operating Loss
NOV	Notice of Violation
NO_x	Nitrogen Oxides
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
NRG Yield	Reporting segment including the projects owned by NRG Yield, Inc.
NRG Yield 2019 Convertible Notes	$345 million aggregate principal amount of 3.50% Convertible Senior Notes due 2019 issued by NRG Yield, Inc.
NRG Yield 2020 Convertible Notes	$287.5 million aggregate principal amount of 3.25% Convertible Notes due 2020 issued by NRG Yield, Inc.
NRG Yield, Inc.	NRG Yield, Inc., the owner of 54.8% of the economic interests of NRG Yield LLC with a controlling interest, and issuer of publicly held shares of Class A and Class C common stock
NSR	New Source Review
Nuclear Decommissioning Trust Fund	NRG's nuclear decommissioning trust fund assets, which are for the Company's portion of the decommissioning of the STP, units 1 & 2

NYAG	State of New York Office of Attorney General
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange

NYSPSC	New York State Public Service Commission
OCI/OCL	Other Comprehensive Income/(Loss)
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on the system
PER	Peak Energy Rent
Petition Date	June 14, 2017
Pipeline	Projects that range from identified lead to shortlisted with an offtake, and represents a lower level of execution certainty.
PJM	PJM Interconnection, LLC
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PTC	Production Tax Credit
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 2005
RCRA	Resource Conservation and Recovery Act of 1976
REMA	NRG REMA LLC, which leases a 100% interest in the Shawville generating facility and 16.7% and 16.5% interests in the Keystone and Conemaugh generating facilities, respectively
Restructuring Support Agreement	Restructuring Support and Lock-Up Agreement, dated as of June 12, 2017 and as amended on October 2, 2017, by and among GenOn Energy, Inc., GenOn Americas Generation, LLC, and subsidiaries signatory thereto, NRG Energy, Inc. and the noteholders signatory thereto
Retail	Reporting segment that includes NRG's residential and small commercial businesses which go to market as Reliant, NRG and other brands owned by NRG, as well as Business Solutions
Revolving Credit Facility	The Company's $2.5 billion revolving credit facility, a component of the Senior Credit Facility. The revolving credit facility consists of $289 million of Tranche A Revolving Credit Facility, due 2018, and $2.2 billion of Tranche B Revolving Credit Facility, due 2021
RFO	Request for Offer
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
ROFO	Right of First Offer
ROFO Agreement	Second Amended and Restated Right of First Offer Agreement by and between NRG Energy, Inc. and NRG Yield, Inc.
RPM	Reliability Pricing Model
RPV Holdco	NRG RPV Holdco 1 LLC
RTO	Regional Transmission Organization
RTR	Renewable Technology Resource
SCE	Southern California Edison
SDG&E	San Diego Gas & Electric
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	NRG's senior secured credit facility, comprised of the Revolving Credit Facility and the 2023 Term Loan Facility
Senior Notes	As of December 31, 2017, NRG's $4.8 billion outstanding unsecured senior notes consisting of $992 million of 6.25% senior notes due 2022, $733 million of 6.25% senior notes due 2024, $1.0 billion of 7.25% senior notes due 2026, $1.25 billion of 6.625% senior notes due 2027, and $870 million of 5.75% senior notes due 2028.
Services Agreement	NRG provided GenOn with various management, personnel and other services, which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management, as set forth in the

	services agreement with GenOn
SIFMA	Securities Industry and Financial Markets Association
SO_2	Sulfur Dioxide

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South Central	NRG's South Central business, which owns and operates a 3,555-MW portfolio of generation assets consisting of 225-MW Bayou Cove, 430-MW Big Cajun-I, 1,461-MW Big Cajun-II, 1,263-MW Cottonwood and 176-MW Sterlington, and serves a customer base of cooperatives, municipalities and regional utilities under load contracts.
S&P	Standard & Poor's
TCPA	Telephone Consumer Protection Act
TSA	Transportation Services Agreement
TWCC	Texas Westmoreland Coal Co.
U.S.	United States of America
U.S. DOE	U.S. Department of Energy
Utility Scale Solar	Solar power projects, typically 20 MW or greater in size (on an alternating current basis), that are interconnected into the transmission or distribution grid to sell power at a wholesale level
VaR	Value at Risk
VCP	Voluntary Clean-Up Program
VIE	Variable Interest Entity
WECC	Western Electricity Coordinating Council
WST	Washington-St. Tammany Electric Cooperative, Inc.
Yield Operating	NRG Yield Operating LLC

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)	2018	2017	2018	2017
Operating Revenues				
Total operating revenues	$2,922	$2,701	$5,343	$5,083
Operating Costs and Expenses				
Cost of operations	2,051	1,841	3,609	3,704
Depreciation and amortization	227	260	462	517
Impairment losses	74	63	74	63
Selling, general and administrative	211	221	402	481
Reorganization costs	23	—	43	—
Development costs	16	18	29	35
Total operating costs and expenses	2,602	2,403	4,619	4,800
Other income - affiliate	—	39	—	87
Gain on sale of assets	14	2	16	4
Operating Income	334	339	740	374
Other Income/(Expense)				
Equity in earnings/(losses) of unconsolidated affiliates	18	(3)	16	2
Other income/(expense), net	(20)	14	(23)	26
Loss on debt extinguishment, net	(1)	—	(3)	(2)
Interest expense	(202)	(247)	(369)	(471)
Total other expense	(205)	(236)	(379)	(445)
Income/(Loss) from Continuing Operations Before Income Taxes	129	103	361	(71)
Income tax expense/(benefit)	8	4	7	(1)
Income/(Loss) from Continuing Operations	121	99	354	(70)
Loss from discontinued operations, net of income tax	(25)	(741)	(25)	(775)
Net Income/(Loss)	96	(642)	329	(845)
Less: Net income/(loss) attributable to noncontrolling interest and redeemable noncontrolling interests	24	(16)	(22)	(55)
Net Income/(Loss) Attributable to NRG Energy, Inc.	$72	$(626)	$351	$(790)
Earnings/(Loss) per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding — basic	310	316	314	316
Income/(loss) from continuing operations per weighted average common share — basic	$0.31	$0.36	$1.20	$(0.05)
Income/(loss) from discontinued operations per weighted average common share — basic	$(0.08)	$(2.34)	$(0.08)	$(2.45)
Earnings/(Loss) per Weighted Average Common Share — Basic	$0.23	$(1.98)	$1.12	$(2.50)
Weighted average number of common shares outstanding — diluted	314	316	318	316
Income/(loss) from continuing operations per weighted average common share — diluted	$0.31	$0.36	$1.18	$(0.05)
Income/(loss) from discontinued operations per weighted average common share — diluted	$(0.08)	$(2.34)	$(0.08)	$(2.45)
Earnings/(Loss) per Weighted Average Common Share — Diluted	$0.23	$(1.98)	$1.10	$(2.50)
Dividends Per Common Share	$0.03	$0.03	$0.06	$0.06

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,	
	2018	2017	2018	2017
	(In millions)			
Net income/(loss)	$96	$(642)	$329	$(845)
Other comprehensive income/(loss), net of tax				
Unrealized gain/(loss) on derivatives, net of income tax expense of $0, $0, $0, and $1	5	(5)	19	(1)
Foreign currency translation adjustments, net of income tax expense of $0, $0, $0, and $0	(4)	1	(6)	8
Available-for-sale securities, net of income tax expense of $0, $0, $0, and $0	1	1	1	1
Defined benefit plans, net of income tax expense of $0, $0, $0, and $0	(1)	27	(2)	27
Other comprehensive income	1	24	12	35
Comprehensive income/(loss)	97	(618)	341	(810)
Less: Comprehensive loss attributable to noncontrolling interest and redeemable noncontrolling interest	26	(17)	(12)	(56)
Comprehensive income/(loss) attributable to NRG Energy, Inc.	71	(601)	353	(754)
Comprehensive income/(loss) available for common stockholders	$71	$(601)	$353	$(754)

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except shares)	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 980	$ 991
Funds deposited by counterparties	71	37
Restricted cash	286	508
Accounts receivable, net	1,371	1,079
Inventory	485	532
Derivative instruments	851	626
Cash collateral paid in support of energy risk management activities	224	171
Accounts receivable - affiliate	57	95
Current assets - held for sale	100	115
Prepayments and other current assets	328	261
Total current assets	4,753	4,415
Property, plant and equipment, net	12,774	13,908
Other Assets		
Equity investments in affiliates	1,055	1,038
Notes receivable, less current portion	15	2
Goodwill	539	539
Intangible assets, net	1,860	1,746
Nuclear decommissioning trust fund	694	692
Derivative instruments	426	172
Deferred income taxes	126	134
Non-current assets held-for-sale	50	43
Other non-current assets	655	629
Total other assets	5,420	4,995
Total Assets	$ 22,947	$ 23,318
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 952	$ 688
Accounts payable	975	881
Accounts payable - affiliate	29	33
Derivative instruments	709	555
Cash collateral received in support of energy risk management activities	72	37
Current liabilities held-for-sale	74	72
Accrued expenses and other current liabilities	719	890
Accrued expenses and other current liabilities - affiliate	133	161
Total current liabilities	3,663	3,317
Other Liabilities		
Long-term debt and capital leases	14,821	15,716
Nuclear decommissioning reserve	274	269
Nuclear decommissioning trust liability	410	415
Deferred income taxes	17	21
Derivative instruments	285	197

Out-of-market contracts, net	195	207
Non-current liabilities held-for-sale	12	8
Other non-current liabilities	1,130	1,122
Total non-current liabilities	17,144	17,955
Total Liabilities	20,807	21,272
Redeemable noncontrolling interest in subsidiaries	69	78
Commitments and Contingencies		
Stockholders’ Equity		
Common stock	4	4
Additional paid-in capital	8,481	8,376
Accumulated deficit	(5,920)	(6,268)
Less treasury stock, at cost — 116,267,484 and 101,580,045 shares, at June 30, 2018 and December 31, 2017, respectively	(2,871)	(2,386)
Accumulated other comprehensive loss	(60)	(72)
Noncontrolling interest	2,437	2,314
Total Stockholders’ Equity	2,071	1,968
Total Liabilities and Stockholders’ Equity	$ 22,947	$ 23,318

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,	
(In millions)	2018	2017
Cash Flows from Operating Activities		
Net income/(loss)	$329	$(845)
Loss from discontinued operations, net of income tax	(25)	(775)
Income/(loss) from continuing operations	354	(70)
Adjustments to reconcile net income to net cash provided/(used) by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	27	26
Depreciation, amortization and accretion	485	517
Provision for bad debts	31	18
Amortization of nuclear fuel	24	24
Amortization of financing costs and debt discount/premiums	27	29
Adjustment for debt extinguishment	3	—
Amortization of intangibles and out-of-market contracts	48	51
Amortization of unearned equity compensation	26	16
Impairment losses	89	63
Changes in deferred income taxes and liability for uncertain tax benefits	4	8
Changes in nuclear decommissioning trust liability	41	2
Changes in derivative instruments	(211)	7
Changes in collateral deposits in support of energy risk management activities	(18)	(189)
Gain on sale of emission allowances	(11)	11
Gain on sale of assets	(16)	(22)
Loss on deconsolidation of business	22	—
Changes in other working capital	(401)	(379)
Cash provided by continuing operations	524	112
Cash used by discontinued operations	—	(38)
Net Cash Provided by Operating Activities	524	74
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(284)	(16)
Capital expenditures	(691)	(542)
Decrease in notes receivable	4	8
Purchases of emission allowances	(22)	(30)
Proceeds from sale of emission allowances	34	59
Investments in nuclear decommissioning trust fund securities	(346)	(279)
Proceeds from the sale of nuclear decommissioning trust fund securities	303	277
Proceeds from renewable energy grants and state rebates	—	8
Proceeds from sale of assets, net of cash disposed of	18	35
Deconsolidation of business	(160)	—
Changes in investments in unconsolidated affiliates	(2)	(30)
Other	—	18
Cash used by continuing operations	(1,146)	(492)
Cash used by discontinued operations	—	(53)
Net Cash Used by Investing Activities	(1,146)	(545)
Cash Flows from Financing Activities		

Payment of dividends to common and preferred stockholders	(19)	(19)
Payment for treasury stock	(500)	—
Net receipts from settlement of acquired derivatives that include financing elements	—	2
Proceeds from issuance of long-term debt	1,605	946
Payments for short and long-term debt	(848)	(530)
Increase in notes receivable from affiliate	—	(125)
Net contributions from noncontrolling interests in subsidiaries	222	14
Payment of debt issuance costs	(37)	(36)
Other - contingent consideration	—	(10)
Cash provided by continuing operations	423	242
Cash used by discontinued operations	—	(224)
Net Cash Provided by Financing Activities	423	18
Effect of exchange rate changes on cash and cash equivalents	—	(8)
Change in Cash from discontinued operations	—	(315)
Net Decrease in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	(199)	(146)
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	1,536	1,386
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 1,337	$ 1,240

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

General

NRG Energy, Inc., or NRG or the Company, is a customer-driven integrated power company built on a portfolio of leading retail electricity brands and diverse generation assets. NRG is continuously focused on serving the energy needs of end-use residential, commercial and industrial customers in competitive markets through multiple brands and channels. The Company:

- directly sells energy and innovative, sustainable products and services to retail customers under the names “NRG”, “Reliant” and other retail brand names owned by NRG;
- owns and operates approximately 30,000 MW of generation;
- engages in the trading of wholesale energy, capacity and related products; and
- transacts in and trades fuel and transportation services.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the consolidated financial statements in the Company's 2017 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, 2018, and the results of operations, comprehensive income/(loss) and cash flows for the three and six months ended June 30, 2018 and 2017.

GenOn Chapter 11 Cases

On June 14, 2017, GenOn, along with GenOn Americas Generation and certain of their directly and indirectly-owned subsidiaries, or collectively the GenOn Entities, filed voluntary petitions for relief under Chapter 11, or the Chapter 11 Cases, of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division, or the Bankruptcy Court. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA and certain other subsidiaries, did not file for relief under Chapter 11.

As a result of the bankruptcy filings and beginning on June 14, 2017, GenOn and its subsidiaries were deconsolidated from NRG’s consolidated financial statements. NRG determined that this disposal of GenOn and its subsidiaries is a discontinued operation and, accordingly, the financial information for all historical periods has been recast to reflect GenOn as a discontinued operation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

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

Note 2 — Summary of Significant Accounting Policies

Other Balance Sheet Information

The following table presents the allowance for doubtful accounts included in accounts receivable, net; accumulated depreciation included in property, plant and equipment, net; accumulated amortization included in intangible assets, net and accumulated amortization included in out-of-market contracts, net:

	June 30, 2018	December 31, 2017
	(In millions)	
Accounts receivable allowance for doubtful accounts	$ 28	$ 28
Property, plant and equipment accumulated depreciation	4,534	4,465
Intangible assets accumulated amortization	1,443	1,818
Out-of-market contracts accumulated amortization	370	358

Restricted Cash

The following table provides a reconciliation of cash and cash equivalents, restricted cash and funds deposited by counterparties reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
	(In millions)			
Cash and cash equivalents	$ 980	$ 991	$ 752	$ 938
Funds deposited by counterparties	71	37	19	2
Restricted cash	286	508	469	446
Cash and cash equivalents, funds deposited by counterparties and restricted cash shown in the statement of cash flows	$ 1,337	$ 1,536	$ 1,240	$ 1,386

Funds deposited by counterparties consist of cash held by the Company as a result of collateral posting obligations from its counterparties. Some amounts are segregated into separate accounts that are not contractually restricted but, based on the Company's intention, are not available for the payment of general corporate obligations. Depending on market fluctuations and the settlement of the underlying contracts, the Company will refund this collateral to the hedge counterparties pursuant to the terms and conditions of the underlying trades. Since collateral requirements fluctuate daily and the Company cannot predict if any collateral will be held for more than twelve months, the funds deposited by counterparties are classified as a current asset on the Company's balance sheet, with an offsetting liability for this cash collateral received within current liabilities.

Restricted cash consists primarily of funds held to satisfy the requirements of certain debt agreements and funds held within the Company's projects that are restricted in their use.

Noncontrolling Interest

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

	(In millions)
Balance as of December 31, 2017	$ 2,314
Dividends paid to NRG Yield, Inc. public shareholders	(61)
Distributions to noncontrolling interest	(34)
Comprehensive income attributable to noncontrolling interest	12
Non-cash adjustments to noncontrolling interest	8
Contributions from noncontrolling interest	295
Sale of assets to NRG Yield, Inc.	(8)
Deconsolidation of Ivanpah[(a)]	(89)

Balance as of June 30, 2018	$ 2,437

(a) See Note 9, Variable Interest Entities, or VIEs for further information regarding the deconsolidation of Ivanpah effective April 2018.

Redeemable Noncontrolling Interest

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

	(In millions)
Balance as of December 31, 2017	$ 78
Distributions to redeemable noncontrolling interest	(2)
Contributions from redeemable noncontrolling interest	26
Non-cash adjustments to redeemable noncontrolling interest	(9)
Comprehensive loss attributable to redeemable noncontrolling interest	(24)
Balance as of June 30, 2018	$ 69

Revenue Recognition

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the guidance in ASC 606 using the modified retrospective method applied to contracts which were not completed as of the adoption date. The Company recognized the cumulative effect of initially applying the new standard as a credit to the opening balance of accumulated deficit, resulting in a decrease of approximately $16 million. The adjustment primarily related to costs incurred to obtain a contract with customers and customer incentives. Following the adoption of the new standard, the Company’s revenue recognition of its contracts with customers remains materially consistent with its historical practice. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Retail Revenues

Gross revenues for energy sales and services to retail customers are recognized as the Company transfers the promised goods and services to the customer. For the majority of its electricity contracts, the Company’s performance obligation with the customer is satisfied over time and performance obligations for its electricity products are recognized as the customer takes possession of the product. The Company also allocates the contract consideration to distinct performance obligation in a contract for which the timing of the revenue recognized is different. Additionally, customer discounts and incentives reduce the contract consideration and are recognized over the term of the contract. Energy sales and services that have been delivered but not billed by period end are estimated. Accrued unbilled revenues are based on estimates of customer usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on daily forecasted volumes and estimated customer usage by class. Unbilled revenues are calculated by multiplying these volume estimates by the applicable rate by customer class. Estimated amounts are adjusted when actual usage is known and billed.

As contracts for retail electricity can be for multi-year periods, the Company has performance obligations under these contracts that have not yet been satisfied. These performance obligations have transaction prices that are both fixed and variable, and that vary based on the contract duration, customer type, inception date and other contract-specific factors. For the fixed price contracts, the amount of any unsatisfied performance obligations will vary based on customer usage, which will depend on factors such as weather and customer activity and therefore it is not practicable to estimate such amounts.

Energy Revenue

Both physical and financial transactions are entered into to optimize the financial performance of the Company's generating facilities. Electric energy revenue is recognized upon transmission to the customer over time, using the output method for measuring progress of satisfaction of performance obligations. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in the Company's consolidated statements of operations. The Company applies the invoicing practical expedient, where applicable, in recognizing energy revenue. Under the practical expedient, revenue is recognized based on the invoiced amount which is equal to the value to the customer of NRG's performance obligation completed to date. Financial transactions, or the buying and selling of energy for trading purposes, are recorded net within operating revenues in the consolidated statements of operations in accordance with ASC 815.

Capacity Revenue

Capacity revenues consist of revenues billed to a third party at either the market or a negotiated contract price for making installed generation capacity available in order to satisfy system integrity and reliability requirements. Capacity revenues are recognized over time, using the output method for measuring progress of satisfaction of performance obligations. The Company applies the invoicing practical expedient, where applicable, in recognizing capacity revenue. Under the practical expedient, revenue is recognized based on the invoiced amount which is equal to the value to the customer of NRG’s performance obligation completed to date.

Capacity revenue contracts mainly consist of:

Capacity auctions — The Company's largest sources of capacity revenues are capacity auctions in PJM, ISO-NE, and NYISO. Both ISO-NE and PJM operate a pay-for-performance model where capacity payments are modified based on real-time performance, where NRG's actual revenues will be the combination of revenues based on the cleared auction MWs plus the net of any over- and under-performance of NRG's fleet. In addition, MISO has an annual auction, known as the Planning Resource Auction, or PRA. The Gulf Coast assets situated in the MISO market may participate in this auction. Estimated revenues for cleared auction MWs in the various capacity auctions are $578 million, $519 million, $410 million, $388 million and $168 million for fiscal years 2018, 2019, 2020, 2021 and 2022, respectively.

Resource adequacy and bilateral contracts — In California, there is a resource adequacy requirement that is primarily satisfied through bilateral contracts. Such bilateral contracts are typically short-term resource adequacy contracts. When bilateral contracting does not satisfy the resource adequacy need, such shortfalls can be addressed through procurement tools administered by the CAISO, including the capacity procurement mechanism or reliability must-run contracts. Demand payments from the current long-term contracts are tied to summer peak demand and provide a mechanism for recovering a portion of the costs associated with new or changed environmental laws or regulations. In Texas, capacity and contracted revenues are through bilateral contracts with load serving entities.

Long-term PPAs — Energy, capacity and where applicable, renewable attributes, from the majority of renewable energy assets and certain conventional energy plants is sold through long-term PPAs and tolling agreements to a single counterparty, which is often a utility or commercial customer. Many of these PPAs are accounted for as leases.

Renewable Energy Credits

As stated above, renewable energy credits are usually sold through long-term PPAs. Revenue from the sale of self-generated RECs is recognized when related energy is generated and simultaneously delivered even in cases where there is a certification lag as it has been deemed to be perfunctory.

In a bundled contract to sell energy, capacity and/or self-generated RECs, all performance obligations are deemed to be delivered at the same time and hence, timing of recognition of revenue for all performance obligations is the same and occurs over time. In such cases, it is often unnecessary to allocate transaction price to multiple performance obligations.

Sale of Emission Allowances

The Company records its inventory of emission allowances as part of intangible assets. From time to time, management may authorize the transfer of emission allowances in excess of usage from the Company's emission bank to intangible assets held-for-sale for trading purposes. The Company records the sale of emission allowances on a net basis within operating revenue in the Company's consolidated statements of operations.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the three and six months ended June 30, 2018, along with the reportable segment for each category:

	Three months ended June 30, 2018							
		Generation						
(In millions)	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue[(a)(b)]	$—	$508	$ 144	$ 652	$ 79	$192	$ (250)	$673
Capacity revenue[(a)(b)]	—	68	160	228	—	87	(2)	313
Retail revenue								
Mass customers	1,380	—	—	—	—	—	(1)	1,379
Business solutions customers	437	—	—	—	—	—	—	437
Total retail revenue	1,817	—	—	—	—	—	(1)	1,816
Mark-to-market for economic hedging activities[(c)]	—	289	(15)	274	5	—	(264)	15
Contract amortization	—	4	—	4	—	(18)	—	(14)
Other revenue[(a)(b)]	—	42	18	60	29	46	(16)	119
Total operating revenue	1,817	911	307	1,218	113	307	(533)	2,922
Less: Lease revenue	6	—	1	1	96	267	—	370
Less: Derivative revenue	—	898	(1)	897	5	—	(264)	638
Less: Contract amortization	—	4	—	4	—	(18)	—	(14)
Total revenue from contracts with customers	$1,811	$9	$ 307	$ 316	$ 12	$58	$ (269)	$1,928

(a) The following amounts of energy and capacity revenue relate to leases and are accounted for under ASC 840:

	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue	$—	$—	$ —	$ —	$ 90	$182	$ —	$272
Capacity revenue	—	—	—	—	—	85	—	85
Other revenue	6	—	1	1	6	—	—	13

(b) The following amounts of energy and capacity revenue relate to derivative instruments and are accounted for under ASC 815.

	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue	$—	$610	$ (30)	$ 580	$ —	$—	$ —	$580
Capacity revenue	—	—	39	39	—	—	—	39
Other revenue	—	(1)	5	4	—	—	—	4

(c) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.

	Six months ended June 30, 2018							
		Generation						
(In millions)	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue[(a)(b)]	$—	$879	$ 362	$1,241	$ 156	$306	$ (411)	$1,292
Capacity revenue[(a)(b)]	—	135	300	435	—	169	(3)	601
Retail revenue								
Mass customers	2,551	—	—	—	—	—	(2)	2,549
Business solutions customers	753	—	—	—	—	—	—	753
Total retail revenue	3,304	—	—	—	—	—	(2)	3,302
Mark-to-market for economic hedging activities[(c)]	(6)	(275)	(25)	(300)	(5)	—	220	(91)
Contract amortization	—	7	—	7	—	(35)	—	(28)
Other revenue[(a)(b)]	—	128	34	162	48	92	(35)	267
Total operating revenue	3,298	874	671	1,545	199	532	(231)	5,343
Less: Lease revenue	12	—	2	2	160	448	—	622
Less: Derivative revenue	(6)	710	79	789	(5)	—	220	998
Less: Contract amortization	—	7	—	7	—	(35)	—	(28)
Total revenue from contracts with customers	$3,292	$157	$ 590	$747	$ 44	$119	$ (451)	$3,751

(a) The following amounts of energy and capacity revenue relate to leases and are accounted for under ASC 840:

	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue	$—	$—	$ —	$—	$ 151	$284	$ —	$435
Capacity revenue	—	—	—	—	—	164	—	164
Other revenue	12	—	2	2	9	—	—	23

(b) The following amounts of energy and capacity revenue relate to derivative instruments and are accounted for under ASC 815.

	Retail	Gulf Coast	East/West	Subtotal	Renewables	NRG Yield	Eliminations	Total
Energy revenue	$—	$981	$ 31	$1,012	$ —	$—	$ —	$1,012
Capacity revenue	—	—	65	65	—	—	—	65
Other revenue	—	4	8	12	—	—	—	12

(c) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.

Contract Amortization

Assets and liabilities recognized from power sales agreements assumed at Fresh Start and through acquisitions related to the sale of electric capacity and energy in future periods for which the fair value has been determined to be significantly less (more) than market are amortized to revenue over the term of each underlying contract based on actual generation and/or contracted volumes.

Lease Revenue

Certain of the Company's revenues are obtained through PPAs or other contractual agreements. Many of these agreements are accounted for as operating leases under ASC 840 Leases. Certain of these leases have no minimum lease payments and all of the rent is recorded as contingent rent on an actual basis when the electricity is delivered. Judgment is required by management in determining the economic life of each generating facility, in evaluating whether certain lease provisions constitute minimum payments or represent contingent rent and other factors in determining whether a contract contains a lease and whether the lease is an operating lease or capital lease.

Contract Balances

The following table reflects the contract assets and liabilities included in the Company's balance sheet as of June 30, 2018:

(In millions)	June 30, 2018
Deferred customer acquisition costs	$ 102
Accounts receivable, net - Contracts with customers	1,187
Accounts receivable, net - Leases	152
Accounts receivable, net - Derivative instruments	32
Total accounts receivable, net	$ 1,371
Unbilled revenues (included within Accounts receivable, net - Contracts with customers)	445
Deferred revenues	73

The Company's customer acquisition costs consist of broker fees, commission payments and other costs that represent incremental costs of obtaining the contract with customers for which the Company expects to recover. The Company amortizes these amounts over the estimated life of the customer contract. As a practical expedient, the Company expenses the incremental costs of obtaining a contract if the amortization period of the asset would have been one year or less.

When the Company receives consideration from the customer that is in excess of the amount due, such consideration is reclassified to deferred revenue, which represents a contract liability. Generally, the Company will recognize revenue from contract liabilities in the next period as the Company satisfies its performance obligations.

Recent Accounting Developments - Guidance Adopted in 2018

ASU 2017-07 — In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, or ASU No. 2017-07.   Current GAAP does not indicate where the amount of net benefit cost should be presented in an entity's income statement and does not require entities to disclose the amount of net benefit cost that is included in the income statement. The amendments of ASU No. 2017-07 require an entity to report the service cost component of net benefit costs in the same line item as other compensation costs arising from services rendered by the related employees during the applicable service period. The other components of net benefit cost are required to be presented separately from the service cost component and outside the subtotal of income from operations. Further, ASU No. 2017-07 prescribes that only the service cost component of net benefit costs is eligible for capitalization. The Company adopted the amendments of ASU No. 2017-07 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance retrospectively which resulted in an increase in cost of operations of $4 million and $8 million with a corresponding increase in other income, net on the statement of operations for the three and six months ended June 30, 2017, respectively.

ASU 2016-01 - In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU No. 2016-01. The amendments of ASU No. 2016-01 eliminate available-for-sale classification of equity investments and require that equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) be generally measured at fair value with changes in fair value recognized in net income. Further, the amendments require that financial assets and financial liabilities be presented separately in the notes to the financial statements, grouped by measurement category and form of financial asset. The guidance in ASU No. 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The Company adopted the amendments of ASU No. 2016-01 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance on a modified retrospective basis, which resulted in no material adjustments recorded to the consolidated results of operations, cash flows, and statement of financial position.

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Recent Accounting Developments - Guidance Not Yet Adopted

ASU 2016-02 — In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), or Topic 842, with the objective to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and to improve financial reporting by expanding the related disclosures. The guidance in Topic 842 provides that a lessee that may have previously accounted for a lease as an operating lease under current GAAP should recognize the assets and liabilities that arise from a lease on the balance sheet. In addition, Topic 842 expands the required quantitative and qualitative disclosures with regards to lease arrangements. The Company will adopt the standard effective January 1, 2019, and expects to elect certain of the practical expedients permitted, including the expedient that permits the Company to retain its existing lease assessment and classification. The Company is currently working through an adoption plan which includes the evaluation of lease contracts compared to the new standard. While the Company is currently evaluating the impact the new guidance will have on its financial position and results of operations, the Company expects to recognize lease liabilities and right of use assets. The extent of the increase to assets and liabilities associated with these amounts remains to be determined pending the Company’s review of its existing lease contracts and service contracts which may contain embedded leases. While this review is still in process, NRG believes the adoption of Topic 842 will have a material impact on its financial statements. The Company is also monitoring recent changes to Topic 842 and the related impact on the implementation process.

Note 3 — Acquisitions, Discontinued Operations and Dispositions

This footnote should be read in conjunction with the complete description under Note 3, Discontinued Operations, Acquisitions and Dispositions, to the Company's 2017 Form 10-K.

Acquisitions

XOOM Energy Acquisition — On June 1, 2018, the Company completed the acquisition of XOOM Energy, LLC, an electricity and natural gas retailer operating in 19 states, Washington, D.C. and Canada for approximately $219 million in cash, inclusive of approximately $54 million in payments for estimated working capital, which is subject to further adjustment. The acquisition increased NRG's retail portfolio by approximately 300,000 customers. The purchase price was provisionally allocated as follows: $2 million to cash, $8 million to restricted cash, $46 million to accounts receivable, $42 million to derivative assets, $169 million to customer relationships and contracts, $26 million to current and non-current assets, $25 million to accounts payable, $31 million to derivative liabilities, and $18 million to current and non-current liabilities.

Discontinued Operations

On June 14, 2017, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of the bankruptcy filings, NRG has concluded that it no longer controls GenOn as it is subject to the control of the Bankruptcy Court; and, accordingly, NRG no longer consolidates GenOn for financial reporting purposes.

By eliminating a large portion of its operations in the PJM market with the deconsolidation of GenOn, NRG has concluded that GenOn meets the criteria for discontinued operations, as this represents a strategic shift in the markets in which NRG operates. As such, all prior period results for GenOn have been reclassified as discontinued operations.

Summarized results of discontinued operations were as follows:

(In millions)	Three months ended June 30, 2018	Period from April 1, 2017 through June 14, 2017	Six months ended June 30, 2018	Period from January 1, 2017 through June 14, 2017
Operating revenues	$ —	$ 265	$ —	$ 646
Operating costs and expenses	—	(327)	—	(700)
Other expenses	—	(54)	—	(98)
Loss from operations of discontinued components, before tax	—	(116)	—	(152)
Income tax expense	—	8	—	9
Loss from operations of discontinued components	—	(124)	—	(161)
Interest income - affiliate	2	3	3	6
Loss from operations of discontinued components, net of tax	2	(121)	3	(155)
Pre-tax loss on deconsolidation	—	(208)	—	(208)
Settlement consideration and services credit	—	(289)	—	(289)
Pension and post-retirement liability assumption	1	(119)	1	(119)
Advisory and consulting fees	(1)	(4)	(2)	(4)
Other	(27)	—	(27)	—
Loss on disposal of discontinued components, net of tax	(27)	(620)	(28)	(620)
Loss from discontinued operations, net of tax	$ (25)	$ (741)	$ (25)	$ (775)

GenOn Settlement

Effective July 16, 2018, NRG and GenOn consummated the GenOn Settlement which accelerated certain terms contemplated by the plan of reorganization, as further described below. As a result, the Company paid GenOn approximately $125 million, which included (i) the settlement consideration of $261 million, (ii) the transition services credit of $28 million and (iii) the return of $15 million of collateral posted to NRG; offset by the (i) $151 million in borrowings under the intercompany secured revolving credit facility, (ii) related accrued interest and fees of $12 million, (iii) remaining payments due under the transition services agreement of $10 million and (iv) certain other balances due to NRG totaling $6 million. As of June 30, 2018, the Company had reserved for all amounts deemed to be uncollectible.

In order to facilitate the consummation of the GenOn Settlement, among other items, NRG assigned to GenOn approximately $8 million of historical claims against REMA in exchange for $4.2 million, which was credited as a reduction of the settlement payment. GenOn also indemnified NRG for any potential claims by REMA up to the amount of $10 million, and posted a letter of credit in that amount in favor of NRG as security for the indemnification. Other than those obligations which survive or are independent of the releases described herein, the GenOn Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

Restructuring Support Agreement

Prior to the filing of GenOn's bankruptcy case, NRG, GenOn and certain holders representing greater than 93% in aggregate principal amount of GenOn’s Senior Notes and certain holders representing greater than 93% in aggregate principal amount of GenOn Americas Generation’s Senior Notes entered into a Restructuring Support Agreement that provided for a restructuring and recapitalization of the GenOn Entities through a prearranged plan of reorganization. In December 2017, the Bankruptcy Court approved the plan of reorganization, pursuant to an order of confirmation. Consummation of the plan of reorganization has not yet occurred and remains subject to the satisfaction or waiver of certain conditions precedent. Certain principal terms of the plan of reorganization are detailed below:

1)

The dismissal of certain prepetition litigation and full releases from GenOn and each of its debtor and non-debtor subsidiaries in favor of NRG, excluding REMA.

2) NRG provided settlement cash consideration to GenOn of $261.3 million, paid in cash less amounts owed to NRG under the intercompany secured revolving credit facility. As of June 30, 2018, GenOn owed NRG approximately $151 million under the intercompany secured revolving credit facility, plus interest and fees accrued thereon. See Note 14, Related Party Transactions for further discussion of the intercompany secured revolving credit facility. The net liability for these amounts, along with the services credit described below, is recorded in accrued expenses and other current liabilities - affiliate as of June 30, 2018 and December 31, 2017.

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3) NRG will retain the pension liability, including payment of approximately $13 million of 2017 pension contributions, for GenOn employees for service provided prior to the completion of the reorganization, which was paid in September 2017. GenOn's pension liability as of June 30, 2018, was approximately $90 million. NRG will also retain the liability for GenOn's post-employment and retiree health and welfare benefits, in an amount up to $25 million. These liabilities are recorded within other non-current liabilities as of June 30, 2018 and December 31, 2017.

4) The shared services agreement between NRG and GenOn was terminated and replaced as of the plan confirmation date with a transition services agreement. Under the transition services agreement, NRG provided the shared services and other separation services at an annualized rate of $84 million, subject to certain credits and adjustments. See Note 14, Related Party Transactions, for further discussion of the Services Agreement.

5) NRG provided a credit of $28 million to GenOn to apply against amounts owed under the transition services agreement. The unused credit of approximately $18 million was paid in cash to GenOn. The credit was intended to reimburse GenOn for its payment of financing costs.

6) NRG and GenOn also agreed to cooperate in good faith to maximize the value of certain development projects. Pursuant to this, GenOn made a one-time payment in the amount of $15 million to NRG in December 2017 as compensation for a purchase option with respect to the Canal 3 project. During the second quarter of 2018, NRG sold Canal 3 to Stonepeak Kestrel Holdings II LLC, or Stonepeak Kestrel, in conjunction with GenOn's sale of Canal Units 1 and 2 to Stonepeak Kestrel Holdings LLC. NRG reimbursed GenOn for $13.5 million of the one-time payment upon the closing of the sale of Canal 3.

GenMA Settlement

The Bankruptcy Court order confirming the plan of reorganization also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The definitive documentation effectuating the GenMA Settlement was finalized and effective as of April 27, 2018. Certain terms of the compromise with respect to NRG and GenOn Mid-Atlantic are as follows:

- Settlement of all pending litigation and objections to the Plan (including with respect to releases and feasibility);
- NRG provided $37.5 million in letters of credit as new qualifying credit support to GenOn Mid-Atlantic; and
- NRG paid approximately $6 million as reimbursement of professional fees incurred by certain of GenOn Mid-Atlantic's stakeholders in connection with the GenMA Settlement.

Dispositions

On June 29, 2018, the Company completed the sale of Canal 3 to Stonepeak Kestrel for cash proceeds of approximately $16 million and recorded a gain of $17 million. Prior to the sale, Canal 3 entered into a financing arrangement and received cash proceeds of $167 million, of which $151 million was distributed to the Company. The related debt is non-recourse to NRG and was transferred to Stonepeak Kestrel in connection with the sale of Canal 3. In addition, the Company completed other asset sales for $7 million of cash proceeds in the first half of 2018.

Transfers of Assets Under Common Control

On June 19, 2018, the Company completed the sale of the substantially completed assets of the UPMC Thermal Project to NRG Yield, Inc. for cash consideration of $84 million, subject to working capital adjustments.

On March 30, 2018, as part of the Transformation Plan, the Company sold to NRG Yield, Inc. 100% of NRG's interests in Buckthorn Renewables, LLC, which owns a 154-MW construction-stage utility-scale solar generation project, located in Texas. NRG Yield, Inc. paid cash consideration of approximately $42 million, excluding working capital adjustments, and assumed non-recourse debt of approximately $183 million. Concurrently, an initial contribution of approximately $19 million was received from the third-party investor in the underlying tax equity partnership, which is included in noncontrolling interest.

On March 27, 2017, the Company sold to NRG Yield, Inc.: (i) a 16% interest in the Agua Caliente solar project, representing ownership of approximately 46 net MW of capacity and (ii) NRG's interests in seven utility-scale solar projects located in Utah representing 265 net MW of capacity, which have reached commercial operations. NRG

Yield, Inc. paid cash consideration of $130 million, plus $1 million in working capital adjustments, and assumed non-recourse debt of approximately $328 million.

Note 4 — Fair Value of Financial Instruments

This footnote should be read in conjunction with the complete description under Note 4, Fair Value of Financial Instruments, to the Company's 2017 Form 10-K.

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

The estimated carrying amounts and fair values of NRG's recorded financial instruments not carried at fair market value are as follows:

	As of June 30, 2018		As of December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable [(a)]	$21	$ 18	$16	$ 15
Liabilities:				
Long-term debt, including current portion [(b)]	15,969	16,163	16,603	16,894

(a) Includes the current portion of notes receivable which is recorded in prepayments and other current assets on the Company's consolidated balance sheets.

(b) Excludes deferred financing costs, which are recorded as a reduction to long-term debt on the Company's consolidated balance sheets.

The fair value of the Company's publicly-traded long-term debt is based on quoted market prices and is classified as Level 2 within the fair value hierarchy. The fair value of debt securities, non-publicly traded long-term debt and certain notes receivable of the Company are based on expected future cash flows discounted at market interest rates, or current interest rates for similar instruments with equivalent credit quality and are classified as Level 3 within the fair value hierarchy. The following table presents the level within the fair value hierarchy for long-term debt, including current portion as of June 30, 2018 and December 31, 2017:

	As of June 30, 2018		As of December 31, 2017	
	Level 2	Level 3	Level 2	Level 3
	(In millions)			
Long-term debt, including current portion	$9,586	$6,577	$8,934	$7,960

Recurring Fair Value Measurements

Debt securities, equity securities, and trust fund investments, which are comprised of various U.S. debt and equity securities, and derivative assets and liabilities, are carried at fair market value.

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

	As of June 30, 2018			
	Fair Value			
(In millions)	Total	Level 1	Level 2	Level 3
Investments in securities (classified within other non-current assets)	$22	$3	$—	$19
Nuclear trust fund investments:				
Cash and cash equivalents	25	25	—	—
U.S. government and federal agency obligations	42	42	—	—
Federal agency mortgage-backed securities	97	—	97	—
Commercial mortgage-backed securities	16	—	16	—
Corporate debt securities	101	—	101	—
Equity securities	342	342	—	—
Foreign government fixed income securities	6	—	6	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	1,169	188	481	500
Interest rate contracts	108	—	108	—
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	65			
Total assets	$1,994	$601	$809	$519
Derivative liabilities:				
Commodity contracts	971	236	388	347
Interest rate contracts	23	—	23	—
Total liabilities	$994	$236	$411	$347

	As of December 31, 2017			
	Fair Value			
(In millions)	Total	Level 1	Level 2	Level 3
Investments in securities (classified within other non-current assets)	$22	$3	$—	$ 19
Nuclear trust fund investments:				
Cash and cash equivalents	47	45	2	—
U.S. government and federal agency obligations	43	42	1	—
Federal agency mortgage-backed securities	82	—	82	—
Commercial mortgage-backed securities	14	—	14	—
Corporate debt securities	99	—	99	—
Equity securities	334	334	—	—
Foreign government fixed income securities	5	—	5	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	745	191	509	45

Interest rate contracts	53	—	53	—
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	68			
Total assets	$1,513	$616	$765	$ 64
Derivative liabilities:				
Commodity contracts	693	257	359	77
Interest rate contracts	59	—	59	—
Total liabilities	$752	$257	$418	$ 77

There were no transfers during the three and six months ended June 30, 2018 and 2017 between Levels 1 and 2. The following tables reconcile, for the three and six months ended June 30, 2018 and 2017, the beginning and ending balances for financial instruments that are recognized at fair value in the condensed consolidated financial statements, at least annually, using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Three months ended June 30, 2018			Six months ended June 30, 2018		
(In millions)	Debt Securities	Derivatives[(a)]	Total	Debt Securities	Derivatives[(a)]	Total
Beginning balance	$19	$ (22)	$(3)	$19	$ (32)	$(13)
Contracts acquired in Xoom acquisition	—	12	12	—	12	12
Total losses — realized/unrealized:						
Included in earnings	—	(21)	(21)	—	(19)	(19)
Purchases	—	(4)	(4)	—	(3)	(3)
Transfers into Level 3 [(b)]	—	193	193	—	197	197
Transfers out of Level 3 [(b)]	—	(5)	(5)	—	(2)	(2)
Ending balance as of June 30, 2018	$19	$ 153	$172	$19	$ 153	$172
Losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of June 30, 2018	—	20	20	—	17	17

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

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

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Three months ended June 30, 2017			Six months ended June 30, 2017		
(In millions)	Debt Securities	Derivatives[(a)]	Total	Debt Securities	Derivatives[(a)]	Total
Beginning balance	$18	$ (56)	$(38)	$17	$ (68)	$(51)
Total gains — realized/unrealized:						
Included in earnings	—	40	40	1	46	47
Included in nuclear decommissioning obligation	—	—	—	—	—	—
Purchases	—	5	5	—	9	9
Transfers into Level 3 [(b)]	—	3	3	—	(5)	(5)
Transfers out of Level 3 [(b)]	—	(3)	(3)	—	7	7
Ending balance as of June 30, 2017	$18	$ (11)	$7	$18	$ (11)	$7
Gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of June 30, 2017	—	22	22	—	7	7

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

(b) Transfers into/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.

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Derivative Fair Value Measurements

A portion of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A majority of NRG's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available for the whole term or for certain delivery months or the contracts are retail and load following power contracts. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. As of June 30, 2018, contracts valued with prices provided by models and other valuation techniques make up 39% of the total derivative assets and 35% of the total derivative liabilities.

NRG's significant positions classified as Level 3 include physical and financial power executed in illiquid markets as well as financial transmission rights, or FTRs. The significant unobservable inputs used in developing fair value include illiquid power location pricing which is derived as a basis to liquid locations. The basis spread is based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. For FTRs, NRG uses the most recent auction prices to derive the fair value.

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 positions as of June 30, 2018 and December 31, 2017:

	Significant Unobservable Inputs June 30, 2018						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Power Contracts	$ 481	$ 330	Discounted Cash Flow	Forward Market Price (per MWh)	$ 6	$ 198	$ 35
FTRs	19	17	Discounted Cash Flow	Auction Prices (per MWh)	(48)	47	—
	$ 500	$ 347					

	Significant Unobservable Inputs December 31, 2017						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Power Contracts	$ 34	$ 65	Discounted Cash Flow	Forward Market Price (per MWh)	$ 10	$ 142	$ 33
FTRs	11	12	Discounted Cash Flow	Auction Prices (per MWh)	(28)	46	—
	$ 45	$ 77					

The following table provides sensitivity of fair value measurements to increases/(decreases) in significant unobservable inputs as of June 30, 2018 and December 31, 2017:

Significant Unobservable Input	Position	Change In Input	Impact on Fair Value Measurement
Forward Market Price Power	Buy	Increase/(Decrease)	Higher/(Lower)
Forward Market Price Power	Sell	Increase/(Decrease)	Lower/(Higher)

FTR Prices	Buy	Increase/(Decrease)	Higher/(Lower)
FTR Prices	Sell	Increase/(Decrease)	Lower/(Higher)

The fair value of each contract is discounted using a risk-free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which is calculated based on published default probabilities. As of June 30, 2018, the credit reserve resulted in a $4 million decrease in fair value which is composed of a $1 million loss in OCI and a $3 million loss in interest expense. As of December 31, 2017, the credit reserve resulted in no change in fair value 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 2017 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail load activities.

Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2017 Form 10-K. As of June 30, 2018, the Company's counterparty credit exposure, excluding credit risk exposure under certain long term agreements, was $289 million with net exposure of $112 million. NRG held collateral (cash and letters of credit) against those positions of $246 million. Approximately 77% of the Company's exposure before collateral is expected to roll off by the end of 2019. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. The exposure is shown net of collateral held, and includes amounts net of receivables or payables.

Category by Industry Sector	Net Exposure (a) (b) (% of Total)	
Utilities, energy merchants, marketers and other	76	%
Financial institutions	24	
Total as of June 30, 2018	100	%

Category by Counterparty Credit Quality	Net Exposure (a) (b) (% of Total)	
Investment grade	76	%
Non-Investment grade/Non-Rated	24	
Total as of June 30, 2018	100	%

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

(b) The figures in the tables above exclude potential counterparty credit exposure related to RTOs, ISOs, registered commodity exchanges and certain long term contracts.

NRG has counterparty credit risk exposure to certain counterparties, each of which represent more than 10% of total net exposure discussed above. The aggregate of such counterparties' exposure was $49 million as of June 30, 2018. 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.

RTOs and ISOs

The Company participates in the organized markets of CAISO, ERCOT, ISO-NE, MISO, NYISO and PJM, known as RTOs or ISOs. Trading in these markets is approved by FERC, or in the case of ERCOT, approved by the PUCT and includes credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to NRG’s share of overall market and are excluded from the above exposures.

Exchange Traded Transactions

The Company enters into commodity transactions on registered exchanges, notably ICE and NYMEX. These clearinghouses act as the counterparty and transactions are subject to extensive collateral and margining requirements. As a result, these commodity transactions have limited counterparty credit risk.

Long Term Contracts

Counterparty credit exposure described above excludes credit risk exposure under certain long term agreements, including California tolling agreements, Gulf Coast load obligations, and wind and solar PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company estimates its credit exposure for 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, 2018, aggregate credit risk exposure managed by NRG to these counterparties was approximately $4.1 billion, including $2.5 billion related to assets of NRG Yield, Inc., for the next five years. This amount excludes potential credit exposures for projects with long-term PPAs that have not reached commercial operations. The majority of these power contracts are with utilities or public power entities with strong credit quality and public utility commission or other regulatory support. However, such regulated utility counterparties can be impacted by changes in government regulations or treatment by regulatory agencies which NRG is unable to predict.

Retail Customer Credit Risk

The Company is exposed to retail credit risk through the Company's retail electricity providers, which serve C&I customers and the Mass market. Retail credit risk results in losses 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. The Company 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, 2018, the Company's retail customer credit exposure to C&I and Mass customers was diversified across many customers and various industries, as well as government entities.

Note 5 — Nuclear Decommissioning Trust Fund

This footnote should be read in conjunction with the complete description under Note 6, Nuclear Decommissioning Trust Fund, to the Company's 2017 Form 10-K.

NRG's Nuclear Decommissioning Trust Fund assets are comprised of securities classified as available-for-sale and recorded at fair value based on actively quoted market prices. NRG accounts for the Nuclear Decommissioning Trust Fund in accordance with ASC 980, Regulated Operations, because the Company's nuclear decommissioning activities are subject to approval by the PUCT with regulated rates that are designed to recover all decommissioning costs and that can be charged to and collected from the ratepayers per PUCT mandate. Since the Company is in compliance with PUCT rules and regulations regarding decommissioning trusts and the cost of decommissioning is the responsibility of the Texas ratepayers, not NRG, all realized and unrealized gains or losses (including other-than-temporary impairments) related to the Nuclear Decommissioning Trust Fund are recorded to the Nuclear Decommissioning Trust liability and are not included in net income or accumulated OCI, 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, 2018				As of December 31, 2017			
(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	$25	$ —	$ —	—	$47	$ —	$ —	—
U.S. government and federal agency obligations	42	1	—	14	43	1	—	11
Federal agency mortgage-backed securities	97	—	3	23	82	1	1	23
Commercial mortgage-backed securities	16	—	1	22	14	—	—	20
Corporate debt securities	101	1	2	10	99	2	1	11
Equity securities	407	272	—	—	402	272	—	—

Foreign government fixed income securities	6	—	—	8	5	—	—	9
Total	$694	$ 274	$ 6		$692	$ 276	$ 2	

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

	Six months ended June 30,	
	2018	2017
	(In millions)	
Realized gains	$7	$3
Realized losses	6	3
Proceeds from sale of securities	$303	$277

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Note 6 — Accounting for Derivative Instruments and Hedging Activities

This footnote should be read in conjunction with the complete description under Note 5, Accounting for Derivative Instruments and Hedging Activities, to the Company's 2017 Form 10-K.

Energy-Related Commodities

As of June 30, 2018, NRG had energy-related derivative instruments extending through 2031. The Company marks these derivatives to market through the statement of operations.

Interest Rate Swaps

NRG is exposed to changes in interest rates through the Company's issuance of variable rate debt. In order to manage the Company's interest rate risk, NRG enters into interest rate swap agreements. As of June 30, 2018, NRG had interest rate derivative instruments on recourse debt extending through 2021, which are not designated as cash flow hedges. The Company had interest rate swaps on non-recourse debt extending through 2041, a portion 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 category, excluding those derivatives that qualified for the NPNS exception, as of June 30, 2018 and December 31, 2017. 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	
		June 30, 2018	December 31, 2017
Category	Units	(In millions)	
Emissions	Short Ton	2	1
Coal	Short Ton	12	21
Natural Gas	MMBtu	(551)	(17)
Power	MWh	16	14
Capacity	MW/Day	(1)	(1)
Interest	Dollars	$4,016	$ 3,876
Equity	Shares	—	1

The increase in the natural gas position was primarily the result of additional generation hedge positions.

Fair Value of Derivative Instruments

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

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
	(In millions)			
Derivatives Designated as Cash Flow or Fair Value Hedges:				
Interest rate contracts current	$ 3	$ 1	$ 2	$ 5
Interest rate contracts long-term	23	11	5	11
	26	12	7	16

Total Derivatives Designated as Cash Flow or Fair Value Hedges				
Derivatives Not Designated as Cash Flow or Fair Value Hedges:				
Interest rate contracts current	16	9	5	15
Interest rate contracts long-term	66	32	11	28
Commodity contracts current	832	616	702	535
Commodity contracts long-term	337	129	269	158
Total Derivatives Not Designated as Cash Flow or Fair Value Hedges	1,251	786	987	736
Total Derivatives	$ 1,277	$ 798	$ 994	$ 752

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The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. In addition, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. The following table summarizes the offsetting of derivatives by counterparty master agreement level and collateral received or paid:

	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
As of June 30, 2018	(In millions)			
Commodity contracts:				
Derivative assets	$1,169	$ (817)	$ (50)	$ 302
Derivative liabilities	(971)	817	98	(56)
Total commodity contracts	198	—	48	246
Interest rate contracts:				
Derivative assets	108	(3)	—	105
Derivative liabilities	(23)	3	—	(20)
Total interest rate contracts	85	—	—	85
Total derivative instruments	$283	$ —	$ 48	$ 331

	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
As of December 31, 2017	(In millions)			
Commodity contracts:				
Derivative assets	$745	$ (578)	$ (11)	$ 156
Derivative liabilities	(693)	578	73	(42)
Total commodity contracts	52	—	62	114
Interest rate contracts:				
Derivative assets	53	(3)	—	50
Derivative liabilities	(59)	3	—	(56)
Total interest rate contracts	(6)	—	—	(6)
Total derivative instruments	$46	$ —	$ 62	$ 108

Accumulated Other Comprehensive Loss

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

	Interest Rate Contracts	
	Three months ended June	Six months ended June 30,

	30,			
	2018	2017	2018	2017
	(In millions)			
Accumulated OCI beginning balance	$(31)	$(61)	$(54)	$(66)
Reclassified from accumulated OCI to income:				
Due to realization of previously deferred amounts	3	3	7	6
Mark-to-market of cash flow hedge accounting contracts	5	(9)	24	(7)
Accumulated OCI ending balance, net of $5, and $16 tax	$(23)	$(67)	$(23)	$(67)
Losses expected to be realized from OCI during the next 12 months, net of $1 tax	$8		$8	

Amounts reclassified from accumulated OCI into income are recorded to interest expense for interest rate contracts. The Company's regression analysis for Marsh Landing, Walnut Creek, and Avra Valley interest rate swaps, while positively correlated, no longer contain match terms for cash flow hedge accounting. As a result, the Company voluntarily de-designated the Marsh Landing, Walnut Creek, and Avra Valley cash flow hedges as of April 28, 2017, and will prospectively mark these derivatives to market through the income statement.

Impact of Derivative Instruments on the Statements of Operations

Unrealized gains and losses associated with changes in the fair value of derivative instruments not accounted for as cash flow hedges are reflected in current period consolidated results of operations.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Unrealized mark-to-market results	(In millions)			
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$(3)	$22	$(1)	$25
Reversal of acquired (gain)/loss positions related to economic hedges	(1)	1	(1)	1
Net unrealized (losses)/gains on open positions related to economic hedges	(67)	36	127	15
Total unrealized mark-to-market (losses)/gains for economic hedging activities	(71)	59	125	41
Reversal of previously recognized unrealized gains on settled positions related to trading activity	(3)	(4)	(6)	(19)
Net unrealized gains on open positions related to trading activity	8	16	19	17
Total unrealized mark-to-market gains/(losses) for trading activity	5	12	13	(2)
Total unrealized (losses)/gains	$(66)	$71	$138	$39

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(In millions)			
Unrealized gains/(losses) included in operating revenues	$20	$53	$(78)	$157
Unrealized (losses)/gains included in cost of operations	(86)	18	216	(118)
Total impact to statement of operations — energy commodities	$(66)	$71	$138	$39
Total impact to statement of operations — interest rate contracts	$13	$(24)	$61	$(19)

The reversals of acquired gain or loss positions were valued based upon the forward prices on the acquisition date. The roll-off amounts were offset by realized gains or losses at the settled prices and are reflected in operating revenue or cost of operations during the same period.

For the six months ended June 30, 2018, the $127 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward purchases of ERCOT heat rate and ERCOT electricity contracts due to ERCOT heat rate expansion and increases in ERCOT power prices.

For the six months ended June 30, 2017, the $15 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward sales of PJM electricity and New York capacity due to decreases in PJM electricity and New York capacity prices, which was offset by a decrease in value of forward purchases of natural gas and coal due to decreases in natural gas and coal 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 require 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, 2018, was $31 million. The collateral required for contracts with credit rating contingent features that are in a net liability position as of June 30, 2018, was $3 million. The Company is also a party to certain marginable agreements under which it has a net liability position, but the counterparty has not called for the collateral due, which was approximately $4 million as of June 30, 2018.

See Note 4, Fair Value of Financial Instruments, to this Form 10-Q for discussion regarding concentration of credit risk.

Note 7 — Impairments

2018 Impairment Losses

Keystone and Conemaugh — On June 29, 2018, the Company entered into an agreement to sell its approximately 3.7% interests in the Keystone and Conemaugh generating stations. NRG recorded impairment losses of $14 million for Keystone and $14 million for Conemaugh to adjust the carrying amount of the assets to fair value based on the contractual sale price. The transaction is expected to close in the third quarter of 2018.

Dunkirk — During the second quarter of 2018, NRG ceased its development of the project to add gas capability at the Dunkirk generating station. The project was put on hold in 2015 pending the resolution of a lawsuit filed by Entergy Corporation against the NYPSC which challenged the legality of the Dunkirk contract. The lawsuit was later dropped and development continued, but the delay imposed a new requirement on Dunkirk to enter into the NYISO interconnection process. The NYISO studies have shown that it would cause the Company to incur a material increase in costs. In addition, the interconnection upgrades that the NYISO has identified may not be ready until December 2023, which represents a significant delay the project schedule. This caused the Company to record an impairment loss of $46 million, reducing the carrying amount of the related assets to $0.

2017 Impairment Losses

Bacliff Project — On June 16, 2017, NRG Texas Power LLC provided notice to BTEC New Albany, LLC that it was exercising its right to terminate the Amended and Restated Membership Interest Purchase Agreement, or MIPA, due to the Bacliff Project, a new peaking facility at the former P.H. Robinson Electric Generating Station, not achieving commercial completion by the contractual expiration date of May 31, 2017. As a result of the MIPA termination, the Company recorded an impairment loss of $41 million to reduce the carrying amount of the related construction in progress to $0 during the second quarter of 2017. Subsequent to the MIPA termination, BTEC filed claims against NRG Texas Power LLC with respect to the termination of the MIPA and NRG filed counterclaims against BTEC as further described in Note 15, Commitments and Contingencies. On June 7, 2018, the parties resolved all claims and counterclaims in the lawsuit.

Other Impairments — During the second quarter of 2017, the Company recorded impairment losses of approximately $22 million in connection with the Company's Renewables business.

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 2017 Form 10-K. Long-term debt and capital leases consisted of the following:

(In millions, except rates)	June 30, 2018	December 31, 2017	June 30, 2018 interest rate % [(a)]
Recourse debt:			
Senior Notes, due 2022	$ 977	$ 992	6.250
Senior Notes, due 2024	733	733	6.250
Senior Notes, due 2026	1,000	1,000	7.250
Senior Notes, due 2027	1,250	1,250	6.625
Senior Notes, due 2028	841	870	5.750
Convertible Senior Notes, due 2048	575	—	2.750
Revolving loan facility, due 2018 and 2021	26	—	L+1.75
Term loan facility, due 2023	1,862	1,872	L+1.75
Tax-exempt bonds	465	465	4.125 - 6.00
Subtotal recourse debt	7,729	7,182	
Non-recourse debt:			
NRG Yield, Inc. Convertible Senior Notes, due 2019	345	345	3.500
NRG Yield, Inc. Convertible Senior Notes, due 2020	288	288	3.250
NRG Yield Operating LLC Senior Notes, due 2024	500	500	5.375
NRG Yield Operating LLC Senior Notes, due 2026	350	350	5.000
NRG Yield LLC and NRG Yield Operating LLC Revolving Credit Facility, due 2023[(b)]	—	55	L+1.75
El Segundo Energy Center, due 2023	369	400	L+1.75 - L+2.375
Marsh Landing, due 2023	305	318	L+2.125
Alta Wind I - V lease financing arrangements, due 2034 and 2035	901	926	5.696 - 7.015
Walnut Creek, term loans due 2023	254	267	L+1.625
Utah Portfolio, due 2022	273	278	various
Tapestry, due 2021	155	162	L+1.625
CVSR, due 2037	731	746	2.339 - 3.775
CVSR HoldCo, due 2037	188	194	4.680
Alpine, due 2022	133	135	L+1.750
Energy Center Minneapolis, due 2031, 2033, 2035 and 2037	328	208	various
Viento, due 2023	154	163	L+3.00
Buckthorn Solar, due 2018 and 2025	132	169	L+1.750
NRG Yield - other	564	579	various
Subtotal NRG Yield debt (non-recourse to NRG) [(c)]	5,970	6,083	
Ivanpah, due 2033 and 2038 [(e)]	—	1,073	2.285 - 4.256
Carlsbad Energy Project [(c)]	513	427	L+1.625 - 4.120
Agua Caliente, due 2037	812	818	2.395 - 3.633
Agua Caliente Borrower 1, due 2038	86	89	5.430
Cedro Hill, due 2025 [(c)]	144	151	L+1.75
Midwest Generation, due 2019	108	152	4.390
NRG Other Renewables [(c)]	623	478	various
NRG Other	107	180	various
Subtotal other NRG non-recourse debt	2,393	3,368	
Subtotal all non-recourse debt	8,363	9,451	

Subtotal long-term debt (including current maturities)	16,092	16,633	
Capital leases	3	5	various
Subtotal long-term debt and capital leases (including current maturities)	16,095	16,638	
Less current maturities[(d)]	(952)	(688)	
Less debt issuance costs	(199)	(204)	
Discounts	(123)	(30)	
Total long-term debt and capital leases	$ 14,821	$ 15,716	

(a) As of June 30, 2018, L+ equals 3-month LIBOR plus x%, except for Carlsbad, the Buckthorn Solar and Utah Solar Portfolio where L+ equals 1 month LIBOR plus x% and Viento where L+ equals 6-month LIBOR plus x%.
(b) Applicable rate is determined by the Borrower Leverage Ratio, as defined in the credit agreement.
(c) Debt associated with the asset sales announced in February 2018.
(d) The NRG Yield, Inc. Convertible Senior Notes, due 2019, become due in February 2019 and are recorded in current maturities as of June 30, 2018.
(e) The Company deconsolidated Ivanpah during the second quarter of 2018.

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Recourse Debt
2023 Term Loan Facility
On March 21, 2018, NRG repriced the 2023 Term Loan Facility, reducing the interest rate margin by 50 basis points to LIBOR plus 1.75% and reducing the LIBOR floor to 0.00%.

Senior Notes

Issuance of 2048 Convertible Senior Notes
During the second quarter of 2018, NRG issued $575 million in aggregate principal amount of 2.75% Convertible Senior Notes due 2048, or the Convertible Notes. The Convertible Notes are convertible, under certain circumstances, into the Company's common stock, cash or a combination thereof (at NRG's option) at an initial conversion price of $47.74 per common share, which is equivalent to an initial conversion rate of approximately 20.9479 shares of common stock per $1,000 principal amount of Convertible Notes. Interest on the Convertible Notes is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2018. The Convertible Notes mature on June 1, 2048, unless earlier repurchased, redeemed or converted in accordance with their terms. The Convertible Notes are guaranteed by certain NRG subsidiaries. Prior to the close of business on the business day immediately preceding December 1, 2024, the Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter during specified periods as follows:
•from December 1, 2024 until the close of business on the second scheduled trading day immediately before June 1, 2025; and
•from December 1, 2047 until the close of business on the second scheduled trading day immediately before the maturity date.
The Convertible Notes are accounted for in accordance with ASC 470-20, Debt with Conversion and Other Options. Under ASC 470-20, issuers of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are required to separately account for the liability (debt) and equity (conversion option) components. The carrying amount of the liability component at issuance date of $472 million was calculated by estimating the fair value of similar liabilities without a conversion feature. The residual principal amount of the notes of $103 million was allocated to the equity component with offset to debt discount. The debt discount will be amortized to interest expense using the effective interest method over seven years which is determined to be the expected life of the Convertible Notes.
The Company incurred approximately $12 million in transaction costs in connection with the issuance of the notes. These costs were allocated to the liability and equity components in proportion to the allocation of proceeds. Transaction costs of $9.5 million, allocated to the liability component, were recognized as deferred financing costs and are amortized over the seven years. Transaction costs of $2 million, allocated to the equity component, were recognized as a reduction of additional paid-in capital.
Senior Note Repurchases
In connection with the Transformation Plan, the Company has committed to reduce its debt balance by an additional $640 million to achieve a target net debt to adjusted EBITDA credit ratio of 3.0/1. The following open market senior note repurchases were completed to assist in achieving this target.
In connection with the repurchases during the six months ended June 30, 2018, a $1 million loss on debt extinguishment was recorded, which included the write-off of previously deferred financing costs of $1 million.

In millions, except rates	Principal Repurchased	Cash Paid (a)	Average Early Redemption Percentage
5.750% senior notes due 2028	$ 29	$ 30	99.24 %
6.250% senior notes due 2022	14	15	103.25 %

Total at June 30, 2018	$	43	$	45		
6.250% senior notes due 2022	6		6		103.25	%
5.750% senior notes due 2028	20		21		99.13	%
6.625% senior notes due 2027	20		21		103.06	%
Total at August 2, 2018	$	89	$	93		

(a) Includes payment for accrued interest of $1 million.

Non-recourse Debt

NRG Yield LLC and NRG Yield Operating LLC Revolving Credit Facility

NRG Yield LLC and its direct wholly owned subsidiary, NRG Yield Operating LLC, are parties to a senior secured revolving credit facility, which can be used for cash and for the issuance of letters of credit. On April 30, 2018, NRG Yield LLC and NRG Yield Operating LLC refinanced the revolving credit facility, which extended the maturity of the facility to April 28, 2023, and decreased the overall cost of borrowing from L+ 2.50% to L+1.75%. At June 30, 2018, there was $67 million of letters of credit issued under the revolving credit facility and no outstanding borrowings on the revolver.

Project Financings

Thermal Financing

On June 19, 2018, NRG Energy Center Minneapolis, a subsidiary of NRG Yield LLC, entered into an amended and restated Thermal note purchase and private shelf agreement whereas it authorized the issuance of the Series E Notes, Series F Notes, Series G Notes, and Series H Notes, as further described in the table below:

	Amount	Interest Rate
In millions, except rates		
Energy Center Minneapolis Series E Notes, due 2033	$ 70	4.80 %
Energy Center Minneapolis Series F Notes, due 2033	10	4.60 %
Energy Center Minneapolis Series G Notes, due 2035	83	5.90 %
Energy Center Minneapolis Series H Notes, due 2037	40	4.83 %
Total proceeds	$ 203	
Repayment of Energy Center Minneapolis Series C Notes, due 2025	(83)	5.95 %
Net borrowings	$ 120	

The Series G Notes were used to refinance the Series C Notes due 2025. The amended and restated Thermal note purchase and private shelf agreement also established a private shelf facility for the future issuance of notes in the amount of $40 million.

Rosamond Financing

On June 4, 2018, Rosamond Solar Portfolio, LLC entered into a financing agreement with financial institutions for a $118 million construction loan, which will convert to a term loan upon completion of project construction and a $175 million investment tax credit, or ITC, bridge loan, both of which have an interest rate of LIBOR plus 1.75%, as well as a letter of credit facility with availability of up to $33 million. The ITC bridge loan is expected to be repaid with proceeds from a tax equity arrangement by April 30, 2019. The term loan matures on April 30, 2034. As of June 30, 2018, $83 million and $5 million had been borrowed under the construction loan and the ITC bridge loan, respectively.

Agua Caliente Project Financing

On February 17, 2017, Agua Caliente Borrower 1 LLC and Agua Caliente Borrower 2 LLC, or Agua Caliente Holdco, the indirect owners of 51% of the Agua Caliente solar facility, issued $130 million of senior secured notes under the Agua Caliente Holdco Financing Agreement, or 2038 Agua Caliente Holdco Notes, that bear interest at 5.43% and mature on December 31, 2038. As described in Note 3, Acquisitions, Discontinued Operations and Dispositions, on March 27, 2017, NRG Yield, Inc. acquired Agua Caliente Borrower 2 LLC from NRG. The debt is joint and several with respect to Agua Caliente Borrower 1 LLC and Agua Caliente Borrower 2 LLC and is secured by the equity interests of each borrower in the Agua Caliente solar facility.

Carlsbad Project Financing

On May 26, 2017, Carlsbad Energy Holdings, LLC entered into a note payable agreement with financial institutions for the issuance of up to $407 million of senior secured notes that bear interest at a rate of 4.12%, and mature on October 31, 2038, and a credit agreement for a $194 million construction loan, that will convert to a term loan upon completion of the project as well as a letter of credit facility with an aggregate principal amount not to exceed $83 million, and a working capital loan facility with an aggregate principal amount not to exceed $4 million. As of June

30, 2018, $513 million was outstanding under both the note and the construction loan.

Note 9 — Variable Interest Entities, or VIEs

Entities that are not Consolidated

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.

Utility-Scale Solar Portfolio — Through its consolidated subsidiary, NRG Yield, Inc., the Company has equity interests in Four Brothers Solar, LLC, Granite Mountain Holdings, LLC, and Iron Springs Holdings, LLC, which are accounted for as equity method investments as the Company does not have a controlling financial interest. The assets have 20-year PPAs with PacifiCorp. NRG's maximum exposure to loss is limited to its equity investment, which was $338 million as of June 30, 2018.

GenConn Energy LLC — Through its consolidated subsidiary, NRG Yield, Inc., the Company owns a 50% interest in GCE Holding LLC, the owner of GenConn, which owns and operates two 190-MW peaking generation facilities in Connecticut at NRG's Devon and Middletown sites. NRG's maximum exposure to loss is limited to its equity investment, which was $100 million as of June 30, 2018.

Ivanpah Master Holdings LLC — Through its consolidated subsidiary, NRG Solar Ivanpah LLC, the Company owns a 54.6% interest in Ivanpah Master Holdings LLC, or Ivanpah, the owner of three solar electric generating projects located in the Mojave Desert with a total capacity of 392 MW. The projects were funded in large part by loans guaranteed by the U.S. DOE and equity from the projects' partners. During the first quarter of 2018, all interested parties sought a restructuring of Ivanpah's debt in order to avoid a potential event of default with respect to the loans in connection with several recent events, including the planned sale of NRG's renewables platform. Ensuing negotiations culminated in a settlement during the second quarter of 2018 between the parties which resulted in certain transactions, including the release of reserves totaling $95 million to fund equity distributions to the partners, which reduced the equity at risk, and the prepayment of certain of the debt balance outstanding, and the amendment of certain of Ivanpah's governing documents. The equity distributions and prepayment of debt were funded by the agreed upon release of reserve funds. These events were considered to be a reconsideration event in accordance with ASC 810, Consolidations. As a result, NRG determined that it is not the primary beneficiary and deconsolidated Ivanpah. NRG recognized a loss of $22 million on the deconsolidation and subsequent recognition of Ivanpah as an equity method investment during the six months ended June 30, 2018. The deconsolidation of Ivanpah reduced the Company's assets by approximately $1.3 billion, which was primarily property, plant and equipment, and reduced the Company's liabilities by $1.2 billion, which was primarily long-term debt. NRG's maximum exposure to loss is limited to its equity investment, which was $57 million as of June 30, 2018.

Entities that are Consolidated

The Company has a controlling financial interest in certain entities which have been identified as VIEs under ASC 810. These arrangements are primarily related to tax equity arrangements entered into with third-parties in order to finance the cost of solar energy systems under operating leases and wind facilities eligible for certain tax credits as further described in Note 2, Summary of Significant Accounting Policies to the Company's 2017 Form 10-K. For one of the tax equity arrangements, the Company has a deficit restoration obligation equal to $83 million as of June 30, 2018, which would be required to be funded if the arrangement were to be dissolved.

The summarized financial information for the Company's consolidated VIEs consisted of the following:

(In millions)	June 30, 2018	December 31, 2017
Current assets	$ 191	$ 118
Net property, plant and equipment	2,709	2,337
Other long-term assets	660	658
Total assets	3,560	3,113
Current liabilities	119	96
Long-term debt	814	661
Other long-term liabilities	211	209
Total liabilities	1,144	966

Redeemable noncontrolling interest	69	78
Noncontrolling interest	660	507
Net assets less noncontrolling interest	$ 1,687	$ 1,562

Note 10 — Changes in Capital Structure

As of June 30, 2018 and December 31, 2017, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common stock issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2017	418,323,134	(101,580,045)	316,743,089
Shares issued under LTIPs	1,373,655	—	1,373,655
Shares issued under ESPP	—	175,862	175,862
Shares repurchased	—	(14,863,301)	(14,863,301)
Balance as of June 30, 2018	419,696,789	(116,267,484)	303,429,305

Employee Stock Purchase Plan

In January 2018, 175,862 shares of common stock were issued to employee accounts from treasury stock for the offering period of July 1, 2017, to December 31, 2017. In January 2018, NRG suspended the ESPP.

Share Repurchases

In February 2018, the Company's board of directors authorized the Company to repurchase $1 billion of its common stock, with the first $500 million program beginning as soon as permitted. The following repurchases have been made during the six months ended June 30, 2018.

	Total number of shares purchased	Average price paid per share (a)	Amounts paid for shares purchased (in millions) (a)
Board Authorized Share Repurchases			
First Quarter 2018	3,114,748		$ 93
Second Quarter 2018 (b)	11,748,553		407
Total Board Authorized Share Repurchases as of June 30, 2018	14,863,301		$ 500
July 2018	860,880		—
Total Board Authorized Share Repurchases as of August 2, 2018	15,724,181	$ 31.80	$ 500

(a) The average price paid per share and amounts paid for shares purchased exclude the commissions of $0.01 per share paid in connection with the share repurchase.

(b) The share repurchases for the second quarter include 9,969,023 of the shares repurchased through the ASR Agreement, as described below.

Accelerated Share Repurchase

On May 24, 2018, the Company executed an accelerated share repurchase agreement, or ASR Agreement, with a financial institution to repurchase a total of $354 million of outstanding common stock based on a volume weighted average price. The Company received initial shares of 9,969,023, which were recorded in treasury stock at fair value based on the closing price of $343 million, with the remaining $11 million recorded in additional paid in capital, representing the value of the forward contract to purchase additional shares. In July 2018, the financial institution delivered the remaining shares pursuant to the ASR Agreement and the Company received an additional 860,880 shares. The average price paid for all of the shares delivered under the ASR Agreement was $32.69 per share. Upon receipt of the additional shares, the Company transferred the $11 million from additional paid in capital to treasury stock.

NRG Common Stock Dividends

The following table lists the dividends paid during the six months ended June 30, 2018:

	Second Quarter 2018	First Quarter 2018

Dividends per Common Share	$ 0.03	$ 0.03

On July 18, 2018, NRG declared a quarterly dividend on the Company's common stock of $0.03 per share, payable August 15, 2018, to stockholders of record as of August 1, 2018, representing $0.12 per share on an annualized basis. The Company's common stock dividends are subject to available capital, market conditions, and compliance with associated laws, regulations and other contractual obligations.

Note 11 — Earnings/(Loss) Per Share

Basic earnings/(loss) per common share is computed by dividing net income/(loss) less accumulated preferred stock dividends by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the year are weighted for the portion of the year that they were outstanding. Diluted earnings/(loss) per share is computed in a manner consistent with that of basic income/(loss) 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 loss per share is shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
In millions, except per share data	2018	2017	2018	2017
Basic income/(loss) per share attributable to NRG Energy, Inc. common stockholders				
Net income/(loss) attributable to NRG Energy, Inc.	$72	$(626)	$351	$(790)
Weighted average number of common shares outstanding - basic	310	316	314	316
Earnings/(loss) per weighted average common share — basic	$0.23	$(1.98)	$1.12	$(2.50)
Diluted income/(loss) per share attributable to NRG Energy, Inc. common stockholders				
Weighted average number of common shares outstanding - diluted	310	316	314	316
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	4	—	4	—
Total dilutive shares	314	316	318	316
Earnings/(loss) per weighted average common share — diluted	$0.23	$(1.98)	$1.10	$(2.50)

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	2018	2017	2018	2017
Equity compensation plans	—	6	1	6
Total	—	6	1	6

Note 12 — Segment Reporting

The Company's segment structure reflects how management currently makes financial decisions and allocates resources. The Company's businesses are segregated as follows: Generation, which includes generation, international and BETM; Retail, which includes Mass customers and Business Solutions, which includes C&I customers and other distributed and reliability products; Renewables, which includes solar and wind assets, excluding those in NRG Yield; NRG Yield; and corporate activities.

During 2017, NRG Yield acquired several projects totaling 555 MW from NRG. On March 30, 2018, the Company sold to NRG Yield, Inc. 100% of NRG's interests in Buckthorn Renewables, LLC, which owns a 154 MW construction-stage utility-scale solar generation project, located in Texas. These acquisitions were treated as a transfer of entities under common control and accordingly, all historical periods have been recast to reflect the acquisitions as if they had occurred at the beginning of the financial statement period.

On June 14, 2017, as described in Note 3, Acquisitions, Discontinued Operations and Dispositions, NRG deconsolidated GenOn for financial reporting purposes. The financial information for all historical periods have been recast to reflect the presentation of GenOn as discontinued operations within the corporate segment.

NRG's chief operating decision maker, its chief executive officer, evaluates the performance of its segments based on operational measures including adjusted earnings before interest, taxes, depreciation and amortization, or Adjusted EBITDA, free cash flow and capital for allocation, as well as net income/(loss).

	Retail[(a)]	Generation[(a)]	Renewables[(a)]	NRG Yield	Corporate[(a)]	Eliminations	Total
Three months ended June 30, 2018	(In millions)						
Operating revenues[(a)]	$1,817	$ 1,218	$ 113	$307	$ 7	$ (540)	$2,922
Depreciation and amortization	31	66	40	82	8	—	227
Impairment losses	—	74	—	—	—	—	74
Reorganization costs	1	3	3	—	16	—	23
Equity in earnings/(losses) of unconsolidated affiliates	—	—	5	29	—	(16)	18
(Loss)/income from continuing operations before income taxes	(84)	273	(17)	103	(134)	(12)	129
(Loss)/income from continuing operations	(84)	272	(12)	96	(139)	(12)	121
Loss from discontinued operations, net of tax	—	—	—	—	(25)	—	(25)
Net (Loss)/Income	(84)	272	(12)	96	(164)	(12)	96
(Loss)/Income attributable to NRG Energy, Inc.	$(88)	$ 272	$ (35)	$73	$ (244)	$ 94	$72
Total assets as of June 30, 2018	$7,217	$ 4,306	$ 4,117	$8,448	$ 9,675	$ (10,816)	$22,947
(a) Operating revenues include inter-segment sales and net derivative gains and losses of:	$2	$546	$9	$—	$(17)	$—	$540

	Retail[(a)]	Generation[(a)]	Renewables[(a)]	NRG Yield	Corporate[(a)]	Eliminations	Total
Three months ended June 30, 2017	(In millions)						
Operating revenues[(a)]	$1,603	$ 882	$ 119	$288	$ 3	$ (194)	$2,701
Depreciation and amortization	29	95	49	79	8	—	260
Impairment losses	—	41	22	—	—	—	63
Equity in (losses)/earnings of unconsolidated affiliates	—	(15)	(2)	16	3	(5)	(3)
Income/(loss) from continuing operations before income taxes	330	(89)	(51)	52	(134)	(5)	103

Income/(loss) from continuing operations	341	(90)	(46)	44	(145)	(5)	99
Loss from discontinued operations, net of tax	—	—	—	—	(741)	—	(741)
Net Income/(Loss)	341	(90)	(46)	44	(886)	(5)	(642)
Net Income/(Loss) attributable to NRG Energy, Inc.	$341	$ (90)	$ (21)	$38	$ (919)	$ 25	$(626)
(a) Operating revenues include inter-segment sales and net derivative gains and losses of:	$1	$171	$3	$—	$19	$—	$194

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	Retail[(a)]	Generation[(a)]	Renewables[(a)]	NRG Yield	Corporate[(a)]	Eliminations	Total
Six months ended June 30, 2018	(In millions)						
Operating revenues[(a)]	$3,298	$ 1,545	$ 199	$532	$ 9	$ (240)	$5,343
Depreciation and amortization	59	133	90	163	17	—	462
Impairment losses	—	74	—	—	—	—	74
Reorganization costs	4	7	3	—	29	—	43
Equity in earnings/(losses) of unconsolidated affiliates	—	2	5	33	(1)	(23)	16
Income/(Loss) from continuing operations before income taxes	861	(264)	(56)	102	(260)	(22)	361
Income/(Loss) from continuing operations	861	(265)	(45)	96	(271)	(22)	354
Income from discontinued operations, net of tax	—	—	—	—	(25)	—	(25)
Net Income/(Loss)	861	(265)	(45)	96	(296)	(22)	329
Net Income/(Loss) attributable to NRG Energy, Inc.	$851	$ (265)	$ (33)	$94	$ (392)	$ 96	$351
(a) Operating revenues include inter-segment sales and net derivative gains and losses of:	$3	$239	$17	$—	$(19)	$—	$240

	Retail[(a)]	Generation[(a)]	Renewables[(a)]	NRG Yield	Corporate[(a)]	Eliminations	Total
Six months ended June 30, 2017							
Operating revenues[(a)]	$2,938	$ 1,848	$ 213	$509	$ 11	$ (436)	$5,083
Depreciation and amortization	57	192	96	156	16	—	517
Impairment losses	—	41	22	—	—	—	63
Equity in (losses)/earnings of unconsolidated affiliates	—	(28)	(3)	35	7	(9)	2
Income/(loss) from continuing operations before income taxes	303	(52)	(87)	49	(275)	(9)	(71)
Income/(loss) from continuing operations	311	(54)	(77)	42	(283)	(9)	(70)
Loss from discontinued operations, net of tax	—	—	—	—	(775)	—	(775)
Net Income/(loss)	311	(54)	(77)	42	(1,058)	(9)	(845)
Net Income/(loss) attributable to NRG Energy, Inc.	$311	$ (54)	$ (24)	$50	$ (1,091)	$ 18	$(790)
(a) Operating revenues include inter-segment sales and net derivative gains and losses of:	$11	$406	$4	$—	$15	$—	$436

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Note 13 — Income Taxes

Effective Tax Rate

The income tax provision consisted of the following:

In millions, except rates	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Income/(Loss) before income taxes	$129	$103	$361	$(71)
Income tax expense/(benefit) from continuing operations	8	4	7	(1)
Effective tax rate	6.2 %	3.9 %	1.9 %	1.4 %

For the three and six months ended June 30, 2018, NRG's overall effective tax rate was different than the statutory rate of 21% primarily due to the tax benefit for the change in valuation allowance and the generation of PTCs from various wind facilities partially offset by the inclusion of consolidated partnerships and the current state tax expense.

For the three months ended June 30, 2017, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to the tax benefit for the change in valuation allowance and the generation of PTCs and ITCs from various wind and solar facilities, respectively, partially offset by the inclusion of consolidated partnerships and current state tax expense.

For the six months ended June 30, 2017, NRG's overall effective tax rate was different than the statutory rate of 35% primarily due to the tax expense for the change in valuation allowance and current state tax expense, partially offset by the generation of PTCs and ITCs from various wind and solar facilities, respectively.

Uncertain Tax Benefits

As of June 30, 2018, NRG has recorded a non-current tax liability of $39 million for uncertain tax benefits from positions taken on various state income tax returns, including accrued interest. For the six months ended June 30, 2018, NRG accrued an immaterial amount of interest relating to the uncertain tax benefits. As of June 30, 2018, NRG had cumulative interest and penalties related to these uncertain tax benefits of $5 million. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.

NRG is subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including operations located in Australia. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2015. With few exceptions, state and local income tax examinations are no longer open for years before 2010.

Note 14 — Related Party Transactions

Services Agreement and Transition Services Agreement with GenOn

The Company provides GenOn with various management, personnel and other services, which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management, as set forth in the services agreement with GenOn, or the Services Agreement. The initial term of the Services Agreement was through December 31, 2013, with an automatic renewal absent a request for termination. The fee charged was determined based on a fixed amount as described in the Services Agreement and was calculated based on historical GenOn expenses prior to the NRG Merger. The annual fees under the Services Agreement were approximately $193 million and management has concluded that this method of charging overhead costs is reasonable. As described in Note 3, Acquisitions, Discontinued Operations and Dispositions, in connection with the Restructuring Support Agreement, NRG agreed to provide shared services to GenOn under the Services Agreement for an adjusted annualized fee of $84 million.

In December 2017, in conjunction with the confirmation of the GenOn Entities' plan of reorganization, the Services Agreement was terminated and replaced by the transition services agreement. Under the transition services agreement, NRG provided the shared services and other separation services at an annualized rate of $84 million, subject to certain credits and adjustments. GenOn provided notice to NRG of its intent to terminate the transition services agreement effective August 15, 2018 and in connection with the settlement agreement described in Note 3, Acquisitions, Discontinued Operations and Dispositions, all amounts owed and payable to NRG were settled against the $28 million credit provided for in the Restructuring Support Agreement. NRG may provide additional separation services that are necessary for or reasonably related to the operation of GenOn's business after such date, subject to NRG's prior written consent, not to be unreasonably withheld. For the three and six months ended June 30, 2018, NRG recorded approximately $21 million and $42 million, respectively, under the transition services agreement against selling, general and administrative expenses post-Chapter 11 Filing. For the three and six months ended June 30, 2017, NRG recorded other income - affiliate related to these services of $39 million and $87 million, respectively.

Credit Agreement with GenOn

NRG and GenOn are party to a secured intercompany revolving credit agreement. The intercompany revolving credit agreement provided for a $500 million revolving credit facility, all of which was available for revolving loans and letters of credit. At June 30, 2018 and December 31, 2017, $45 million and $92 million, respectively, of letters of credit were issued and outstanding under the NRG credit agreement for GenOn. Additionally, as of June 30, 2018 and December 31, 2017, there were $151 million and $125 million, respectively, of loans outstanding under the intercompany secured revolving credit facility. In addition, the intercompany secured revolving credit facility contains customary covenants and events of default. As of June 30, 2018, GenOn was in default under the secured intercompany revolving credit agreement due to the filing of the Chapter 11 Cases.

As a result of the Chapter 11 Cases, no additional revolving loans or letters of credit are available to GenOn. As the Restructuring Support Agreement provided that the borrowings be repaid to NRG at or prior to emergence, NRG recorded its affiliate receivable for the amount outstanding net within accrued expenses and other current liabilities - affiliate on the consolidated balance sheet as of June 30, 2018. Interest continued to accrue during the pendency of the Chapter 11 Cases until July 2018, when all borrowings and related interest were settled against amounts owed by the Company to GenOn as further discussed in Note 3 , Acquisitions, Discontinued Operations and Dispositions, in connection with the settlement between NRG and GenOn.

Commercial Operations Agreement

NRG Power Marketing LLC has entered into physical and financial intercompany commodity and hedging transactions with GenOn and certain of its subsidiaries. Subject to applicable collateral thresholds, these arrangements may provide for the bilateral exchange of credit support based upon market exposure and potential market movements. The terms and conditions of the agreements are generally consistent with industry practices and other third party arrangements. As of June 30, 2018, derivative assets and liabilities associated with these transactions are recorded within NRG's derivative instruments balances on the consolidated balance sheet, with related revenues and costs within operating revenues and cost of operations, respectively. Additionally, as of June 30, 2018 and December

31, 2017, the Company had $24 million and $32 million, respectively, of cash collateral posted in support of energy risk management activities by GenOn.

Note 15 — Commitments and Contingencies

This footnote should be read in conjunction with the complete description under Note 22, Commitments and Contingencies, to the Company's 2017 Form 10-K.

Commitments

First Lien Structure

NRG has granted first liens to certain counterparties on a substantial portion of the Company's assets, excluding assets acquired in the GenOn and EME (including Midwest Generation) acquisitions, assets held by NRG Yield, Inc. and NRG's assets that have project-level financing, 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, 2018, hedges under the first lien were in-the-money for NRG on a counterparty aggregate basis.

Contingencies

The Company's material legal proceedings are described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. NRG records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. As applicable, the Company has established an adequate reserve for the matters discussed below. 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.

Midwest Generation Asbestos Liabilities — The Company, through its subsidiary, Midwest Generation, may be subject to potential asbestos liabilities as a result of its acquisition of EME. The Company is currently analyzing the scope of potential liability as it may relate to Midwest Generation. The Company believes that it has established an adequate reserve for these cases. On March 27, 2018, ComEd filed a Motion to Compel Payments of Claims seeking $61 million related to asbestos liabilities. On April 25, 2018, NRG filed an Omnibus Objection to All Remaining Claims of ComEd and Exelon.

Midwest Generation New Source Review Litigation — In 2009, the EPA and the Illinois Attorney General, or the Government Plaintiffs, filed a complaint in the U.S. District Court for the Northern District of Illinois alleging violations of CAA PSD requirements and opacity and PM regulations. Several environmental groups intervened as plaintiffs in this litigation. Midwest Generation moved to dismiss nine of the ten PSD counts. The trial court granted the motion in 2010. Following the trial court ruling, the Government Plaintiffs appealed the trial court’s dismissals of their PSD claims. Those PSD claim dismissals were affirmed by the U.S. Court of Appeals for the Seventh Circuit in 2013. On May 10, 2018, the district court approved the Consent Decree settling this litigation and dismissed the case. Pursuant to the Consent Decree, Midwest Generation has paid $500,000 to each of the State of Illinois and the Federal Government and has agreed to make and maintain certain operational improvements.

Telephone Consumer Protection Act Purported Class Actions — Three purported class action lawsuits have been filed against NRG Residential Solar Solutions, LLC — one in California and two in New Jersey. The plaintiffs generally allege misrepresentation by the call agents and violations of the TCPA, claiming that the defendants engaged in a telemarketing campaign placing unsolicited calls to individuals on the “Do Not Call List.” The plaintiffs seek statutory damages of up to $1,500 per plaintiff, actual damages and equitable relief. On June 22, 2017, plaintiffs in the California case filed a motion for leave to file a second amended complaint to substitute new plaintiffs. Defendants filed an opposition to this motion on June 26, 2017. The court granted plaintiffs' motion to substitute new plaintiffs and on August 1, 2017, defendants filed an answer to the second amended complaint. On August 31, 2017, the court in the California case agreed that the litigation should be stayed pending final court approval of the New Jersey settlement. On July 12, 2017, the parties in one of the New Jersey actions reached an agreement in principle to resolve the class allegations which was confirmed by a term sheet signed by the parties on July 28, 2017. On September 27, 2017, plaintiffs in one of the New Jersey cases filed their motion for preliminary approval of the class settlement which was approved by the court on November 17, 2017. On May 14, 2018, the court entered a final order approving the class action settlement and dismissing the lawsuit, thereby ending the New Jersey lawsuits. On July 2, 2018, the court in the California case entered an order dismissing the lawsuit.

California Department of Water Resources and San Diego Gas & Electric Company v. Sunrise Power Company LLC — On January 29, 2016, CDWR and SDG&E filed a lawsuit against Sunrise Power Company, along with NRG and Chevron Power Corporation. In June 2001, CDWR and Sunrise entered into a 10-year PPA under which Sunrise would construct and operate a generating facility and provide power to CDWR. At the time the PPA was entered into, Sunrise had a transportation services agreement, or TSA, to purchase natural gas from Kern River through April 30, 2018. In August 2003, CDWR entered into an agreement with Sunrise and Kern River in which CDWR accepted assignment of the TSA through the term of the PPA. After the PPA expired, Kern River demanded that any reassignment be to a party which met certain creditworthiness standards which Sunrise did not. As such, the plaintiffs brought this lawsuit against the defendants alleging breach of contract, breach of covenant of good faith and fair dealing and improper distributions. Plaintiffs generally claim damages of $1.2 million per month for the remaining 70 months of the TSA. On April 20, 2016, the defendants filed objections in response to the plaintiffs' complaint. The objections were granted on June 14, 2016; however, the plaintiffs were allowed to file amended complaints on July 1, 2016. On July 27, 2016, defendants filed objections to the amended complaints. On November 18, 2016, the court sustained the objections and allowed plaintiffs another opportunity to file a second amended lawsuit which they did on January 13, 2017. On April 21, 2017, the court issued an order sustaining the objections without leave to amend. On July 14, 2017, CDWR filed a notice of appeal. On January 10, 2018, CDWR filed its appellate brief. Defendants filed their opposition brief on April 10, 2018. On May 30, 2018, CDWR filed their reply brief.

Braun v. NRG Yield, Inc. — On April 19, 2016, plaintiffs filed a putative class action lawsuit against NRG Yield, Inc., the current and former members of its board of directors individually, and other parties in California Superior Court in Kern County, CA. Plaintiffs allege various violations of the Securities Act due to the defendants’ alleged failure to disclose material facts related to low wind production prior to the NRG Yield, Inc.'s June 22, 2015 Class C common stock offering. Plaintiffs seek compensatory damages, rescission, attorney’s fees and costs. The Defendants filed demurrers and a motion challenging jurisdiction on October 18, 2016. On July 30, 2018, the plaintiffs filed an opposition to the defendants’ motion to quash service of the summons and an opposition to the defendants’ demurrer.

Griffoul v. NRG Residential Solar Solutions — On February 28, 2017, plaintiffs, consisting of New Jersey residential solar customers, filed a purported class action lawsuit in New Jersey state court. Plaintiffs allege violations of the New Jersey Consumer Fraud Action and Truth-in-Consumer Contracts, Warranty and Notice Act with regard to certain provisions of their residential solar contracts. The plaintiffs seek damages and injunctive relief as to the proper allocation of the solar renewable energy credits. On June 6, 2017, the defendants filed a motion to compel arbitration or dismiss the lawsuit. Plaintiffs filed their opposition on June 29, 2017. On July 14, 2017, the court denied NRG's motion to compel arbitration or dismiss the case. On July 25, 2017, NRG filed a motion for reconsideration of the appeal, which was denied. On August 22, 2017, NRG filed a notice of appeal. After oral argument on April 24, 2018, the Appellate Division reversed the lower court on May 4, 2018, and ordered that the plaintiff must arbitrate their claims against NRG. On May 23, 2018, the plaintiff filed a petition for certification with the Supreme Court of New Jersey seeking to overturn the Appellate Division ruling. The petition and objection are fully briefed.

Rice v. NRG — On April 14, 2017, plaintiffs filed a purported class action lawsuit in the U.S. District Court for the Western District of Pennsylvania against NRG, First Energy Corporation and Matt Canastrale Contracting, Inc. Plaintiffs generally claim personal injury, trespass, nuisance and property damage related to the disposal of coal ash from GenOn's Elrama Power Plant and First Energy’s Mitchell and Hatfield Power Plants. Plaintiffs generally seek monetary damages, medical monitoring and remediation of their property. Plaintiffs filed an amended complaint on August 14, 2017. On October 20, 2017, NRG filed its answers and affirmative defenses. On July 6, 2018, NRG filed a motion for summary judgment. Plaintiffs filed their opposition to the motion for summary judgment on July 29, 2018.

Washington-St. Tammany and Claiborne Electric Cooperative v. LaGen — On June 28, 2017, plaintiffs Washington-St. Tammany Electric Cooperative, Inc. and Claiborne Electric Cooperative, Inc. filed a lawsuit against Louisiana Generating, L.L.C., or LaGen, in the United States District Court for the Middle District of Louisiana. The plaintiffs claim breach of contract against LaGen for allegedly improperly charging the plaintiffs for costs related to the installation and maintenance of certain pollution control technology. Plaintiffs seek damages for the alleged improper charges and a declaration as to which charges are proper under the contract. On September 14, 2017, the court issued a scheduling order setting this case for trial on October 21, 2019. LaGen filed its answer and affirmative defenses on November 17, 2017.

GenOn Chapter 11 Cases — On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Under the Restructuring Support Agreement to which the GenOn Entities, NRG and certain of GenOn's and GenOn Americas Generation's senior unsecured noteholders are parties, each of them supported the Bankruptcy Court's approval of the plan of reorganization. GenOn has a customary "fiduciary out" under the Restructuring Support Agreement. If the plan of reorganization is not consummated, NRG may not be entitled to the benefits of the Settlement Agreement provided under the Restructuring Support Agreement and it will remain subject to any claims of GenOn and the noteholders, including claims relating to or arising out of any shared services and any other relationships or transactions between the companies. See Note 3, Acquisitions, Discontinued Operations and Dispositions, for additional information related to the Chapter 11 Cases.

GenOn Noteholders' Lawsuit — On December 13, 2016, certain indenture trustees for an ad hoc group of holders, or the Noteholders, of the GenOn Energy, Inc. 7.875% Senior Notes due 2017, 9.500% Notes due 2018, and 9.875% Notes due 2020, and the GenOn Americas Generation, LLC 8.50% Senior Notes due 2021 and 9.125% Senior Notes due 2031, along with certain of the Noteholders, filed a complaint in the Superior Court of the State of Delaware against NRG and GenOn alleging certain claims related to the Services Agreement between NRG and GenOn. Plaintiffs generally seek return of all monies paid under the Services Agreement and any other damages that the court deems appropriate. On February 3, 2017, the court entered an order approving a Standstill Agreement whereby the parties agreed to suspend all deadlines in the case until March 1, 2017. The Standstill Agreement terminated on March 1, 2017. On April 30, 2017, the Noteholders filed an amended complaint that asserts (i) additional fraudulent transfer claims in relation to GenOn’s sale of the Marsh Landing project to NRG Yield LLC, (ii) alleged breaches of fiduciary duty by certain current and former officers and directors of GenOn in relation to the Services Agreement and the alleged usurpation of corporate opportunities concerning the Mandalay and Canal projects and (iii) claims against NRG for allegedly aiding and abetting such claimed breaches of fiduciary duties. In addition to NRG and GenOn, the amended complaint names NRG Yield LLC and certain current and former officers and directors of GenOn as defendants. The plaintiffs, among other things, generally seek return of all monies paid under the services agreement and any other damages that the court deems appropriate. On July 13, 2018, NRG and GenOn executed a term sheet that resolves and releases the GenOn Noteholder litigation.

Morgantown v. GenOn Mid-Atlantic — On June 8, 2017, Morgantown and Dickerson Owner Lessors filed a lawsuit against GenOn Mid-Atlantic, LLC, NRG North America LLC, GenOn Americas Generation, LLC, NRG Americas, Inc., GenOn Energy Holdings, Inc., GenOn Energy, Inc., and NRG Energy, Inc. in New York State Supreme Court. The plaintiffs allege that they were overcharged by defendants for certain services outlined in a Services Agreement and that defendants caused a Qualified Credit Support portion of a Participation Agreement, or QCS Agreement, to be violated by causing the transfer of certain money outside the allowable confines set forth in the QCS Agreement. In addition, plaintiffs claim that the transfers were unfairly executed and done so in an effort to defraud plaintiffs and hinder their ability to continue to do business. As such, plaintiffs seek, among other things, the return of certain transferred funds and service charges paid and to bar defendants from executing additional transfers on plaintiffs’ behalf. On November 7, 2017, the Bankruptcy Court issued an order estimating the claims to be valued at $0. On December 14, 2017, a settlement agreement was executed between GenOn and NRG. On April 27, 2018, the parties executed a mutual release which in conjunction with the settlement agreement resolved this lawsuit.

BTEC v. NRG Texas Power — On July 18, 2017, BTEC New Albany LLC, or BTEC, filed a lawsuit against NRG Texas Power LLC, or NRG Texas Power, in the Harris County District Court in Texas. On January 15, 2013, the parties entered into a Membership Interest and Purchase Agreement, or MIPA, whereby BTEC agreed to dismantle, transport and rebuild an electric power generation facility at the former P.H. Robinson Electric Generating Station in Bacliff, Texas. The MIPA required BTEC to meet a Guaranteed Commercial Completion Date of May 31, 2016. Because BTEC had not satisfied all of the contractually-required acceptance criteria by the MIPA expiration date, NRG elected to terminate the contract in June 2017. BTEC claimed that NRG Texas Power breached the MIPA by improperly terminating it, and sought a declaratory judgment as to the rights and obligations of the parties as well as damages, interest and attorney's fees. On September 7, 2017, NRG Texas Power filed a counterclaim seeking damages in excess of $48 million. On June 7, 2018, the parties resolved all claims and counterclaims in the lawsuit and a dismissal order was subsequently entered by the court on July 12, 2018.

GenOn Related Contingencies

Actions Pursued by MC Asset Recovery — With Mirant Corporation's emergence from bankruptcy protection in 2006, certain actions filed by GenOn Energy Holdings and some of its subsidiaries against third parties were transferred to MC Asset Recovery, a wholly owned subsidiary of GenOn Energy Holdings. MC Asset Recovery is governed by a manager who is independent of NRG and GenOn. MC Asset Recovery is a disregarded entity for income tax purposes. Under the remaining action transferred to MC Asset Recovery, MC Asset Recovery sought to recover damages from Commerzbank AG and various other banks, or the Commerzbank Defendants, for alleged fraudulent transfers that occurred prior to Mirant's bankruptcy proceedings. In December 2010, the U.S. District Court for the Northern District of Texas dismissed MC Asset Recovery's complaint against the Commerzbank Defendants. In January 2011, MC Asset Recovery appealed the District Court's dismissal of its complaint against the Commerzbank Defendants to the U.S. Court of Appeals for the Fifth Circuit, or the Fifth Circuit. In March 2012, the Fifth Circuit reversed the District Court's dismissal and reinstated MC Asset Recovery's amended complaint against the Commerzbank Defendants. On December 10, 2015, the District Court granted summary judgment in favor of the Commerzbank Defendants. On December 29, 2015, MC Asset Recovery filed a notice to appeal this judgment with the Fifth Circuit. On June 1, 2017, the Fifth Circuit affirmed the District Court's judgment. On June 12, 2017, MC Asset Recovery petitioned the Fifth Circuit for rehearing. The petition for rehearing was denied and a court order and judgment affirming the District Court's judgments was entered on July 17, 2017. On October 17, 2018, the bankruptcy court is scheduled to hear a Motion for a Final Decree to close the Mirant bankruptcy case.

Natural Gas Litigation — GenOn has been a party to several lawsuits, certain of which are class action lawsuits, in state and federal courts, of which four remain pending involving plaintiffs in Kansas, Missouri and Wisconsin. These lawsuits were filed in the aftermath of the California energy crisis in 2000 and 2001 and the resulting FERC investigations and relate to alleged conduct to increase natural gas prices in violation of state antitrust law and similar laws. The lawsuits seek treble or punitive damages, restitution and/or expenses. The lawsuits also name as parties a number of energy companies unaffiliated with NRG. In July 2011, the U.S. District Court for the District of Nevada, which was handling four of the five cases, granted the defendants' motion for summary judgment and dismissed all claims against GenOn in those cases. The plaintiffs appealed to the U.S. Court of Appeals for the Ninth Circuit, or the Ninth Circuit, which reversed the decision of the District Court. GenOn along with the other defendants in the lawsuit filed a petition for a writ of certiorari to the U.S. Supreme Court challenging the Ninth Circuit's decision and the U.S. Supreme Court granted the petition. On April 21, 2015, the U.S. Supreme Court affirmed the Ninth Circuit's holding that plaintiffs' state antitrust law claims are not field-preempted by the federal Natural Gas Act and the Supremacy Clause of the U.S. Constitution. The U.S. Supreme Court left open whether the claims were preempted on the basis of conflict preemption. The U.S. Supreme Court directed that the case be remanded to the U.S. District Court for the District of Nevada for further proceedings.

On March 7, 2016, class plaintiffs filed their motions for class certification. On March 30, 2017, the court denied the plaintiffs' motions for class certification, which the plaintiffs appealed to. The plaintiffs petitioned the Ninth Circuit for interlocutory review. On July 12, 2018, the Ninth Circuit heard oral arguments and the case is under submission pending a decision.

On February 26, 2018, GenOn filed objections to the proofs of claim filed in the Chapter 11 Cases by all of the plaintiffs in each of the four cases. GenOn filed that same day a motion asking the Bankruptcy Court to estimate all of the proofs of claim at zero dollars, to which the plaintiffs objected. The Bankruptcy Court denied the plaintiffs' objection, ruling that it had the authority to consider GenOn's objections to the proofs of claim and to estimate the claims, but has certified its decision for review by either the Fifth Circuit Court of Appeals or the District Court.

In June 2018, GenOn reached a settlement with plaintiffs in three of the four remaining suits, which leaves only the one purported class action involving plaintiffs in Wisconsin. CenterPoint Energy Services is a defendant in that case, and GenOn has agreed to indemnify CenterPoint against certain losses relating to the lawsuit. The Nevada District Judge granted summary judgment in favor of CenterPoint in that lawsuit and the plaintiffs appealed that decision to the Ninth Circuit. The appeal was argued on February 16, 2018, and the case is under submission pending a decision.

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Mirant Chapter 11 Proceedings — In July 2003, and various dates thereafter, the Mirant Debtors filed voluntary petitions in the U.S. Bankruptcy Court for the Northern District of Texas, Fort Worth Division, for relief under Chapter 11 of the Bankruptcy Code. GenOn Energy Holdings and most of the other Mirant Debtors emerged from bankruptcy on January 3, 2006, when the plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection, or the Mirant Plan, became effective. The remaining Mirant Debtors emerged from bankruptcy on various dates in 2007. Approximately 461,000 of the shares of GenOn Energy Holdings common stock to be distributed under the Mirant Plan have not yet been distributed and have been reserved for distribution with respect to claims disputed by the Mirant Debtors that have not been resolved. Upon the Mirant/RRI Merger, those reserved shares converted into a reserve for approximately 1.3 million shares of GenOn common stock. Upon the NRG Merger, those reserved shares converted into a reserve for approximately 159,000 shares of NRG common stock. Under the terms of the Mirant Plan, upon the resolution of such a disputed claim, the claimant will receive the same pro rata distributions of common stock, cash, or both as previously allowed claims, regardless of the price at which the common stock is trading at the time the claim is resolved. If the aggregate amount of any such payouts results in the number of reserved shares being insufficient, additional shares of common stock may be issued to address the shortfall. The bankruptcy court is scheduled to hear a Motion for a Final Decree in the Mirant bankruptcy on October 17, 2018.

Potomac River Environmental Investigation — In March 2013, NRG Potomac River LLC, a subsidiary of GenOn, received notice that the District of Columbia Department of Environment (now renamed the Department of Energy and Environment, or DOEE) was investigating potential discharges to the Potomac River originating from the Potomac River Generating facility site, a site where the generation facility is no longer in operation. In connection with that investigation, DOEE served a civil subpoena on NRG Potomac River LLC requesting information related to the site and potential discharges occurring from the site. NRG Potomac River LLC provided various responsive materials. In January 2016, DOEE advised NRG Potomac River LLC that DOEE believed various environmental violations had occurred as a result of discharges DOEE believes occurred to the Potomac River from the Potomac River Generating facility site and as a result of associated failures to accurately or sufficiently report such discharges. DOEE has indicated it believes that penalties are appropriate in light of the violations. NRG Potomac River LLC is currently reviewing the information provided by DOEE.

Natixis v. GenOn Mid-Atlantic — On February 16, 2018, Natixis Funding Corp. and Natixis, New York Branch filed a complaint in the Supreme Court of the State of New York against GenOn Mid-Atlantic, the owner lessors under GenOn Mid-Atlantic’s operating leases of the Dickerson and Morgantown coal generation units, and the lease indenture trustee under those leases. The plaintiffs’ allegations against GenOn Mid-Atlantic relate to a payment agreement between GenOn Mid-Atlantic and Natixis Funding Corp. to procure credit support for the payment of certain lease payments owed pursuant to the GenOn Mid-Atlantic operating leases for Morgantown and Dickerson. The plaintiffs seek approximately $34 million in damages arising from GenOn Mid-Atlantic’s purported breach of certain warranties in the payment agreement. On April 2, 2018, GenOn Mid-Atlantic removed the allegations against it to the U.S. District Court for the Southern District of New York. On April 11, 2018, the U.S. District Court for the Southern District of New York entered a briefing schedule on a forthcoming motion to remand by Natixis Funding Corp. and a forthcoming motion to transfer by GenOn Mid-Atlantic. On April 26, 2018, Natixis Funding Corp. filed its motion to remand. On May 31, 2018, GenOn Mid-Atlantic opposed the motion to remand and filed a cross-motion to transfer. The parties completed briefing on the motions to remand and transfer on July 9, 2018, and the U.S. District Court for the Southern District of New York held an oral argument on July 18, 2018 and continued the motions to a subsequent conference scheduled for September 26, 2018.

Note 16 — Regulatory Matters

This footnote should be read in conjunction with the complete description under Note 23, Regulatory Matters, to the Company's 2017 Form 10-K. Environmental regulatory matters are discussed within Note 17, Environmental Matters, to this Form 10-Q.

NRG operates in a highly regulated industry and is subject to regulation by various federal and state agencies. As such, NRG is affected by regulatory developments at both the federal and state levels and in the regions in which

NRG operates. In addition, NRG is subject to the market rules, procedures, and protocols of the various ISO and RTO markets in which NRG participates. These power markets are subject to ongoing legislative and regulatory changes that may impact NRG's wholesale and retail businesses.

In addition to the regulatory proceedings noted below, NRG and its subsidiaries are parties 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.

National

Department of Energy Consideration of 202(c) and Defense Production Act — On March 29, 2018, FirstEnergy Solutions requested that the Department of Energy provide price supports for its coal and nuclear units by having the DOE issue an emergency must-run order under Section 202(c) of the Federal Power Act. A number of parties have filed comments with the DOE, including PJM, challenging the assertion that the FirstEnergy Solutions' units are necessary for grid reliability. The DOE has not yet formally responded. On June 1, 2018, the White House announced that President Trump has directed Secretary of Energy Rick Perry to "prepare immediate steps to stop the loss" of coal and nuclear resources. No formal timeline for action on either proposal has been set by the Administration.

Zero-Emission Credits for Nuclear Plants in Illinois — In 2016, Illinois enacted a Zero Emission Credit, or ZEC, program for selected nuclear units in Illinois. In total, the program directs over $2.5 billion over ten years to two Exelon-owned nuclear power plants in Illinois. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On February 14, 2017, NRG, along with other companies, filed a complaint in the U.S. District Court for the Northern District of Illinois alleging that the state program is preempted by federal law and in violation of the dormant commerce clause. On July 14, 2017, Defendants' motions to dismiss were granted. On July 17, 2017, NRG, along with other companies, filed a notice of appeal to the U.S. Court of Appeals for the Seventh Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

Zero-Emission Credits for Nuclear Plants in New York — On August 1, 2016, the NYSPSC issued its Clean Energy Standard, or CES, which provided for ZECs which would provide more than $7.6 billion over 12 years in out-of-market subsidy payments to certain selected nuclear generating units in the state. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On October 19, 2016, NRG, along with other companies, filed a complaint in the U.S. District Court for the Southern District of New York, challenging the validity of the NYSPSC action and the ZEC program. On July 25, 2017, Defendants' motions to dismiss were granted. On August 24, 2017, NRG, along with other plaintiff companies, filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

Department of Energy's Proposed Grid Resiliency Pricing Rule and Subsequent FERC Proceeding — On September 29, 2017, the Department of Energy issued a proposed rulemaking titled the "Grid Resiliency Pricing Rule." The rulemaking directs FERC to take action to reform the ISO/RTO markets to value certain reliability and resiliency attributes of electric generation resources. On October 2, 2017, FERC issued a notice inviting comments. On October 4, 2017, FERC staff issued a series of questions requesting commenters to address. On October 23, 2017, NRG filed comments encouraging FERC to act expeditiously to modernize energy and capacity markets in a manner compatible with robust competitive markets. On January 8, 2018, FERC terminated the proposed rulemaking and opened a new proceeding asking each ISO/RTO to address specific questions focused on grid resilience. On March 9, 2018, the ISOs/RTOs filed comments to the questions posed by FERC. The Company responded on May 9, 2018 and is currently awaiting a decision from FERC.

East/West

Montgomery County Station Power Tax — On December 20, 2013, NRG received a letter from Montgomery County, Maryland requesting payment of an energy tax for the consumption of station power at the Dickerson Facility over the previous three years. Montgomery County seeks payment in the amount of $22 million, which includes tax, interest and penalties. NRG disputed the applicability of the tax. On December 11, 2015, the Maryland Tax Court reversed Montgomery County's assessment. Montgomery County filed an appeal, and on February 2, 2017, the Montgomery County Circuit Court affirmed the decision of the tax court. On February 17, 2017, Montgomery County filed an appeal to the Court of Special Appeals of Maryland. On April 24, 2018, the Court of Special Appeals of Maryland affirmed the lower court's decision and on May 29, 2018, Montgomery County petitioned the Court of Appeals of Maryland to issue a writ of certiorari to review that decision. NRG filed an answer opposing the petition on June 18, 2018. The petition is currently pending before the Court of Appeals of Maryland.

Puente Power Project — On October 5, 2017, the California Energy Commission, or CEC, the agency responsible for permitting the Puente Power Project, issued a statement on behalf of the committee of two Commissioners overseeing the permitting process stating their intention to issue a proposed decision that would deny a permit for the Puente Power Project. On October 16, 2017, NRG filed a motion to suspend the permitting proceeding for at least six months, which was granted on November 3, 2017. On May 31, 2018, the CEC extended the suspension period at NRG's request to July 1, 2019. The supplemental extension period should allow sufficient time to determine whether alternate procurement efforts undertaken by SCE supersede the need for the Puente Power Project.

Note 17 — Environmental Matters

This footnote should be read in conjunction with the complete description under Note 24, Environmental Matters, to the Company's 2017 Form 10-K.

NRG is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. NRG is also subject to laws regarding the protection of wildlife, including migratory birds, eagles and threatened and endangered species. The electric generation industry has been facing requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species that have been put in place in recent years. However, under the current U.S. presidential administration, some of these rules are being reconsidered and reviewed. In general, future laws are expected to require the addition of emissions controls or other environmental controls or to impose certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's consolidated financial position, results of operations, or cash flows. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

The EPA finalized CSAPR in 2011, which was intended to replace CAIR in January 2012, to address certain states' obligations to reduce emissions so that downwind states can achieve federal air quality standards. In December 2011, the D.C. Circuit stayed the implementation of CSAPR and then vacated CSAPR in August 2012 but kept CAIR in place until the EPA could replace it. In April 2014, the U.S. Supreme Court reversed and remanded the D.C. Circuit's decision. In October 2014, the D.C. Circuit lifted the stay of CSAPR. In response, the EPA in November 2014 amended the CSAPR compliance dates. Accordingly, CSAPR replaced CAIR on January 1, 2015. On July 28, 2015, the D.C. Circuit held that the EPA had exceeded its authority by requiring certain reductions that were not necessary for downwind states to achieve federal standards. Although the D.C. Circuit kept the rule in place, the court ordered the EPA to revise the Phase 2 (or 2017) (i) SO_2 budgets for four states including Texas and (ii) ozone-season NOx budgets for 11 states including Maryland, New Jersey, New York, Ohio, Pennsylvania and Texas. On October 26, 2016, the EPA finalized the CSAPR Update Rule, which reduces future NOx allocations and discounts the current banked allowances to account for the more stringent 2008 Ozone NAAQS and to address the D.C. Circuit's July 2015 decision. This rule has been challenged in the D.C. Circuit. The Company believes its investment in pollution controls and cleaner technologies leave the fleet well-positioned for compliance.

In February 2012, the EPA promulgated standards (the MATS rule) to control emissions of HAPs from coal and oil-fired electric generating units. The rule established limits for mercury, non-mercury metals, certain organics and acid gases, which had to be met beginning in April 2015 (with some units getting a 1-year extension). In June 2015, the U.S. Supreme Court issued a decision in the case of Michigan v. EPA, and held that the EPA unreasonably refused to consider costs when it determined that it was "appropriate and necessary" to regulate HAPs emitted by electric generating units. The U.S. Supreme Court did not vacate the MATS rule but rather remanded it to the D.C. Circuit for further proceedings. In December 2015, the D.C. Circuit remanded the MATS rule to the EPA without vacatur. On April 25, 2016, the EPA released a supplemental finding that the benefits of this regulation outweigh the costs to address the U.S. Supreme Court's ruling that the EPA had not properly considered costs. This finding has been challenged in the D.C. Circuit. On April 18, 2017, the EPA asked the D.C. Circuit to postpone oral argument that had been scheduled for May 18, 2017 because the EPA is closely reviewing the supplemental finding to determine whether it should reconsider all or part of the rule. On April 27, 2017, the D.C. Circuit granted EPA's request to postpone the oral argument and hold the case in abeyance. While NRG cannot predict the final outcome of this rulemaking, NRG believes that because it has already invested in pollution controls and cleaner technologies, the fleet is well-positioned to comply with the MATS rule.

Water

In August 2014, the EPA finalized the regulation regarding the use of water for once through cooling at existing facilities to address impingement and entrainment concerns. NRG anticipates that more stringent requirements will be incorporated into some of its water discharge permits over the next several years as NPDES permits are renewed.

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, or FGD, fly ash, bottom ash, and flue gas mercury control. In April 2017, the EPA granted two petitions to reconsider the rule and also administratively stayed some of the deadlines. On September 18, 2017, the EPA promulgated a final rule that (i) postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking and (ii) withdrew the April 2017 administrative stay. The legal challenges have been suspended while the EPA reconsiders and likely modifies the rule. Accordingly, the Company has largely eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. The Company will revisit these estimates after the rule is revised.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. The EPA has stated that it intends to further revise the rule.

East/West

New Source Review — The EPA and various states have been investigating compliance of electric generating facilities with the pre-construction permitting requirements of the CAA known as “new source review,” or NSR. In 2007, Midwest Generation received an NOV from the EPA alleging that past work at Crawford, Fisk, Joliet, Powerton, Waukegan and Will County generating stations violated NSR and other regulations. These alleged violations are the subject of litigation described in Note 15, Commitments and Contingencies. Additionally, in April 2013, the Connecticut Department of Energy and Environmental Protection issued four NOVs alleging that past work at oil-fired combustion turbines at the Torrington Terminal, Franklin, Branford and Middletown generating stations violated regulations regarding NSR.

Note 18 — Condensed Consolidating Financial Information

As of June 30, 2018, the Company had outstanding $5.4 billion of Senior Notes due from 2022 to 2048, as shown in Note 8, Debt and Capital Leases. These Senior Notes are guaranteed by certain of NRG's current and future 100% owned domestic subsidiaries, or guarantor subsidiaries. These guarantees are both joint and several. The non-guarantor subsidiaries include all of NRG's foreign subsidiaries and certain domestic subsidiaries, and NRG Yield, Inc. and its subsidiaries.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of June 30, 2018:

Ace Energy, Inc.	New Genco GP, LLC	NRG Northeast Affiliate Services Inc.
Allied Home Warranty GP LLC	Norwalk Power LLC	NRG Norwalk Harbor Operations Inc.
Allied Warranty LLC	NRG Advisory Services LLC	NRG Operating Services, Inc.
Arthur Kill Power LLC	NRG Affiliate Services Inc.	NRG Oswego Harbor Power Operations Inc.
Astoria Gas Turbine Power LLC	NRG Arthur Kill Operations Inc.	NRG PacGen Inc.
Bayou Cove Peaking Power, LLC	NRG Astoria Gas Turbine Operations Inc.	NRG Portable Power LLC
BidURenergy, Inc.	NRG Bayou Cove LLC	NRG Power Marketing LLC
Cabrillo Power I LLC	NRG Business Services LLC	NRG Reliability Solutions LLC
Cabrillo Power II LLC	NRG Cabrillo Power Operations Inc.	NRG Renter's Protection LLC
Carbon Management Solutions LLC	NRG California Peaker Operations LLC	NRG Retail LLC
Cirro Group, Inc.	NRG Cedar Bayou Development Company, LLC	NRG Retail Northeast LLC
Cirro Energy Services, Inc.	NRG Connected Home LLC	NRG Rockford Acquisition LLC
Conemaugh Power LLC	NRG Connecticut Affiliate Services Inc.	NRG Saguaro Operations Inc.
Connecticut Jet Power LLC	NRG Construction LLC	NRG Security LLC
Cottonwood Development LLC	NRG Curtailment Solutions, Inc	NRG Services Corporation
Cottonwood Energy Company LP	NRG Development Company Inc.	NRG SimplySmart Solutions LLC
Cottonwood Generating Partners I LLC	NRG Devon Operations Inc.	NRG South Central Affiliate Services Inc.
Cottonwood Generating Partners II LLC	NRG Dispatch Services LLC	NRG South Central Generating LLC
Cottonwood Generating Partners III LLC	NRG Distributed Energy Resources Holdings LLC	NRG South Central Operations Inc.
Cottonwood Technology Partners LP	NRG Distributed Generation PR LLC	NRG South Texas LP
Devon Power LLC	NRG Dunkirk Operations Inc.	NRG Texas C&I Supply LLC
Dunkirk Power LLC	NRG El Segundo Operations Inc.	NRG Texas Gregory LLC
Eastern Sierra Energy Company LLC	NRG Energy Efficiency-L LLC	NRG Texas Holding Inc.
El Segundo Power, LLC	NRG Energy Labor Services LLC	NRG Texas LLC
El Segundo Power II LLC	NRG ECOKAP Holdings LLC	NRG Texas Power LLC
Energy Alternatives Wholesale, LLC	NRG Energy Services Group LLC	NRG Warranty Services LLC
Energy Choice Solutions LLC	NRG Energy Services International Inc.	NRG West Coast LLC
Energy Plus Holdings LLC	NRG Energy Services LLC	NRG Western Affiliate Services Inc.
Energy Plus Natural Gas LLC	NRG Generation Holdings, Inc.	O'Brien Cogeneration, Inc. II
Energy Protection Insurance Company	NRG Greenco LLC	ONSITE Energy, Inc.

Everything Energy LLC	NRG Home & Business Solutions LLC	Oswego Harbor Power LLC
Forward Home Security, LLC	NRG Home Services LLC	Reliant Energy Northeast LLC
GCP Funding Company, LLC	NRG Home Solutions LLC	Reliant Energy Power Supply, LLC
Green Mountain Energy Company	NRG Home Solutions Product LLC	Reliant Energy Retail Holdings, LLC
Gregory Partners, LLC	NRG Homer City Services LLC	Reliant Energy Retail Services, LLC
Gregory Power Partners LLC	NRG Huntley Operations Inc.	RERH Holdings, LLC
Huntley Power LLC	NRG HQ DG LLC	Saguaro Power LLC
Independence Energy Alliance LLC	NRG Identity Protect LLC	Somerset Operations Inc.
Independence Energy Group LLC	NRG Ilion Limited Partnership	Somerset Power LLC
Independence Energy Natural Gas LLC	NRG Ilion LP LLC	Texas Genco GP, LLC
Indian River Operations Inc.	NRG International LLC	Texas Genco Holdings, Inc.
Indian River Power LLC	NRG Maintenance Services LLC	Texas Genco LP, LLC
Keystone Power LLC	NRG Mextrans Inc.	Texas Genco Services, LP
Louisiana Generating LLC	NRG MidAtlantic Affiliate Services Inc.	US Retailers LLC
Meriden Gas Turbines LLC	NRG Middletown Operations Inc.	Vienna Operations Inc.
Middletown Power LLC	NRG Montville Operations Inc.	Vienna Power LLC
Montville Power LLC	NRG New Roads Holdings LLC	WCP (Generation) Holdings LLC
NEO Corporation	NRG North Central Operations 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. There are no restrictions on the ability of any of the guarantor subsidiaries to transfer funds to NRG. However, there may be restrictions for certain non-guarantor subsidiaries.

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

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the three months ended June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
	(In millions)				
Operating Revenues					
Total operating revenues	$2,276	$ 659	$ —	$ (13)	$ 2,922
Operating Costs and Expenses					
Cost of operations	1,778	282	(4)	(5)	2,051
Depreciation and amortization	76	143	8	—	227
Impairment losses	—	74	—	—	74
Selling, general and administrative	110	34	77	(10)	211
Reorganization costs	1	—	22	—	23
Development costs	—	13	3	—	16
Total operating costs and expenses	1,965	546	106	(15)	2,602
Gain on sale of assets	—	14	—	—	14
Operating Income/(Loss)	311	127	(106)	2	334
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	7	—	355	(362)	—
Equity in earnings of unconsolidated affiliates	—	18	—	—	18
Other income/(expense), net	4	(26)	2	—	(20)
Loss on debt extinguishment, net	—	—	(1)	—	(1)
Interest expense	(4)	(92)	(106)	—	(202)
Total other income/(expense)	7	(100)	250	(362)	(205)
Income Before Income Taxes	318	27	144	(360)	129
Income tax expense/(benefit)	108	(68)	(32)	—	8
Income from Continuing Operations	210	95	176	(360)	121
Loss from discontinued operations, net of income tax	—	—	(25)	—	(25)
Net Income	210	95	151	(360)	96
Less: Net (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interests	—	(57)	79	2	24
Net Income Attributable to NRG Energy, Inc.	$210	$ 152	$ 72	$ (362)	$ 72

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the six months ended June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
	(In millions)				
Operating Revenues					
Total operating revenues	$4,120	$ 1,249	$ —	$ (26)	$ 5,343
Operating Costs and Expenses					
Cost of operations	3,004	613	9	(17)	3,609
Depreciation and amortization	149	297	16	—	462
Impairment losses	—	74	—	—	74
Selling, general and administrative	213	60	139	(10)	402
Reorganization costs	3	—	40	—	43
Development costs	—	23	7	(1)	29
Total operating costs and expenses	3,369	1,067	211	(28)	4,619
Gain on sale of assets	3	13	—	—	16
Operating Income/(Loss)	754	195	(211)	2	740
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	9	—	685	(694)	—
Equity in earnings/(losses) of unconsolidated affiliates	—	17	(1)	—	16
Other income/(expense), net	8	(36)	5	—	(23)
Loss on debt extinguishment, net	—	—	(3)	—	(3)
Interest expense	(7)	(164)	(198)	—	(369)
Total other income/(expense)	10	(183)	488	(694)	(379)
Income Before Income Taxes	764	12	277	(692)	361
Income tax expense/(benefit)	221	(20)	(194)	—	7
Income from Continuing Operations	543	32	471	(692)	354
Loss from discontinued operations, net of income tax	—	—	(25)	—	(25)
Net Income	543	32	446	(692)	329
Less: Net (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interests	—	(119)	95	2	(22)
Net Income Attributable to NRG Energy, Inc.	$543	$ 151	$ 351	$ (694)	$ 351

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

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
	(In millions)				
Net Income	$210	$ 95	$ 151	$ (360)	$ 96
Other Comprehensive Income, net of tax					
Unrealized gain on derivatives, net	—	4	6	(5)	5
Foreign currency translation adjustments, net	(4)	(4)	(5)	9	(4)
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(1)	—	(1)
Other comprehensive (loss)/income	(4)	—	1	4	1
Comprehensive Income	206	95	152	(356)	97
Less: Comprehensive (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interest	—	(57)	81	2	26
Comprehensive Income Attributable to NRG Energy, Inc.	$206	$ 152	$ 71	$ (358)	$ 71

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
	(In millions)				
Net Income	$543	$ 32	$ 446	$ (692)	$ 329
Other Comprehensive (Loss)/Income, net of tax					
Unrealized gain on derivatives, net	—	20	21	(22)	19
Foreign currency translation adjustments, net	(6)	(6)	(8)	14	(6)
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(2)	—	(2)
Other comprehensive (loss)/income	(6)	14	12	(8)	12
Comprehensive Income	537	46	458	(700)	341
Less: Comprehensive (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interest	—	(119)	105	2	(12)
Comprehensive Income Attributable to NRG Energy, Inc.	$537	$ 165	$ 353	$ (702)	$ 353

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
ASSETS	(In millions)				
Current Assets					
Cash and cash equivalents	$71	$ 395	$514	$ —	$ 980
Funds deposited by counterparties	71	—	—	—	71
Restricted cash	9	277	—	—	286
Accounts receivable, net	1,094	274	3	—	1,371
Inventory	309	176	—	—	485
Derivative instruments	837	36	15	(37)	851
Cash collateral paid in support of energy risk management activities	209	15	—	—	224
Accounts receivable - affiliate	1,189	123	141	(1,396)	57
Current assets - held for sale	—	100	—	—	100
Prepayments and other current assets	173	122	35	(2)	328
Total current assets	3,962	1,518	708	(1,435)	4,753
Property, plant and equipment, net	2,402	10,164	231	(23)	12,774
Other Assets					
Investment in subsidiaries	486	—	8,111	(8,597)	—
Equity investments in affiliates	—	1,055	—	—	1,055
Notes receivable, less current portion	—	15	—	—	15
Goodwill	360	179	—	—	539
Intangible assets, net	415	1,448	—	(3)	1,860
Nuclear decommissioning trust fund	694	—	—	—	694
Derivative instruments	329	61	38	(2)	426
Deferred income tax	156	34	(64)	—	126
Non-current assets held-for-sale	—	50	—	—	50
Other non-current assets	81	454	120	—	655
Total other assets	2,521	3,296	8,205	(8,602)	5,420
Total Assets	$8,885	$ 14,978	$9,144	$ (10,060)	$ 22,947
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt and capital leases	$—	$ 862	$92	$ (2)	$ 952
Accounts payable	699	230	46	—	975
Accounts payable — affiliate	1,901	(207)	(269)	(1,396)	29
Derivative instruments	695	51	—	(37)	709
Cash collateral received in support of energy risk management activities	72	—	—	—	72
Current liabilities held-for-sale	—	74	—	—	74
Accrued expenses and other current liabilities	270	123	326	—	719
Accrued expenses and other current liabilities-affiliate	—	—	133	—	133

Total current liabilities	3,637	1,133	328	(1,435)	3,663
Other Liabilities					
Long-term debt and capital leases	245	7,428	7,148	—	14,821
Nuclear decommissioning reserve	274	—	—	—	274
Nuclear decommissioning trust liability	410	—	—	—	410
Deferred income taxes	112	64	(159)	—	17
Derivative instruments	237	50	—	(2)	285
Out-of-market contracts, net	58	137	—	—	195
Non-current liabilities held-for-sale	—	12	—	—	12
Other non-current liabilities	410	311	409	—	1,130
Total non-current liabilities	1,746				