

GenOn Energy, Inc.  
Form 10-K  
February 27, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

OF 1934

For the Fiscal Year ended December 31, 2012.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

OF 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_.

GenOn Energy, Inc.

(Exact name of registrant as specified in its charter)

75-0655566 (I.R.S. Employer Identification No.)

Commission File Number: 001-16455

GenOn Americas Generation, LLC

(Exact name of registrant as specified in its charter)

51-0390520 (I.R.S. Employer Identification No.)

Commission File Number: 333-63240

GenOn Mid-Atlantic, LLC

(Exact name of registrant as specified in its charter)

58-2574140 (I.R.S. Employer Identification No.)

Commission File Number: 333-61668

Delaware

(State or other jurisdiction of incorporation or organization)

211 Carnegie Center Princeton, New Jersey

(Address of principal executive offices)

(609) 524-4500

(Registrants' telephone number, including area code)

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

None

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

None

08540

(Zip Code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

GenOn Energy, Inc.  Yes  No

GenOn Americas Generation, LLC  Yes  No

GenOn Mid-Atlantic, LLC  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

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GenOn Energy, Inc.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GenOn Americas Generation, LLC	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GenOn Mid-Atlantic, LLC	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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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. (As a voluntary filer not subject to filing requirements, the registrant nevertheless filed all reports which would have been required to be filed by Section 15(d) of the Exchange Act during the preceding 12 months had the registrant been required to file reports pursuant to Section 15(d) of the Securities Exchange Act of 1934 solely as a result of having registered debt securities under the Securities Act of 1933.)

GenOn Energy, Inc.  Yes  No  
 GenOn Americas Generation, LLC  Yes  No  
 GenOn Mid-Atlantic, LLC  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

GenOn Energy, Inc.  Yes  No  
 GenOn Americas Generation, LLC  Yes  No  
 GenOn Mid-Atlantic, LLC  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

GenOn Energy, Inc.   
 GenOn Americas Generation, LLC   
 GenOn Mid-Atlantic, LLC

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
GenOn Energy, Inc.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
GenOn Americas Generation, LLC	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
GenOn Mid-Atlantic, LLC	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

GenOn Energy, Inc.  Yes  No  
 GenOn Americas Generation, LLC  Yes  No  
 GenOn Mid-Atlantic, LLC  Yes  No

Each Registrant's outstanding equity interests are held by its respective parent and there are no equity interests held by nonaffiliates.

Registrant	Parent
GenOn Energy, Inc.	NRG Energy, Inc.
GenOn Americas Generation, LLC	GenOn Americas, Inc.
GenOn Mid-Atlantic, LLC	GenOn North America, LLC

This combined Form 10-K is separately filed by GenOn Energy, Inc., GenOn Americas Generation, LLC and GenOn Mid-Atlantic, LLC. Information contained in this combined Form 10-K relating to GenOn Energy, Inc., GenOn Americas Generation, LLC and GenOn Mid-Atlantic, LLC is filed by such registrant on its own behalf and each registrant makes no representation as to information relating to registrants other than itself.

The registrants have not incorporated by reference any information into this Form 10-K from any annual report to securities holders, proxy statement or prospectus filed pursuant to 424(b) or (c) of the Securities Act.

NOTE: WHEREAS GENON ENERGY, INC., GENON AMERICAS GENERATION, LLC AND GENON MID-ATLANTIC, LLC MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K, THIS COMBINED FORM 10-K IS BEING FILED WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION I(2).

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Glossary of Terms

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

Ancillary Services	Services that ensure reliability and support the transmission of electricity from generation sites to customer loads. Such services include regulation service, reserves and voltage support
ARO	Asset retirement obligation
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
ASU	Accounting Standards Updates – updates to the ASC
Bankruptcy Court	United States, Bankruptcy Court for the Northern District of Texas, Fort Worth Division
Baseload	Units expected to satisfy minimum baseload requirements of the system and produce electricity at an essentially constant rate and run continuously
CAA	Federal Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CCGT	Combined Cycle Gas Turbine
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries, prior to August 31, 2002
CFTC	U.S. Commodity Futures Trading Commission
Clean Water Act	Federal Water Pollution Control Act
CO <sub>2</sub>	Carbon dioxide
CSAPR	Cross-State Air Pollution Rule
Deactivation	Includes retirement, mothballing and long-term protective layup. In each instance, the deactivated unit cannot be currently called upon to generate electricity.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPA	United States Environmental Protection Agency
EPC	Engineering, Procurement and Construction
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GenOn	GenOn Energy, Inc. (formerly known as RRI Energy, Inc.) and, except where the context indicates otherwise, its subsidiaries
GenOn Americas	GenOn Americas, Inc.
GenOn Americas Generation	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries
GenOn Energy Holdings	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries
GenOn Marsh Landing	GenOn Marsh Landing, LLC
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 North America	GenOn North America, LLC
GenOn Plans	Collectively, the NRG GenOn LTIP, The GenOn Energy, Inc. 2002 Long-Term Incentive Plan, the GenOn Energy, Inc. 2002 Stock Plan and the Mirant Corporation 2005 Omnibus Incentive Compensation Plan
Intermediate	

Units expected to satisfy system requirements that are greater than baseload and less than peaking

IRC	Internal Revenue Code of 1986, as amended
IRC §	IRC section
ISO	Independent System Operator, also referred to as RTO
ISO-NE	ISO New England Inc.
Kiewit	Kiewit Power Constructors Co.
kWh	Kilowatt-hours
LIBOR	London Inter-Bank Offered Rate
Long-term protective layup	A descriptive term for GenOn's plans with respect to the Shawville coal-fired units, including retiring the units from service in accordance with the PJM tariff, maintenance of the units in accordance with the lease requirements and continued payment of the lease rent. Although the units are not decommissioned and reactivation remains a technical possibility, GenOn does not expect to make any further investment in environmental controls for the units. Further, reactivation after the long-term protective layup would likely involve numerous new permits and substantial additional investment.
MC Asset Recovery	MC Asset Recovery, LLC
MDE	Maryland Department of the Environment
Merit Order	A term used for the ranking of power stations in order of ascending marginal cost
Mirant	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries
Mirant/RRI Merger	The merger completed on December 3, 2010 pursuant to the Mirant/RRI Merger Agreement
Mirant/RRI Merger Agreement	The agreement by and among Mirant Corporation, RRI Energy, Inc. and RRI Energy Holdings, Inc. dated as of April 11, 2010
Mirant/RRI Merger Exchange Ratio	The right of Mirant Corporation stockholders to receive 2.835 shares of common stock of RRI Energy, Inc. in the Mirant/RRI Merger
Mirant Debtors	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and certain of its subsidiaries
MISO	Midwest Independent Transmission System Operator
MMBtu	Million British Thermal Units
Mothballed	The unit has been removed from service and is unavailable for service, but has been laid up in a manner such that it can be brought back into service with an appropriate amount of notification, typically weeks or months
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
Net Exposure	Counterparty credit exposure to GenOn, GenOn Americas Generation or GenOn Mid-Atlantic, as applicable, 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.
NERC	North American Electric Reliability Corporation
NJDEP	New Jersey Department of Environmental Protection
NOL	Net Operating Loss
NOV	Notice of violation
NO <sub>x</sub>	Nitrogen oxide
NPDES	National pollutant discharge elimination system
NPNS	Normal Purchase Normal Sale
NRG	NRG Energy, Inc. and, except where the context indicates otherwise, its subsidiaries



NRG GenOn LTIP

NRG 2010 Stock Plan for GenOn employees

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NRG Merger	The merger completed on December 14, 2012 pursuant to the NRG Merger Agreement
NRG Merger Agreement	The agreement by and among NRG, GenOn and Plus Merger Corporation (a direct wholly-owned subsidiary of NRG) dated as of July 20, 2012
NRG Merger Exchange Ratio	The right of GenOn Energy, Inc. stockholders to receive 0.1216 shares of common stock of NRG Energy, Inc. in the NRG Merger
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
OCI	Other comprehensive income
PADEP	Pennsylvania Department of Environmental Protection
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on the system
PG&E	Pacific Gas & Electric
PJM	PJM Interconnection, LLC
PJM market	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia
Plan	The plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection on January 3, 2006
PPA	Power Purchase Agreement
Registrants	GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, collectively
REMA	GenOn REMA, LLC and its subsidiaries, which include three generating facilities under operating leases
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emission reduction, but also to increase facility capacity, and improve system efficiency
Retirement	The unit has been removed from service and is unavailable for service and not expected to return to service in the future.
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
RRI Energy	RRI Energy, Inc.
RTO	Regional Transmission Organization
SEC	United States Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
SO <sub>2</sub>	Sulfur dioxide
Southern Company	The Southern Company
Stone & Webster	Stone & Webster, Inc.
U.S.	United States of America
U.S. GAAP	U.S. Generally accepted accounting principles
VIE	Variable Interest Entity

## PART I

## Item 1 — Business (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

## General

The Registrants are wholesale power generation subsidiaries of NRG, which aspires to be a leader in the way the industry and consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. GenOn is an indirect wholly-owned subsidiary of NRG. GenOn Americas Generation and GenOn Mid-Atlantic are indirect wholly-owned subsidiaries of GenOn. GenOn Mid-Atlantic is a wholly-owned subsidiary of GenOn North America and an indirect wholly-owned subsidiary of GenOn Americas Generation. The Registrants are engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services.

The Registrants' generation facilities are located in the U.S. and comprise generation facilities across the merit order. The sale of capacity and power from baseload and intermediate generation facilities accounts for a majority of the Registrants' generation revenues. In addition, the Registrants' generation portfolio provides each with opportunities to capture additional revenues by selling power during periods of peak demand, offering capacity or similar products, and providing ancillary services to support system reliability.

GenOn previously had the following segments: Eastern PJM, Western PJM/MISO, California, Energy Marketing and Other Operations. GenOn Americas Generation previously had the following segments: Eastern PJM, Northeast, California, Energy Marketing and Other Operations. In the fourth quarter of 2012, in conjunction with the NRG Merger, GenOn and GenOn Americas Generation began reporting the following segments: East, South Central, West and Corporate, with GenOn Mid-Atlantic operating only in the East.

The following table summarizes GenOn's generation portfolio as of December 31, 2012, by operating segment. Also included is one natural gas plant currently under construction.

Generation Type	(In MW)			Total
	East	South Central	West	
Natural gas	6,390	1,200	5,390	12,980
Coal	6,380	—	—	6,380
Oil	2,080	—	—	2,080
Total generation capacity	14,850	1,200	5,390	21,440
Under Construction				
Natural gas	—	—	720	720

The following table summarizes GenOn Americas Generation's generation portfolio as of December 31, 2012, by operating segment.

Generation Type	(In MW)		Total
	East	West	
Natural gas	2,940	1,985	4,925
Coal	2,430	—	2,430
Oil	1,450	—	1,450
Total generation capacity	6,820	1,985	8,805



The following table summarizes GenOn Mid-Atlantic's generation portfolio as of December 31, 2012.

	(In MW)
Generation Type	East
Natural gas	1,945
Coal	2,430
Oil	305
Total generation capacity	4,680

#### NRG Merger

On December 14, 2012, NRG completed the acquisition of GenOn. NRG issued, as consideration for the acquisition, 0.1216 shares of NRG common stock for each outstanding share of GenOn, including restricted stock units outstanding, on the acquisition date, except for fractional shares which were paid in cash. See Item 15- Note 3, NRG Merger, to the Consolidated Financial Statements.

#### Competition

Wholesale power generation is a capital-intensive, commodity-driven business with numerous industry participants. The Registrants compete on the basis of the location of their plants and ownership of portfolios of plants in various regions, which increases the stability and reliability of its energy revenues. Wholesale power generation is a regional business that is currently highly fragmented and diverse in terms of industry structure. As such, there is a wide variation in terms of the capabilities, resources, nature and identity of the companies the Registrants compete with depending on the market. Competitors include regulated utilities, other independent power producers, and power marketers or trading companies, including those owned by financial institutions, municipalities and cooperatives.

The Registrants' power generation assets are diversified by fuel-type, dispatch level and region, which helps mitigate the risks associated with fuel price volatility and market demand cycles. The Registrants' baseload and intermediate facilities provide each with a significant source of cash flow, while the peaking facilities provide the Registrants with opportunities to capture upside potential that can arise from time to time during periods of high demand.

Many of the Registrants' generation assets are located within densely populated areas, which tend to have more robust wholesale pricing as a result of relatively favorable local supply-demand balance. The Registrants have generation assets located in or near the New York City, Washington, D.C., Baltimore, Pittsburgh, Los Angeles and San Francisco metropolitan areas and New Jersey. These facilities are often ideally situated for repowering or the addition of new capacity, because their location and existing infrastructure give them significant advantages over undeveloped sites.

#### On-going Development Project — Conventional Power Development

GenOn is continuing construction of its Marsh Landing project, a 720 MW natural gas-fired peaking generation facility adjacent to GenOn's Contra Costa generation facility near Antioch, California. The Marsh Landing project is being constructed pursuant to a 10-year PPA with PG&E. GenOn expects a commercial operation date in mid-2013.

#### Regulatory Matters

As operators of power plants and participants in wholesale energy markets, certain of the Registrants' entities are subject to regulation by various federal and state government agencies. These include the Commodities Futures Trading Commission and the FERC, as well as other public utility commissions in certain states where the Registrants' generating assets are located. In addition, the Registrants are subject to the market rules, procedures and protocols of the various ISO markets in which they participate. The Registrants must also comply with the mandatory reliability

requirements imposed by NERC and the regional reliability entities in the regions where they operate.

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## Environmental Matters

The Registrants are subject to a wide range of federal, state and local environmental laws in the development, ownership, construction and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and maintained during the operation of power plants. Environmental laws have become increasingly stringent and the Registrants expect this trend to continue. The electric generation industry will face new requirements to address air emissions, climate change, ash (and other waste), water use, water discharges, and threatened and endangered species. In general, future laws are expected to require adding emission controls or other environmental controls or impose restrictions on the Registrants' operations. Complying with environmental requirements involves significant capital and operating expenses. The Registrants decide to invest capital for environmental controls based on relative certainty of the requirements, an evaluation of compliance options, and the expected economic returns on capital.

## Environmental Capital Expenditures

Based on current rules, technology and plans as well as preliminary plans based on proposed rules, GenOn estimates that environmental capital expenditures from 2013 through 2017 required to meet GenOn's regulatory environmental commitments will be approximately \$232 million for GenOn, which includes \$46 million for GenOn Americas Generation. The \$46 million for GenOn Americas Generation includes \$4 million for GenOn Mid-Atlantic. These costs are primarily associated with controls to satisfy mercury and air toxics standards as well as NO<sub>x</sub> controls. The Registrants continue to explore cost effective compliance alternatives to reduce costs.

If market conditions and/or environmental and regulatory factors or assumptions change in the future, forecasted returns on investments necessary to comply with environmental regulations could change resulting in possible incremental investments if returns improve or deactivation of additional generating units or facilities if returns deteriorate. Such deactivations could result in additional charges, including impairments, severance costs and other plant shutdown costs. See Item 15- Note 9, Retirements, Mothballing or Long-Term Protective Layup of Generating Facilities, to the Consolidated Financial Statements.

## Employees

As of December 31, 2012, GenOn had 2,932 employees of which 899 employees were part of GenOn Americas Generation and 585 employees were part of GenOn Mid-Atlantic, approximately 50%, 63% and 70%, respectively, of whom were covered by bargaining agreements. During 2012, the Registrants did not experience any labor stoppages or labor disputes at any of their facilities.

## Available Information

The Registrants' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through NRG's website, [www.nrgenergy.com](http://www.nrgenergy.com), as soon as reasonably practicable after they are electronically filed with, or furnished to the SEC.

Item 1A — Risk Factors (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

The Registrants are subject to the following factors that could have a material adverse effect on their future performance, results of operations, financial condition and cash flows. In addition, such factors could affect their ability to service indebtedness and other obligations, to raise capital and could affect their future growth opportunities. Also, see "Cautionary Statement Regarding Forward-Looking Information" and "Management's Narrative Analysis of the Results of Operations and Financial Condition" in Item 7 of this Annual Report on Form 10-K.

Risks Related to the Operation of the Registrants' Businesses

GenOn is a wholly-owned subsidiary of NRG and is highly dependent on NRG for services under a master services agreement. (GenOn)

GenOn relies on NRG for its administrative and management functions and services including human resources-related functions, accounting, tax administration, information systems, legal services, treasury and planning, operations and asset management, risk and commercial operations, and other support services under a management services agreement. GenOn anticipates continuing to rely upon NRG to provide many of these services. If NRG terminates the management services agreement or defaults in the performance of its obligations under the agreement, GenOn may be unable to contract with a substitute service provider on similar terms or at all, and the costs of substituting service providers may be substantial. In addition, in light of NRG's familiarity with GenOn's assets, a substitute service provider may not be able to provide the same level of service due to lack of preexisting synergies. If GenOn cannot locate a service provider that is able to provide it with substantially similar services as NRG does under the management services agreement on similar terms, it would likely have a material adverse effect on GenOn's business, financial condition, results of operation and cash flows.

The Registrants' financial results are unpredictable because most of their generating facilities operate without long-term power sales agreements, and their revenues and results of operations depend on market and competitive forces that are beyond their control.

The Registrants provide energy, capacity, ancillary and other energy services from their generating facilities in a variety of markets and to bi-lateral counterparties, including participating in wholesale energy markets, entering into tolling agreements, sales of resource adequacy and participation in capacity auctions. The Registrants revenues from selling capacity are a significant part of their overall revenues. The Registrants are not guaranteed recovery of their costs or any return on their capital investments through mandated rates.

The market for wholesale electric energy and energy services reflects various market conditions beyond the Registrants' control, including the balance of supply and demand, transmission congestion, competitors' marginal and long-term costs of production, the price of fuel, and the effect of market regulation. The price at which the Registrants can sell their output may fluctuate on a day-to-day basis, and their ability to transact may be affected by the overall liquidity in the markets in which the Registrants operate. These markets remain subject to regulations that limit their ability to raise prices during periods of shortage to the degree that would occur in a fully deregulated market. In addition, unlike most other commodities, electric energy can be stored only on a very limited basis and generally must be produced at the time of use. As a result, the wholesale power markets are subject to substantial price fluctuations over relatively short periods of time and can be unpredictable.

The Registrants' revenues, results of operations and cash flows are influenced by factors that are beyond their control, including those set forth above, as well as:

- the failure of market regulators to develop and maintain efficient mechanisms to compensate merchant generators for the value of providing capacity needed to meet demand;
- actions by regulators, ISOs, RTOs and other bodies that may artificially modify supply and demand levels and prevent capacity and energy prices from rising to the level necessary for recovery of the Registrants' costs, investment and an adequate return on investment;
- legal and political challenges to or changes in the rules used to calculate capacity payments in the markets in which the Registrants operate or the establishment of bifurcated markets, incentives, other market design changes or bidding requirements that give preferential treatment to new generating facilities over existing generating facilities or otherwise reduce capacity payments to existing generating facilities;
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the ability of wholesale purchasers of power to make timely payment for energy or capacity, which may be adversely affected by factors such as retail rate caps, refusals by regulators to allow utilities to recover fully their wholesale power costs and investments through rates, catastrophic losses and losses from investments by utilities in unregulated businesses;

• increases in prevailing market prices for fuel oil, coal, natural gas and emission allowances that may not be reflected in prices the Registrants receive for sales of energy;

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- increases in electricity supply as a result of actions of the Registrants' current competitors or new market entrants, including the development of new generating facilities or alternative energy sources that may be able to produce electricity less expensively than the Registrants' generating facilities and improvements in transmission that allow additional supply to reach their markets;
- increases in credit standards, margin requirements, market volatility or other market conditions that could increase the Registrants' obligations to post collateral beyond amounts that are expected, including additional collateral costs associated with OTC hedging activities as a result of future OTC regulations adopted pursuant to the Dodd-Frank Act;
- decreases in energy consumption resulting from demand-side management programs such as automated demand response, which may alter the amount and timing of consumer energy use;
- the competitive advantages of certain competitors, including continued operation of older power facilities in strategic locations after recovery of historic capital costs from ratepayers;
- existing or future regulation of the markets in which the Registrants operate by the FERC, ISOs and RTOs, including any price limitations and other mechanisms to address some of the price volatility or illiquidity in these markets or the physical stability of the system;
- the Registrants' obligation under any default sharing mechanisms in RTO and ISO markets, such mechanisms exist to spread the risk of defaults by transmission owning companies or other RTO members across all market participants;
- regulatory policies of state agencies that affect the willingness of the Registrants' customers to enter into long-term contracts generally, and contracts for capacity in particular;
- access to contractors and equipment;
- changes in the rate of growth in electricity usage as a result of such factors as national and regional economic conditions and implementation of conservation programs;
- seasonal variations in energy and natural gas prices, and capacity payments; and
  - seasonal fluctuations in weather, in particular abnormal weather conditions.

The Registrants expect that higher earnings from price increases resulting from industry retirements will more than offset reduced earnings from unit deactivations. However, as discussed above, the market for wholesale electric energy and energy services reflects various market conditions beyond the Registrants' control, including the balance of supply and demand, the Registrants' competitors' marginal and long-term costs of production, and the effect of market regulation. The Registrants cannot ensure that higher earnings or price increases will result from industry retirements of coal-fired generating facilities or that higher earnings from their remaining facilities will offset or more than offset reduced earnings from facility deactivations.

Changes in the wholesale energy markets or in the Registrants generating facility operations as a result of increased environmental requirements could result in impairments or other charges.

If the ongoing evaluation of the Registrants' business results in decisions to deactivate or dispose of additional facilities, the Registrants could have impairments or other charges. These evaluations involve significant judgments about the future. Actual future market prices, project costs and other factors could be materially different from current estimates.

GenOn's Marsh Landing development project is subject to construction risks and, if GenOn is unsuccessful in addressing those risks, it may not recover its investment in the project or its return on the project may be lower than expected. (GenOn)

GenOn's return on the Marsh Landing development project may be lower than expected if GenOn Marsh Landing does not complete construction of the generating facility by the required completion date under its long-term PPA with PG&E. Should the facility fail to be operational or not perform as required under the terms of the PPA, PG&E may have the right to terminate the PPA. Not reaching a commercial operation date by December 31, 2013 would trigger an event of default under the GenOn Marsh Landing credit facility. In addition, a termination of the PPA would trigger an event of default under the GenOn Marsh Landing credit facility. As there is currently no wholesale capacity market in California, if PG&E were to terminate the PPA, the ability to refinance the project would likely be limited. GenOn Marsh Landing's contingent obligations for delay damages or termination payments under the PPA were \$80 million at December 31, 2012. See Item 15 — Note 23, Guarantees, to the Consolidated Financial Statements

for a discussion of letters of credit issued and surety bonds posted to secure GenOn Marsh Landing's obligations to PG&E in connection with the Marsh Landing development project.

The Registrants are exposed to the risk of fuel cost volatility because they must pre-purchase coal and oil.

Most of the Registrants fuel contracts are at fixed prices with terms of two years or less. Although the Registrants purchase coal and oil based on expected requirements, they still face the risks of fuel price volatility if they require more fuel than expected.

The Registrants cost of fuel may not reflect changes in energy and fuel prices in part because they must pre-purchase inventories of coal and oil for reliability and dispatch requirements, and thus the price of fuel may have been determined at an earlier date than the price of energy generated from the fuel. Similarly, the price the Registrants can obtain from the sale of energy may not rise at the same rate, or may not rise at all, to match a rise in fuel costs. The Registrants are exposed to the risk of their fuel providers and fuel transportation providers failing to perform.

For the Registrants coal-fired generating facilities, they purchase most of their coal from a limited number of suppliers. Because of a variety of operational issues, the Registrants' coal suppliers may not provide the contractual quantities on the dates specified within the agreements, or the deliveries may be carried over to future periods. Also, interruptions to planned or contracted deliveries to the Registrants' generating facilities can result from a lack of, or constraints in, coal transportation because of rail, river or road system disruptions, adverse weather conditions and other factors.

If the Registrants' coal suppliers do not perform in accordance with the agreements, they may have to procure higher priced coal in the market to meet their needs, or higher priced power in the market to meet their obligations. In addition, generally the Registrants coal suppliers do not have investment grade credit ratings nor do they post collateral with the Registrants and, accordingly, the Registrants may have limited ability to collect damages in the event of default by such suppliers.

For the Registrants' oil-fired generating facilities, the Registrants typically purchase fuel from a limited number of suppliers. If the Registrants' oil suppliers do not perform in accordance with the agreements, they may have to procure higher priced oil in the market to meet their needs, or higher priced power in the market to meet their obligations. For the Registrants' gas-fired generating facilities, any curtailments or interruptions on transporting pipelines could result in curtailment of operations or increased fuel supply costs.

Operation of the Registrants' generating facilities involve risks that could result in disruption, curtailment or inefficiencies in their operations.

The operation of the Registrants' generating facilities involves various operating risks, including, but not limited to:

- the output and efficiency levels at which those generating facilities perform;
- interruptions in fuel supply and quality of available fuel;
- disruptions in the delivery of electricity;
- adverse zoning;
- breakdowns or equipment failures (whether a result of age or otherwise);
- violations of permit requirements or changes in the terms of, or revocation of, permits;
- releases of pollutants and hazardous substances to air, soil, surface water or groundwater;
- ability to transport and dispose of coal ash at reasonable prices;
- curtailments or other interruptions in natural gas supply;
- shortages of equipment or spare parts;
- labor disputes, including strikes, work stoppages and slowdowns;
- the aging workforce at many of the Registrants' facilities;
- operator errors;
- curtailment of operations because of transmission constraints;
- failures in the electricity transmission system which may cause large energy blackouts;
- implementation of unproven technologies in connection with environmental improvements; and
- catastrophic events such as fires, explosions, floods, earthquakes, hurricanes or other similar occurrences.

These factors could result in a material decrease, or the elimination of, the revenues generated by the Registrants' facilities or a material increase in the Registrants' costs of operations.

The Registrants operate in a limited number of markets and a significant portion of revenues are derived from the PJM market. The effect of adverse developments in the markets, especially the PJM market, may be greater on the Registrants than on more geographically diversified competitors.

GenOn's generating capacity is 57% in PJM, 25% in CAISO, 10% in NYISO and ISO-NE, 6% in the Southeast and 2% in MISO. GenOn Americas Generation's generating capacity is 53% in PJM, 23% in CAISO and 24% in NYISO and ISO-NE. All of GenOn Mid-Atlantic's generating capacity is in PJM. Approximately 78% of GenOn's gross margin during 2012 was attributable to the East operating segment. Adverse developments in these regions, especially in the PJM market, may adversely affect the Registrants. Further, the effect of such adverse regional developments may be greater on the Registrants than on more geographically diversified competitors.

The Registrants are exposed to possible losses that may occur from the failure of a counterparty to perform according to the terms of a contractual arrangement, particularly in connection with GenOn Mid-Atlantic's non-collateralized power hedges with financial institutions.

Non-collateralized power hedges with financial institutions represent 24% of the net notional power position for GenOn, 35% of the net notional power position for GenOn Americas Generation and 35% of the net notional power position for GenOn Mid-Atlantic at December 31, 2012. Such hedges are senior unsecured obligations of GenOn Mid-Atlantic and the counterparties, and do not require either party to post cash collateral for initial margin or for securing exposure as a result of changes in power or natural gas prices. Deterioration in the financial condition of such counterparties could result in their failure to pay amounts owed to GenOn Mid-Atlantic or to perform obligations or services owed to GenOn Mid-Atlantic beyond collateral posted.

Changes in technology may significantly affect the Registrants' generating business by making their generating facilities less competitive.

The Registrants generate electricity using fossil fuels at large central facilities. This method results in economies of scale and lower costs than newer technologies such as fuel cells, microturbines, windmills and photovoltaic solar cells. It is possible that advances in those technologies, or governmental incentives for renewable energies, will reduce their costs to levels that are equal to or below that of most central station electricity production.

The expected decommissioning and/or site remediation obligations of certain of the Registrants' generating facilities may negatively affect their cash flows.

Some of the Registrants' generating facilities and related properties are subject to decommissioning and/or site remediation obligations that may require material expenditures. Furthermore, laws and regulations may change to impose material additional decommissioning and remediation obligations on the Registrants in the future. Terrorist attacks and/or cyber-attacks may result in the Registrants' inability to operate and fulfill their obligations, and could result in material repair costs.

As power generators, the Registrants face heightened risk of terrorism, including cyber terrorism, either by a direct act against one or more of their generating facilities or an act against the transmission and distribution infrastructure that is used to transport the power. Although the entire industry is exposed to these risks, the Registrants' generating facilities and the transmission and distribution infrastructure located in the PJM market are particularly at risk because of the proximity to major population centers, including governmental and commerce centers.

The Registrants rely on information technology networks and systems to operate their generating facilities, engage in asset management activities, and process, transmit and store electronic information. Security breaches of this information technology infrastructure, including cyber-attacks and cyber terrorism, could lead to system disruptions, generating facility shutdowns or unauthorized disclosure of confidential information related to their employees, vendors and counterparties. Confidential information includes banking, vendor, counterparty and personal identity information.

Systemic damage to one or more of the Registrants' generating facilities and/or to the transmission and distribution infrastructure could result in the inability to operate in one or all of the markets the Registrants serve for an extended period of time. If the Registrants' generating facilities are shut down, they would be unable to respond to the ISOs and RTOs or fulfill their obligations under various energy and/or capacity arrangements, resulting in lost revenues and potential fines, penalties and other liabilities. Pervasive cyber-attacks across the industry could affect the

ability of ISOs and RTOs to function in some regions. The cost to restore the Registrants' generating facilities after such an occurrence could be material.

The Registrants' operations are subject to hazards customary to the power generating industry. The Registrants may not have adequate insurance to cover all of these hazards.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of high-speed rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks (such as earthquake, flood, storm surge, lightning, hurricane, tornado and wind), hazards (such as fire, explosion, collapse and machinery failure) are inherent risks in the Registrants' operations. The Registrants are also susceptible to terrorist attacks, including cyber-attacks, against their generating facilities or the transmission and distribution infrastructure that is used to transport their power. These hazards can cause significant injury to personnel or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in one or more of the Registrants being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs, personal injury and fines and/or penalties. The Registrants do not maintain specialized insurance for possible liability resulting from a cyber-attack on their systems that may shut down all or part of the transmission and distribution system. However, the Registrants maintain an amount of insurance protection that they consider adequate and customary for merchant power producers. The Registrants cannot assure that their insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which they may be subject.

Lawsuits, regulatory proceedings and tax proceedings could adversely affect the Registrants' future financial results.

From time to time, the Registrants are named as a party to, or their property is the subject of, lawsuits, regulatory proceedings or tax proceedings. The Registrants are currently involved in various proceedings which involve highly subjective matters with complex factual and legal questions. Their outcome is uncertain. Any claim that is successfully asserted against the Registrants could require significant expenditures by them. Even if the Registrants prevail, any proceedings could be costly and time-consuming, could divert the attention of management and key personnel from their business operations and could result in adverse changes in their insurance costs. See Item 15 — Note 17, Income Taxes, Note 20, Commitments and Contingencies, Note 21, Regulatory Matters, and Note 22, Environmental Matters, to the Consolidated Financial Statements.

#### Risks Related to Economic and Financial Market Conditions

The Registrants are exposed to systemic risk of the financial markets and institutions and the risk of non-performance of the individual lenders under GenOn's undrawn credit facilities.

Maintaining sufficient liquidity in the Registrants' business for maintenance and operating expenditures, capital expenditures and collateral is crucial in order to mitigate the risk of future financial distress to the Registrants. Accordingly, GenOn maintains a revolving credit facility with NRG to manage its expected liquidity needs and contingencies.

GenOn Marsh Landing has significant undrawn availability under the GenOn Marsh Landing credit facility. A significant portion of the remaining Marsh Landing project costs are expected to be funded through drawings under the GenOn Marsh Landing credit facility. The failure of the lenders to perform under the Marsh Landing credit facility could have a material adverse effect on the ability to complete construction of the Marsh Landing facility. A negative market perception of the Registrants' value could impair their ability to issue or refinance debt.

A sustained downturn in general economic conditions, including low power and commodity prices, could result in a perceived weakness in the Registrants' overall financial health.

A negative market perception of the Registrants' value could result in their inability to obtain and maintain an appropriate credit rating. In this event, they may be unable to access debt markets or refinance future debt maturities, or they may be required to post additional collateral to operate their business.

As financial institutions consolidate and operate under more restrictive capital constraints and regulations, including the Dodd-Frank Act, there could be less liquidity in the energy and commodity markets for hedge transactions and fewer creditworthy counterparties.

The Registrants hedge economically a substantial portion of their PJM coal-fired generation and certain of their other generation. A significant portion of their hedges are financial swap transactions between GenOn Mid-Atlantic and financial counterparties that are senior unsecured obligations of such parties and do not require either party to post

cash collateral, either for initial margin or for securing exposure as a result of changes in power or natural gas prices. Global financial institutions have been active participants in these energy and commodity markets. As global financial institutions consolidate and operate under more restrictive capital constraints and regulations, including the Dodd-Frank Act, there could be less liquidity in the energy and commodity markets, which could have a material adverse effect on the Registrants' ability to hedge economically and transact with creditworthy counterparties.



The Registrants' business is subject to substantial governmental regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

The CFTC, among other things, has regulatory authority over the trading of physical commodities, futures and other derivatives under the Commodity Exchange Act. On July 21, 2010, President Obama signed the Dodd-Frank Act, which, among other things, aims to improve transparency and accountability in the futures and derivatives markets. The Dodd-Frank Act increased the CFTC's regulatory authority on matters related to futures and over-the-counter derivatives trading, including, but not limited to, trading practices, trade clearance, transaction reporting and recordkeeping, position limits, and market participant capital and margin requirements. The Dodd-Frank Act further defined several new categories of regulated market participants, including swap dealers and major swap participants, both of which must meet extensive compliance requirements. The Registrants have reached the conclusion that they are neither a swap dealer nor a major swap participant and have taken and will continue to take measures to otherwise comply with the Dodd-Frank Act.

The Registrants expect that, in 2013 and thereafter, the CFTC will further clarify the scope of the Dodd-Frank Act and publish additional rules concerning central clearing requirements, position limits, margin requirements, the definition of a "swap" and other issues that will affect futures and over-the-counter derivatives trading. Because there are many details that remain to be addressed through CFTC rulemaking proceedings, at this time, the Registrants cannot fully measure the impact on their current operations or collateral requirements. Many of the factors that cause changes in commodity prices are outside the Registrants' control and may materially increase their cost of producing power or lower the price at which they are able to sell their power.

The Registrants' generating business is subject to changes in power prices and fuel and emission costs, and these commodity prices are influenced by many factors outside the Registrants' control, including weather, seasonal variation in supply and demand, market liquidity, transmission and transportation inefficiencies, availability of competitively priced alternative energy sources, demand for energy commodities, production of natural gas, coal and crude oil, natural disasters, wars, embargoes and other catastrophic events, and federal, state and environmental regulation and legislation. In addition, significant fluctuations in the price of natural gas may cause significant fluctuations in the price of electricity. Significant fluctuations in commodity prices may affect the financial results and financial position by increasing the cost of producing power and decreasing the amounts the Registrants receive from the sale of power.

The Registrants' hedging activities will not fully protect them from fluctuations in commodity prices.

The Registrants engage in hedging activities related to sales of electricity and purchases of fuel and emission allowances. The income and losses from these activities are recorded as operating revenues and cost of operations. The Registrants may use forward contracts and other derivative financial instruments to manage market risk and exposure to volatility in prices of electricity, coal, natural gas, emissions and oil. The effectiveness of these hedges is dependent upon the correlation between the forward contracts and the other derivative financial instruments used as a hedge and the market risk of the asset or assets being hedged. The Registrants cannot provide assurance that these strategies will be successful in managing their price risks, or that they will not result in net losses to the Registrants as a result of future volatility in electricity, fuel and emission markets. Actual power prices and fuel costs may differ from expectations.

The Registrants hedging activities include natural gas derivative financial instruments that they use to hedge economically power prices for their baseload generation. The effectiveness of these hedges is dependent upon the correlation between power and natural gas prices in the markets where the Registrants operate. If those prices are not sufficiently correlated, the Registrants' financial results and financial position could be adversely affected.

Additionally, GenOn and GenOn Americas Generation expect to have an open position in the market, within their established guidelines, resulting from their fuel and emissions management activities. To the extent open positions exist, fluctuating commodity prices can affect their financial results and financial position, either favorably or unfavorably. As a result of these and other factors, the Registrants cannot predict the outcome that risk management decisions may have on their business, operating results or financial position. Although management devotes considerable attention to these issues, their outcome is uncertain.

The Registrants' policies and procedures cannot eliminate the risks associated with their hedging activities.

The risk management procedures the Registrants have in place may not always be followed or may not always work as planned. If any of the employees were able to violate the system of internal controls, including the risk management policy, and engage in unauthorized hedging and related activities, it could result in significant penalties and financial losses. In addition, risk management tools and metrics such as value at risk, gross margin at risk, and stress testing are partially based on historic price movements. If price movements significantly or persistently deviate from historical behavior, risk limits may not fully protect the Registrants from significant losses.

The Registrants' hedging and GenOn Americas Generation's fuel oil management activities may increase the volatility of the U.S. GAAP financial results.

Derivatives from the Registrants' hedging and GenOn Americas Generation's fuel oil management activities are recorded on the balance sheets at fair value pursuant to the accounting guidance for derivative financial instruments. Other than interest rate swaps into which GenOn entered to manage its interest rate risk associated with the GenOn Marsh Landing project financing, none of the Registrants' other derivatives recorded at fair value is designated as a hedge under this guidance, and changes in their fair values currently are recognized in earnings as unrealized gains or losses. As a result, the Registrants' U.S. GAAP financial results-including gross margin, operating income and balance sheet ratios-will, at times, be volatile and subject to fluctuations in value primarily because of changes in forward electricity and fuel prices.

#### Risks Related to Governmental Regulation and Laws

The Registrants costs of compliance with environmental laws are significant and can affect their future operations and financial results.

The Registrants are subject to extensive and evolving environmental regulations, particularly in regard to their coal- and oil-fired facilities. Environmental laws, particularly with respect to air emissions, disposal of ash, wastewater discharge and cooling water systems, are generally becoming more stringent, which may require the Registrants to make additional facility upgrades or restrict their operations. Failure to comply with environmental requirements could require the Registrants to shut down or reduce production at their facilities or create liabilities. The Registrants incur significant costs in complying with these regulations and, if they fail to comply, could incur significant penalties. The Registrants cost estimates for environmental compliance are based on existing regulations or their view of reasonably likely regulations, and their assessment of the costs of labor and materials and the state of evolving technologies. The Registrants decision to make these investments is often subject to future market conditions. Changes to the preceding factors, new or revised environmental regulations, litigation and new legislation and/or regulations, as well as other factors, could cause their actual costs to vary outside the range of their estimates, further constrain their operations, increase their environmental compliance costs and/or make it uneconomical to operate some of their facilities.

Federal, state and regional initiatives to regulate greenhouse gas emissions could have a material impact on the Registrants' financial performance and condition. The actual impact will depend on a number of factors, including the overall level of greenhouse gas reductions required under any such regulations, the final form of the regulations or legislation, and the price and availability of emission allowances if allowances are a part of any final regulatory framework.

The Registrants are required to surrender emission allowances equal to emissions of specific substances to operate their facilities. Surrender requirements may require purchase of allowances, which may be unavailable or only available at costs that would make it uneconomical to operate their facilities.

Certain environmental laws, including Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws, impose strict and, in many circumstances, joint and several liability for costs of remediating contamination. Some of the Registrants' facilities have areas with known soil and/or groundwater contamination. The Registrants could be required to spend significant sums to remediate contamination, regardless of whether they caused such contamination, (a) if there are releases or discoveries of hazardous substances at their generating facilities, at disposal sites they currently use or have used, or at other locations for which they may be liable, or (b) if parties contractually responsible to them for contamination fail to or are unable to respond when claims or obligations regarding such contamination arise.

Under current and forecasted market conditions, capital expenditures required by GenOn's permit for the Shawville facility are not economic. (GenOn)

GenOn's NPDES permit requires installation of cooling towers or reduction in plant operation by July 2015 at its leased Shawville facility. Accordingly, GenOn plan's to place the coal-fired units at the Shawville facility, which is leased, in a long-term protective layup in April 2015. Under the lease agreement for Shawville, GenOn's obligations generally are to pay the required rent and to maintain the leased assets in accordance with the lease documentation, including in compliance with prudent competitive electric generating industry practice and applicable laws. GenOn

will continue to evaluate its options under the lease, including termination of the lease for economic obsolescence and/or keeping the facility in long-term protective layup during the term of the lease. In the event of an early termination, GenOn would seek a termination for obsolescence under the lease agreement and could be required to make a termination payment equal to the difference between the termination value and the proceeds received in connection with the sale of the facility to a third-party, together with such other amounts, if any, required under the lease. At December 31, 2012, the total notional minimum lease payments for the remaining terms of the lease aggregated \$193 million and the termination value for the lease was \$220 million.

The Registrants' coal-fired generating units produce certain byproducts that involve extensive handling and disposal costs and are subject to government regulation. Changes in these regulations, or their administration, by legislatures, state and federal regulatory agencies, or other bodies may affect the costs of handling and disposing of these byproducts.

As a result of the coal combustion process, the Registrants produce significant quantities of ash at their coal-fired generating units that must be disposed of at sites permitted to handle ash. One of the Registrants' landfills in Maryland has reached design capacity and it is expected that another site in Maryland may reach full capacity in the next few years. As a result, the Registrants are developing new ash management facilities and have constructed a facility to prepare ash from certain of the Maryland facilities for beneficial uses. However, the costs associated with developing new ash management facilities could be material, and the amount of time to complete such developments could extend beyond the time when new facilities are needed. Likewise, the new facility for preparing ash for beneficial uses may not operate as expected; or the ash may not be marketed and sold as expected. Additionally, costs associated with third-party ash handling and disposal are material and could have an adverse effect on the Registrants' financial performance and condition.

The Registrants also produce gypsum as a byproduct of the SO<sub>2</sub> scrubbing process at their coal-fired generating facilities, much of which is sold to third parties for use in drywall production. Should their ability to sell such gypsum to third parties be restricted as a result of the lack of demand or otherwise, their gypsum disposal costs could rise materially.

The EPA has proposed two alternatives for regulating byproducts such as ash and gypsum. One of these alternatives would regulate these byproducts as "special wastes" in a manner similar to the regulation of hazardous wastes. If these byproducts are regulated as special wastes, the cost of disposing of these byproducts would increase materially and may limit the Registrants' ability to recycle them for beneficial use.

The Registrants' business is subject to complex government regulations. Changes in these regulations, or their administration, by legislatures, state and federal regulatory agencies, or other bodies may affect the prices at which the Registrants are able to sell the electricity they produce, the costs of operating their generating facilities or their ability to operate their facilities.

The majority of the Registrants' generation is sold at market prices under market-based rate authority granted by the FERC. If certain conditions are not met, the FERC has the authority to withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates. A loss of the Registrants' market-based rate authority could have a materially negative impact on their generating business.

Even when market-based rate authority has been granted, the FERC may impose various forms of market mitigation measures, including price caps and operating restrictions, when it determines that potential market power might exist and that the public interest requires such potential market power to be mitigated. In addition to direct regulation by the FERC, most of the Registrants' facilities are subject to rules and terms of participation imposed and administered by various ISOs and RTOs. Although these entities are themselves ultimately regulated by the FERC, they can impose rules, restrictions and terms of service that are quasi-regulatory in nature and can have a material adverse impact on the Registrants' business. For example, ISOs and RTOs may impose bidding and scheduling rules, both to curb the potential exercise of market power and to ensure market functions. Such actions may materially affect the Registrants' ability to sell and the price they receive for their energy, capacity and ancillary services.

To conduct the Registrants' business, they must obtain and periodically renew licenses, permits and approvals for their facilities. These licenses, permits and approvals can be in addition to any required environmental permits. No assurance can be provided that they will be able to obtain and comply with all necessary licenses, permits and approvals for these facilities.

Conflicts may occur between reliability needs and environmental rules, particularly with increasingly stringent environmental restrictions. Without a consent decree or adjustments to permit requirements, which require long lead times to obtain, the Registrants remain subject to environmental penalties or liabilities that may occur as a result of operating in compliance with reliability requirements. Further, the Registrants could be subject to citizen suits in these types of circumstances, even if they have received a consent decree or permit adjustment exempting them from environmental requirements.

The Registrants cannot predict whether the federal or state legislatures will adopt legislation relating to the restructuring of the energy industry. There are proposals in many jurisdictions that would either roll back or advance the movement toward competitive markets for the supply of electricity, at both the wholesale and retail levels. In addition, any future legislation favoring large, vertically integrated utilities and a concentration of ownership of such utilities could affect the Registrants' ability to compete successfully, and their business and results of operations could be adversely affected. Similarly, any regulations or laws that favor new generation over existing generation could adversely affect their business.

### Risks Related to Level of Indebtedness

The Registrants' substantial indebtedness and operating lease obligations could limit their ability to react to changes in the economy or the industry and prevent them from meeting or refinancing their obligations.

At December 31, 2012, GenOn's consolidated indebtedness was \$4.2 billion, GenOn Americas Generation's consolidated indebtedness was \$960 million and GenOn Mid-Atlantic's consolidated indebtedness was \$14 million. In addition, the present values of lease payments under the respective GenOn Mid-Atlantic and REMA operating leases were approximately \$833 million and \$450 million, respectively (assuming a 10% and 9.4% discount rate, respectively) and the termination values of the respective GenOn Mid-Atlantic and REMA operating leases were \$1.2 billion and \$722 million, respectively.

The Registrants' substantial indebtedness and operating lease obligations could have important consequences for their liquidity, results of operations, financial position and prospects, including their ability to grow in accordance with their strategies. These consequences include the following:

- they may limit their ability to obtain additional debt for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- a substantial portion of their cash flows from operations must be dedicated to the payment of rent and principal and interest on their indebtedness and will not be available for other purposes, including for working capital, capital expenditures, acquisitions and other general corporate purposes;
- the debt service requirements of their indebtedness and their lease obligations could make it difficult for them to satisfy or refinance their financial obligations;
- certain of the Registrants' borrowings, including borrowings under the NRG credit agreement, are at variable rates of interest, exposing the Registrants to the risk of increased interest rates;
- they may limit their flexibility in planning for and reacting to changes in the industry;
- they may place the Registrants at a competitive disadvantage compared to other, less leveraged competitors;
- GenOn's and GenOn Americas Generation's credit agreement with NRG contains restrictive covenants that limit their ability to engage in activities that may be in their long-term best interest; and
- the Registrants may be more vulnerable in a downturn in general economic conditions or in their business and they may be unable to carry out capital expenditures that are important to their long-term growth or necessary to comply with environmental regulations.

GenOn and its subsidiaries that are holding companies, including GenOn Americas Generation, may not have access to sufficient cash to meet their obligations if their subsidiaries, in particular GenOn Mid-Atlantic, are unable to make distributions.

GenOn and certain of its subsidiaries, including GenOn Americas Generation and GenOn Americas, are holding companies and, as a result, are dependent upon dividends, distributions and other payments from their operating subsidiaries to generate the funds necessary to meet their obligations. In particular, a substantial portion of the cash from their operations is generated by GenOn Mid-Atlantic. The ability of certain of their subsidiaries to pay dividends and make distributions is restricted under the terms of their debt or other agreements, including the operating leases of GenOn Mid-Atlantic and REMA. Under their respective operating leases, GenOn Mid-Atlantic and REMA are not permitted to make any distributions and other restricted payments unless: (a) they satisfy the fixed charge coverage ratio for the most recently ended period of four fiscal quarters; (b) they are projected to satisfy the fixed charge coverage ratio for each of the two following periods of four fiscal quarters, commencing with the fiscal quarter in which such payment is proposed to be made; and (c) no significant lease default or event of default has occurred and is continuing. In the event of a default under the respective operating leases or if the respective restricted payment tests are not satisfied, GenOn Mid-Atlantic and REMA would not be able to distribute cash. At December 31, 2012, GenOn Mid-Atlantic satisfied the restricted payments test. At December 31, 2012, REMA did not satisfy the restricted payments test.

The Registrants may be unable to generate sufficient cash to service their debt and leases and to post required amounts of cash collateral necessary to hedge economically market risk. (GenOn and GenOn Americas Generation)

The Registrants' ability to pay principal and interest on their debt and the rent on their leases depends on their future operating performance. If their cash flows and capital resources are insufficient to allow them to make

scheduled payments on their debt, the Registrants may have to reduce or delay capital expenditures, sell assets, restructure or refinance. There can be no assurance that the terms of their debt or leases will allow these alternative measures, that the financial markets will be available to them on acceptable terms or that such measures would satisfy their scheduled debt service and lease rent obligations. If the Registrants do not comply with the payment and other material covenants under their debt and lease agreements, they could default under their debt or leases.



Their asset management activities may require them to post collateral either in the form of cash or letters of credit. At December 31, 2012, GenOn and GenOn Americas Generation had \$148 million and \$91 million, respectively, of posted cash collateral. At December 31, 2012, GenOn had \$261 million of letters of credit issued under the NRG credit agreement to support its asset management activities, trading activities, rent reserve requirements and other commercial arrangements. Although the Registrants seek to structure transactions in a way that reduces their potential liquidity needs for collateral, they may be unable to execute their hedging strategy successfully if they are unable to post the amount of collateral required to enter into and support hedging contracts.

GenOn and GenOn Americas Generation are active participants in energy exchange and clearing markets, which require a per-contract initial margin to be posted. The initial margins are determined by the exchanges through the use of proprietary models that rely on a variety of inputs and factors, including market conditions. They have limited notice of any changes to the margin rates. Consequently, they are exposed to changes in the per unit margin rates required by the exchanges and could be required to post additional collateral on short notice. The terms of the Registrants' credit facilities and leases restrict their current and future operations, particularly their ability to respond to changes or take certain actions.

The Registrants' credit facilities and leases contain a number of restrictive covenants that impose significant operating and financial restrictions on them and may limit their ability to engage in acts that may be in their long-term best interest, including restrictions on their ability to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- enter into sale-leaseback transactions; and
- consolidate, merge or sell all or substantially all of their assets.

Cautionary Statement Regarding Forward Looking Information (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believe", "project", "anticipate", "plan", "expect", "intend", "estimate" 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 the Registrants' 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 following:

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

Forward-looking statements speak only as of the date they were made, and the Registrants undertake 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 the Registrants' actual results to differ materially from those contemplated in any forward-looking statements included in this Annual Report on Form 10-K should not be construed as exhaustive.

## Item 2 — Properties (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

Listed below are descriptions of Registrants' interests in facilities, operations and/or projects owned or leased as of December 31, 2012. The MW figures provided represent nominal summer net megawatt capacity of power generated as adjusted for the Registrants' ownership position excluding capacity from inactive/mothballed units as of December 31, 2012. The following table summarizes the Registrants' power production and cogeneration facilities by region:

Name and Location of Facility	Power Market	% Owned	Net Generation Capacity (MW) <sup>(a)</sup>	Primary Fuel-type
East Region:				
Chalk Point, Aquasco, MD	PJM	100.00	665	Coal
Chalk Point, Aquasco, MD	PJM	100.00	1,690	Natural Gas
Dickerson, MD	PJM	100.00	<sup>(b)</sup> 535	Coal
Dickerson, MD	PJM	100.00	<sup>(b)</sup> 310	Natural Gas
Morgantown, Newburg, MD	PJM	100.00	<sup>(b)</sup> 1,230	Coal
Morgantown, Newburg, MD	PJM	100.00	<sup>(b)</sup> 250	Oil
Total GenOn Mid-Atlantic:			4,680	
East Region:				
Bowline, West Haverstraw, NY	NYISO	100.00	755	Natural Gas
Canal, Sandwich, MA	ISO-NE	100.00	1,110	Oil
Kendall, Cambridge, MA	ISO-NE	100.00	260	Natural Gas
Martha's Vineyard, MA	ISO-NE	100.00	15	Oil
West Region:				
Contra Costa, Antioch, CA <sup>(c)</sup>	CAISO	100.00	675	Natural Gas
Pittsburg, CA	CAISO	100.00	1,310	Natural Gas
Total GenOn Americas Generation:			8,805	
East Region:				
Aurora, IL	PJM	100.00	880	Natural Gas
Avon Lake, OH <sup>(c)</sup>	PJM	100.00	730	Coal
Avon Lake, OH	PJM	100.00	20	Oil
Blossburg, PA	PJM	100.00	20	Natural Gas
Brunot Island, Pittsburgh, PA	PJM	100.00	260	Natural Gas
Cheswick, Springdale, PA	PJM	100.00	565	Coal
Conemaugh, New Florence, PA <sup>(d)</sup>	PJM	16.45	280	Coal
Conemaugh, New Florence, PA <sup>(d)</sup>	PJM	16.45	5	Oil
Gilbert, Milford, NJ <sup>(c)</sup>	PJM	100.00	535	Natural Gas
Glen Gardner, NJ <sup>(c)</sup>	PJM	100.00	160	Natural Gas
Hamilton, East Berlin, PA	PJM	100.00	20	Oil
Hunterstown CCGT, Gettysburg, PA	PJM	100.00	810	Natural Gas
Hunterstown CTS, Gettysburg, PA	PJM	100.00	60	Natural Gas
Keystone, Shelocta, PA <sup>(d)</sup>	PJM	16.67	280	Coal
Keystone, Shelocta, PA <sup>(d)</sup>	PJM	16.67	5	Oil
Mountain, Mount Holly Springs, PA	PJM	100.00	40	Oil
New Castle, West Pittsburg, PA <sup>(c)</sup>	PJM	100.00	325	Coal
New Castle, West Pittsburg, PA <sup>(c)</sup>	PJM	100.00	5	Oil
Niles, OH	PJM	100.00	25	Oil

Orrtanna, PA

PJM

100.00

20

Oil

19

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Osceola, Holopaw, FL	FRCC	100.00	460	Natural Gas
Portland, Mouth Bethel, PA <sup>(c)</sup>	PJM	100.00	400	Coal
Portland, Mouth Bethel, PA	PJM	100.00	170	Oil
Sayreville, NJ	PJM	100.00	225	Natural Gas
Seward, New Florence, PA	PJM	100.00	525	Coal
Shawnee, East Stoudsburg, PA	PJM	100.00	20	Oil
Shawville, PA <sup>(d)</sup> <sup>(e)</sup>	PJM	100.00	600	Coal
Shawville, PA <sup>(d)</sup>	PJM	100.00	5	Oil
Titus, Birdsboro, PA <sup>(c)</sup>	PJM	100.00	245	Coal
Titus, Birdsboro, PA	PJM	100.00	30	Oil
Tolna, Stewartstown, PA	PJM	100.00	40	Oil
Warren, PA	PJM	100.00	55	Natural Gas
Werner, South Amboy, NJ <sup>(c)</sup>	PJM	100.00	210	Oil
South Central Region:				
Choctaw, French Camp, MS	SERC-Entergy	100.00	800	Natural Gas
Sabine, Orange, TX <sup>(f)</sup>	SERC-Entergy	50.00	55	Natural Gas
Shelby County, Neoga, IL	MISO	100.00	345	Natural Gas
West Region:				
Coolwater, Dagget, CA	CAISO	100.00	635	Natural Gas
Ellwood, Goleta, CA	CAISO	100.00	55	Natural Gas
Etiwanda, Rancho Cucamonga, CA	CAISO	100.00	640	Natural Gas
Mandalay, Oxnard, CA	CAISO	100.00	560	Natural Gas
Ormond Beach, Oxnard, CA	CAISO	100.00	1,515	Natural Gas
Total GenOn:			21,440	

(a) Net generation capacity is approximate and actual capacity can vary depending on factors including weather conditions, operational conditions, and other factors.

GenOn Mid-Atlantic leases 100% interests in the Dickerson and Morgantown coal generation units through facility lease agreements expiring in 2029 and 2034, respectively. GenOn Mid-Atlantic owns 310 MW and 250 MW of peaking capacity at the Dickerson and Morgantown generating facilities, respectively. GenOn Mid-Atlantic operates the Dickerson and Morgantown facilities.

(c) GenOn expects to deactivate net generation capacity at the following facilities:

Facility	Expected Deactivation Date	Net Generation Capacity (MW)
Avon Lake	April 2015	730
Contra Costa	May 2013	675
Gilbert	May 2015	190
Glen Gardner	May 2015	160
New Castle	April 2015	330
Portland	January 2015	400
Titus	April 2015	245
Werner	May 2015	210

GenOn leases 100%, 16.67% and 16.45% interests in three Pennsylvania facilities (Shawville, Keystone and Conemaugh, respectively) through facility lease agreements expiring in 2026, 2034 and 2034, respectively. GenOn operates the Shawville, Keystone and Conemaugh facilities. The table includes GenOn's net share of the capacity of these facilities.

(e) GenOn expects to place the coal-fired units at the Shawville generating facility (600 MW of the 605 MW) in long-term protective layup in April 2015.

(f) GenOn owns a 50% equity interest in the Sabine facility located in east Texas having a net generating capacity of 110 MW. An unaffiliated party owns the other 50% and an affiliated party to the other owner operates the facility.

The table includes GenOn's net share of the capacity of this facility.

#### Other Properties

The Registrants own or lease oil and gas pipelines that serve its generating facilities. GenOn leases offices at 1000 Main Street, Houston, Texas 77002, which are leased through 2018, subject to two five-year renewal options. GenOn also leases other offices. The Registrants believe that their properties are adequate for their present needs. Except for the Conemaugh, Keystone and Sabine facilities, the Registrants' interest as of December 31, 2012 is 100% for each property. The Registrants have satisfactory title, rights and possession to their owned facilities, subject to exceptions, which, in their opinion, would not have a material adverse effect on the use or value of the facilities.

#### Item 3 — Legal Proceedings (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

See Item 15 — Note 20, Commitments and Contingencies, to the Consolidated Financial Statements for discussion of the material legal proceedings to which the Registrants are a party.

#### Item 4 — Mine Safety Disclosures (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

Not applicable.



PART II

Item 5 — Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

As a result of the NRG Merger, GenOn is a wholly-owned subsidiary of NRG. All of GenOn's common stock is held by its parent, NRG, and GenOn's common stock is not publicly traded. GenOn Americas Generation and GenOn Mid Atlantic are indirect wholly-owned subsidiaries of NRG. All of GenOn Americas Generation's membership interests are held by its parent, GenOn Americas. All of GenOn Mid Atlantic's membership interests are held by its parent, GenOn North America. GenOn Americas Generation's and GenOn Mid Atlantic's membership interests are not publicly traded.

Item 6 — Selected Financial Data (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

Item 6 has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

Item 7 — Management's Narrative Analysis of the Results of Operations and Financial Condition (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

Reference is made to the Registrants' Consolidated Statements of Operations to this Annual Report on Form 10-K, which presents the results of the Registrants' operations for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and the years ended December 31, 2011 and 2010, and also refer to Item I to this Form 10-K for additional discussion about the Registrants' business.

NRG Merger

On July 20, 2012, GenOn entered into the NRG Merger Agreement with NRG and a direct wholly-owned subsidiary of NRG. Upon the terms and subject to the conditions set forth in the NRG Merger Agreement, which was approved by the boards of directors of GenOn and NRG, a wholly-owned subsidiary of NRG merged with and into GenOn, with GenOn continuing as the surviving corporation and a wholly-owned subsidiary of NRG.

On December 14, 2012, NRG completed the acquisition of GenOn. NRG issued, as consideration for the acquisition, 0.1216 shares of NRG common stock for each outstanding share of GenOn, including restricted stock units outstanding, on the acquisition date, except for fractional shares which were paid in cash. See Item 15 — Note 3, NRG Merger, to the Consolidated Financial Statements.

Predecessor and Successor Reporting

As a result of the impact of pushdown accounting, the financial statements and certain note presentations separate GenOn's, GenOn Americas Generation's and GenOn Mid-Atlantic's presentations into two distinct periods, the period before the consummation of the NRG Merger (labeled predecessor) and the period after that date (labeled successor), to indicate the application of different basis of accounting between the periods presented.

For comparison purposes, the discussion of results of operations below is based on the mathematical combination of the 2012 successor (December 15, 2012 through December 31, 2012) period and the 2012 predecessor (January 1, 2012 through December 14, 2012) period compared to the predecessor year ended December 31, 2011.

Environmental Matters, Regulatory Matters and Legal Proceedings

Details of environmental matters are presented in Item 15 — Note 22, Environmental Matters, to the Consolidated Financial Statements. Details of regulatory matters are presented in Item 15 — Note 21, Regulatory Matters, to the Consolidated Financial Statements. Details of legal proceedings are presented in Item 15 — Note 20, Commitments and Contingencies, to the Consolidated Financial Statements. Some of this information relates to costs that may be material to the Registrants' financial results.

## Consolidated Results of Operations

GenOn

2012 Compared to 2011

The following table provides selected financial information for GenOn:

(In millions except otherwise noted)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011	Change % <sup>(a)</sup>	
<b>Operating Revenues</b>					
Energy revenue <sup>(b)</sup>	\$59	\$1,766	\$2,164	(16	)%
Capacity revenue <sup>(b)</sup>	30	818	915	(7	)%
Mark-to-market for economic hedging activities	(16	) (157	) 225	N/A	
Contract amortization	—	(10	) (23	) (57	)%
Other revenues <sup>(c)</sup>	—	147	333	(56	)%
Total operating revenues	73	2,564	3,614	(27	)%
<b>Operating Costs and Expenses</b>					
Generation cost of sales <sup>(b)</sup>	41	1,219	1,630	(23	)%
Mark-to-market for economic hedging activities	(7	) (16	) 3	N/A	
Contract and emissions credit amortization	(4	) (23	) (23	) 17	)%
Other cost of operations	36	893	1,032	(10	)%
Total cost of operations	66	2,073	2,642	(19	)%
Depreciation and amortization	10	339	375	(7	)%
Impairment losses	—	47	133	(65	)%
Selling, general and administrative	61	177	255	(7	)%
Total operating costs and expenses	137	2,636	3,405	(19	)%
Operating Income/(Loss)	(64	) (72	) 209	N/A	
<b>Other Income/(Expense)</b>					
Other income, net	—	3	4	(25	)%
Interest expense	(8	) (330	) (379	) (11	)%
Loss on debt extinguishment	—	—	(23	) (100	)%
Total other expense	(8	) (327	) (398	) (16	)%
Loss before income tax expense	(72	) (399	) (189	) 149	)%
Income tax expense	—	15	—	100	)%
Net Loss	\$(72	) \$(414	) \$(189	) N/A	
<b>Business Metrics</b>					
Average natural gas price — Henry Hub (\$/MMBtu)	2.79	2.79	4.04	(31	)%
MWh sold (in thousands)	985	30,389	35,357		
MWh generated (in thousands)	993	31,688	34,997		

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

(b) Includes realized gains and losses from financially settled transactions.

(c) Includes unrealized trading gains and losses.

N/A - Not Applicable

## Generation Gross Margin

(In millions)	Successor	Predecessor		Change % <sup>(a)</sup>	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011		
Energy revenue	\$ 59	\$ 1,766	\$ 2,164	(16	)%
Capacity revenue	30	818	915	(7	)%
Other revenues	—	147	333	(56	)%
Generation revenue	89	2,731	3,412	(17	)%
Generation cost of sales	41	1,219	1,630	(23	)%
Generation gross margin	\$ 48	\$ 1,512	\$ 1,782	(12	)%

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

Generation gross margin decreased by \$222 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Lower gross margin from coal plants due to decrease in generation primarily as a result of lower power prices	\$(399)
Lower capacity revenue primarily resulting from lower capacity prices	(67)
Lower gross margin primarily due to decreases in income from propriety trading and fuel oil management activities	(38)
Higher gross margin primarily due to increase in power hedges resulting from lower prices	175
Higher gross margin from gas plants due to increase in generation primarily as a result of lower gas prices	73
Advanced settlement of an out-of market contract obligation <sup>(a)</sup>	20
Other, net	14
	\$(222)

(a) This \$20 million in income for the advance settlement of an out-of-market contract obligation relates to GenOn's successful permanent assignment of a long-term contract that was out-of-market and revalued as of the date of the Mirant/RRI Merger and recorded as a \$20 million liability. GenOn had no further obligations under the contract and did not need it to support GenOn's ongoing operations and therefore reversed the liability in 2012.

## Mark-to-market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results decreased by \$372 million for the 2012 combined successor period and predecessor period compared to 2011.

The breakdown of gains and losses included in operating revenues and operating costs and expenses are as follows:

(In millions)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011
Mark-to-market results in operating revenues			
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	\$(13 )	\$(456 )	\$(277 )
Net unrealized gains/(losses) on open positions related to economic hedges	(3 )	299	502
Total mark-to-market gains/(losses) in operating revenues	\$(16 )	\$(157 )	\$225
Mark-to-market results in operating costs and expenses			
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	9	149	34
Net unrealized losses on open positions related to economic hedges	(2 )	(133 )	(37 )
Total mark-to-market gains/(losses) in operating costs and expenses	\$7	\$16	\$(3 )

Mark-to-market results consist of unrealized gains and losses. The settlement of these transactions is reflected in the same caption as the items being hedged.

For the period from December 15, 2012 through December 31, 2012, the \$16 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period and a decrease in the value of forward sales of electricity and natural gas contracts as a result of increases in forward power and natural gas prices. The \$7 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward coal prices.

For the period from January 1, 2012 through December 14, 2012, the \$157 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The loss was partially offset by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power and natural gas prices. The \$16 million gain in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts, primarily as a result of decreases in forward coal prices.

For 2011, the \$225 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power

and natural gas prices. The gain was partially offset by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The \$3 million loss in operating costs and expenses from economic hedge positions was primarily driven by a decrease in the value of forward purchases of fuel contracts, primarily as a result of decreases in forward fuel prices.

The loss was partially offset by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of GenOn's financial and physical trading of energy commodities. The realized and unrealized financial and physical trading results are included in other operating revenues. GenOn's trading activities are subject to limits within the risk management policy.

(In millions)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011
Trading gains/(losses)			
Realized	\$3	\$7	\$48
Unrealized	(4	) (2	) 2
Total trading gains/(losses)	\$(1	) \$5	\$50

#### Other Cost of Operations

Other cost of operations decreased by \$103 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Decrease in large scale remediation and settlement costs	\$(64 )
Decrease in project, outage and maintenance expenses	(50 )
Reversal of the previously recorded Potomac River obligation	(32 )
Decrease in major litigation costs, net of recoveries	(11 )
Increase in costs to deactivate generating facilities	45
Increase due to changes in asset retirement obligation assumptions	17
Other, net	(8 )
	\$(103 )

#### Depreciation and Amortization

Depreciation and amortization expense decreased by \$26 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Accelerated depreciation related to the abandonment of a pipeline recognized in 2011	\$(12 )
Leasehold improvements write-off and software retirements recognized in 2011	(12 )
Other, net	(2 )
	\$(26 )

#### Impairment Losses

Impairment losses decreased \$86 million for the 2012 combined successor period and predecessor period compared to 2011 due to (a) \$47 million recorded in 2012 relating to property, plant and equipment at two generating facilities compared to (b) \$133 million recorded in 2011 for the write-off of excess NO<sub>x</sub> and SO<sub>2</sub> emission allowances as a result of the CSAPR.





Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$17 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Mirant/RRI Merger-related costs	\$(65 )
Reduced rent expense as a result of completion of the Mirant/RRI Merger integration	(8 )
Lower professional fees and contracted services	(6 )
NRG Merger-related costs	64
Other, net	(2 )
	\$(17 )

Loss on Debt Extinguishment

A loss on debt extinguishment of \$23 million was recorded in 2011, which primarily consisted of the premium paid on redemptions and the write-off of previously deferred financing costs related to the redemptions of the GenOn North America senior notes.

Interest Expense

Interest expense decreased by \$41 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Decrease for higher capitalized interest	\$(22 )
Decrease for GenOn Americas Generation senior notes repaid in 2011	(15 )
Decrease for Pennsylvania Economic Development Financing Authority bonds redeemed in 2011	(10 )
Increase for GenOn Marsh Landing senior term loans	7
Other, net	(1 )
	\$(41 )

## GenOn Americas Generation

2012 Compared to 2011

The following table provides selected financial information for GenOn Americas Generation:

(In millions except otherwise noted)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011	Change % <sup>(a)</sup>	
<b>Operating Revenues</b>					
Energy revenue <sup>(b)</sup>	\$59	\$1,718	\$1,946	(9	)%
Capacity revenue <sup>(b)</sup>	28	739	772	(1	)%
Mark-to-market for economic hedging activities	(12	) (151	) 138	N/A	
Other revenues <sup>(c)</sup>	2	288	82	N/A	
Total operating revenues	77	2,594	2,938	(9	)%
<b>Operating Costs and Expenses</b>					
Generation cost of sales <sup>(b)</sup>	59	1,944	1,868	7	%
Mark-to-market for economic hedging activities	(4	) (19	) 2	N/A	
Contract and emissions credit amortization	—	22	27	(19	)%
Other cost of operations	14	424	515	(15	)%
Total cost of operations	69	2,371	2,412	1	%
Depreciation and amortization	5	155	177	(10	)%
Impairment losses	—	—	128	(100	)%
Selling, general and administrative	3	73	88	(14	)%
Total operating costs and expenses	77	2,599	2,805	(5	)%
Operating Income/(Loss)	—	(5	) 133	(104	)%
<b>Other Income/(Expense)</b>					
Other expense, net	—	—	(1	) (100	)%
Interest expense	(3	) (75	) (93	) (16	)%
Loss on debt extinguishment	—	—	(23	) (100	)%
Total other expense	(3	) (75	) (117	) (33	)%
(Loss)/Income before income tax expense	(3	) (80	) 16	N/A	
Income tax (benefit)/expense	—	—	—	—	%
Net (Loss)/Income	\$(3	) \$(80	) \$16	N/A	
<b>Business Metrics</b>					
Average natural gas price — Henry Hub (\$/MMBtu)	2.79	2.79	4.04	(31	)%
MWh sold (in thousands)	421	12,730	13,713		
MWh generated (in thousands)	423	13,014	13,686		

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

(b) Includes realized gains and losses from financially settled transactions.

(c) Includes unrealized trading gains and losses.

N/A - Not Applicable

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Generation Gross Margin

(In millions)	Successor	Predecessor		Change % <sup>(a)</sup>	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011		
Energy revenue	\$ 59	\$ 1,718	\$ 1,946	(9	)%
Capacity revenue	28	739	772	(1	)%
Other revenues	2	288	82	N/A	
Generation revenue	89	2,745	2,800	1	%
Generation cost of sales	59	1,944	1,868	7	%
Generation gross margin	\$ 30	\$ 801	\$ 932	(11	)%

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

Generation gross margin decreased by \$101 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Lower gross margin from coal plants due to decrease in generation primarily as a result of lower power prices	\$(178)
Lower gross margin primarily due to decreases in income from propriety trading and fuel oil management activities	(36)
Lower capacity revenue primarily resulting from lower capacity prices	(5)
Higher gross margin primarily due to increase in power hedges resulting from lower prices	77
Higher gross margin from gas plants due to increase in generation primarily as a result of lower gas prices	13
Higher gross margin primarily due to a decrease in fuel handling costs	11
Other, net	17
	\$(101)

## Mark-to-market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results decreased by \$276 million for the 2012 combined successor period and predecessor period compared to 2011.

The breakdown of gains and losses included in operating revenues and operating costs and expenses are as follows:

(In millions)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011
Mark-to-market results in operating revenues			
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	\$(8 )	\$(368 )	\$(254 )
Net unrealized gains/(losses) on open positions related to economic hedges	(4 )	217	392
Total mark-to-market gains/(losses) in operating revenues	(12 )	(151 )	138
Mark-to-market results in operating costs and expenses			
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	6	127	34
Net unrealized losses on open positions related to economic hedges	(2 )	(108 )	(36 )
Total mark-to-market gains/(losses) in operating costs and expenses	\$4	\$19	\$(2 )

Mark-to-market results consist of unrealized gains and losses. The settlement of these transactions is reflected in the same caption as the items being hedged.

For the period from December 15, 2012 through December 31, 2012, the \$12 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period and a decrease in the value of forward sales of electricity and natural gas contracts as a result of increases in forward power and natural gas prices. The \$4 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward coal prices.

For the period from January 1, 2012 through December 14, 2012, the \$151 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The loss was partially offset by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power and natural gas prices. The \$19 million gain in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts, primarily as a result of decreases in forward coal prices.

For 2011, the \$138 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power

and natural gas prices. The gain was partially offset by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The \$2 million loss in operating costs and expenses from economic hedge positions was primarily driven by a decrease in the value of forward purchases of fuel contracts, primarily as a result of decreases in forward fuel prices.

The loss was partially offset by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of GenOn Americas Generation's financial and physical trading of energy commodities. The realized and unrealized financial and physical trading results are included in other operating revenues. GenOn Americas Generation's trading activities are subject to limits within the risk management policy.

(In millions)	Successor December 15, 2012 through December 31, 2012	Predecessors January 1, 2012 through December 14, 2012	2011
Trading gains/(losses)			
Realized	\$3	\$7	\$46
Unrealized	(4	) (2	) 2
Total trading gains/(losses)	\$(1	) \$5	\$48

#### Other Cost of Operations

Other cost of operations decreased by \$77 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Decrease in large scale remediation and settlement costs	\$(64 )
Reversal of the previously recorded Potomac River obligation	(32 )
Decrease in major litigation costs, net of recoveries	(11 )
Increase in costs to deactivate generating facilities	16
Increase due to the reversal of Montgomery County carbon levy assessment recorded in 2011	8
Increase due to changes in asset retirement obligation assumptions	7
Other, net	(1 )
	\$(77 )

#### Depreciation and Amortization

Depreciation and amortization expense decreased by \$17 million for the 2012 combined successor period and predecessor period compared to 2011 due primarily to the accelerated depreciation recognized in 2011 related to the abandonment of a pipeline.

#### Impairment Losses

Impairment losses of \$128 million were recorded in 2011 due to the write-off of excess NO<sub>x</sub> and SO<sub>2</sub> emission allowances as a result of the CSAPR.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$12 million for the 2012 combined successor period and predecessor period compared to 2011 due to decreased allocation of corporate overhead costs primarily as a result of the completion of the Mirant/RRI Merger integration (including (i) the reduction in Mirant/RRI Merger-related costs and (ii) Mirant/RRI Merger cost savings).



### Loss on Debt Extinguishment

A loss on debt extinguishment of \$23 million was recorded in 2011, which primarily consisted of the premium paid on redemptions and the write-off of previously deferred financing costs related to the redemptions of the GenOn North America senior notes.

### Interest Expense

Interest expense decreased by \$15 million for the 2012 combined successor period and predecessor period compared to 2011 due to a decrease for GenOn Americas Generation senior notes repaid in 2011.

## GenOn Mid-Atlantic

## 2012 Compared to 2011

The following table provides selected financial information for GenOn Mid-Atlantic:

(In millions except otherwise noted)	Successor	Predecessor		Change % <sup>(a)</sup>
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011	
<b>Operating Revenues</b>				
Energy revenue <sup>(b)</sup>	\$30	\$897	\$980	(5)%
Capacity revenue <sup>(b)</sup>	10	197	232	(11)%
Mark-to-market for economic hedging activities	(12)	(120)	119	N/A
Other revenues	—	15	16	(6)%
Total operating revenues	28	989	1,347	(24)%
<b>Operating Costs and Expenses</b>				
Generation cost of sales <sup>(b)</sup>	15	465	520	(8)%
Mark-to-market for economic hedging activities	(5)	(5)	(1)	N/A
Contract and emissions credit amortization	—	20	26	(23)%
Other cost of operations	11	314	410	(21)%
Total cost of operations	21	794	955	(15)%
Depreciation and amortization	4	114	131	(10)%
Impairment losses	—	—	94	(100)%
Selling, general and administrative	2	46	57	(16)%
Total operating costs and expenses	27	954	1,237	(21)%
Operating Income	1	35	110	(67)%
<b>Other Income/(Expense)</b>				
Interest expense	—	(4)	(5)	(20)%
Total other expense	—	(4)	(5)	(20)%
Income before income tax expense	1	31	105	(70)%
Income tax (benefit)/expense	—	—	—	%
Net Income	\$1	\$31	\$105	(70)%
<b>Business Metrics</b>				
Average natural gas price — Henry Hub (\$/MMBtu)	2.79	2.79	4.04	(31)%
MWh sold (in thousands)	387	10,948	12,267	
MWh generated (in thousands)	387	10,948	12,267	

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

(b) Includes realized gains and losses from financially settled transactions.

N/A - Not Applicable



Generation Gross Margin

(In millions)	Successor	Predecessor		Change % <sup>(a)</sup>	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011		
Energy revenue	\$ 30	\$ 897	\$ 980	(5	)%
Capacity revenue	10	197	232	(11	)%
Other revenues	—	15	16	(6	)%
Generation revenue	40	1,109	1,228	(6	)%
Generation cost of sales	15	465	520	(8	)%
Generation gross margin	\$ 25	\$ 644	\$ 708	(6	)%

(a) This column represents the difference between (a) the mathematical combination of the 2012 successor period and the 2012 predecessor period and (b) the 2011 predecessor period and (c) divided by the 2011 predecessor period.

Generation gross margin decreased by \$39 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Lower gross margin from coal plants due to decrease in generation primarily as a result of lower power prices	\$(174)
Lower capacity revenue primarily resulting from lower capacity prices	(25)
Higher gross margin primarily due to increase in power hedges resulting from lower prices	118
Higher gross margin from gas plants due to increase in generation primarily as a result of lower gas prices	27
Higher gross margin primarily due to a decrease in fuel handling costs	12
Other, net	3
	\$(39)

## Mark-to-market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results decreased by \$242 million for the 2012 combined successor period and predecessor period compared to 2011.

The breakdown of gains and losses included in operating revenues and operating costs and expenses are as follows:

(In millions)	Successor December 15, 2012 through December 31, 2012	Predecessor January 1, 2012 through December 14, 2012	2011
Mark-to-market results in operating revenues			
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	\$(8 )	\$(355 )	\$(239 )
Net unrealized gains/(losses) on open positions related to economic hedges	(4 )	235	358
Total mark-to-market gains/(losses) in operating revenues	(12 )	(120 )	119
Mark-to-market results in operating costs and expenses			
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	6	109	24
Net unrealized losses on open positions related to economic hedges	(1 )	(104 )	(23 )
Total mark-to-market gains in operating costs and expenses	\$5	\$5	\$1

Mark-to-market results consist of unrealized gains and losses. The settlement of these transactions is reflected in the same caption as the items being hedged.

For the period from December 15, 2012 through December 31, 2012, the \$12 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period and a decrease in the value of forward sales of electricity and natural gas contracts as a result of increases in forward power and natural gas prices. The \$5 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward coal prices.

For the period from January 1, 2012 through December 14, 2012, the \$120 million loss in operating revenues from economic hedge positions was driven by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The loss was partially offset by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power and natural gas prices. The \$5 million gain in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was partially offset by a decrease in the value of forward purchases of fuel contracts, primarily as a result of decreases in forward coal prices.

For 2011, the \$119 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of electricity and natural gas contracts as a result of decreases in forward power and natural gas prices. The gain was partially offset by the reversal of previously recognized unrealized gains from

electricity and natural gas contracts that settled during the period. The \$1 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from fuel contracts that settled during the period. The gain was offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward fuel prices.

Other Cost of Operations

Other cost of operations decreased by \$85 million for the 2012 combined successor period and predecessor period compared to 2011 due to:

	(In millions)
Decrease in large scale remediation and settlement costs	\$(64 )
Reversal of the previously recorded Potomac River obligation	(32 )
Decrease in major litigation costs, net of recoveries	(11 )
Increase in costs to deactivate generating facilities	14
Increase due to the reversal of Montgomery County carbon levy assessment recorded in 2011	8
Increase due to changes in asset retirement obligation assumptions	7
Other, net	(7 )
	\$(85 )

Depreciation and Amortization

Depreciation and amortization expense decreased by \$13 million for the 2012 combined successor period and predecessor period compared to 2011 due primarily to the accelerated depreciation recognized in 2011 related to the abandonment of a pipeline.

Impairment Losses

Impairment losses of \$94 million were recorded in 2011 due to the write-off of excess NO<sub>x</sub> and SO<sub>2</sub> emission allowances as a result of the CSAPR.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$9 million for the 2012 combined successor period and predecessor period compared to 2011 due to decreased allocation of corporate overhead costs primarily as a result of the completion of the Mirant/RRI Merger integration (including (i) the reduction in Mirant/RRI Merger-related costs and (ii) Mirant/RRI Merger cost savings).

Item 7A — Quantitative and Qualitative Disclosures About Market Risk (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

The Registrants are exposed to several market risks in their normal business activities. Market risk is the potential loss that may result from market changes associated with the Registrants' merchant power generation or with an existing or forecasted financial or commodity transaction. The types of risks the Registrants are exposed to are commodity price risk, interest rate risk and credit and performance risk. In order to manage commodity price and interest rate risks, the Registrants use various fixed-price forward purchase and sales contracts, futures and option contracts traded on NYMEX, and swaps and options traded in the over-the-counter financial markets to:

- Manage and hedge fixed-price purchase and sales commitments;
- Manage and hedge exposure to variable rate debt obligations;
- Reduce exposure to the volatility of cash market prices; and
- Hedge fuel requirements for the Registrants' generating facilities.

#### Commodity Price Risk

Commodity price risks result from exposures to changes in spot prices, forward prices, volatilities, and correlations between various commodities, such as natural gas, electricity, coal, oil, and emission credits. The Registrants manage the commodity price risk of their merchant generation operations by entering into various derivative or non-derivative instruments to hedge the variability in future cash flows from forecasted sales and purchases of electricity and fuel. These instruments include forwards, futures, swaps, and option contracts traded on various exchanges, such as NYMEX and Intercontinental Exchange, or ICE, as well as over-the-counter markets. The portion of forecasted transactions hedged may vary based upon management's assessment of market, weather, operation and other factors.

While some of the contracts the Registrants use to manage risk represent commodities or instruments for which prices are available from external sources, other commodities and certain contracts are not actively traded and are valued using other pricing sources and modeling techniques to determine expected future market prices, contract quantities, or both. The Registrants use their best estimates to determine the fair value of those derivative contracts. However, it is likely that future market prices could vary from those used in recording mark-to-market derivative instrument valuation, and such variations could be material.

#### Interest Rate Risk

The Registrants are also subject to interest rate risk when discounting to account for time value in determining the fair value of their derivative contract assets and liabilities. The nominal value of their derivative contract assets and liabilities is discounted using a LIBOR forward interest rate curve based on the tenor of their transactions. It is estimated that a one percentage point change in market interest rates would result in a change of \$9 million to GenOn's derivative contract assets and a change of \$2 million to GenOn's derivative contract liabilities at December 31, 2012. It is estimated that a one percentage point change in market interest rates would result in a change of \$9 million to GenOn Americas Generation's derivative contract assets and a change of \$1 million to GenOn Americas Generation's derivative contract liabilities at December 31, 2012. It is estimated that a one percentage point change in market interest rates would result in a change of \$9 million to the GenOn Mid-Atlantic's derivative contract assets and a change of \$1 million to GenOn Mid-Atlantic's derivative contract liabilities at December 31, 2012.

The GenOn Marsh Landing credit agreement is also subject to variable interest rates. The credit facility consists of a \$155 million tranche A senior secured term loan facility, a \$345 million tranche B senior secured term loan facility, a \$50 million senior secured letter of credit facility to support GenOn Marsh Landing's debt service reserve requirements and a \$100 million senior secured letter of credit facility to support GenOn Marsh Landing's collateral requirements under its PPA with PG&E. The interest rate swaps cover 100% of the expected outstanding term loans' balances during the operating period and a substantial portion of the expected outstanding term loans balances during the



construction period. The remaining borrowings during the construction period are still subject to variability in interest rates. At the projected peak borrowing levels during the construction period, a one percentage point change in market interest rates would result in a change in GenOn Marsh Landing's annual interest cost of less than \$1 million.

## Counterparty Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. The Registrants monitor and manage credit risk through credit policies that include: (i) an established credit approval process; (ii) a daily monitoring of counterparties' credit limits; (iii) the use of credit mitigation measures such as margin, collateral, prepayment arrangements, or volumetric limits; (iv) the use of payment netting agreements; and (v) the use of master netting agreements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty. Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Registrants seek to mitigate counterparty risk by having a diversified portfolio of counterparties. The Registrants also have credit protection within various agreements to call on additional collateral support if and when necessary. Cash margin is collected and held at the Registrants to cover the credit risk of the counterparty until positions settle.

As of December 31, 2012, counterparty credit exposure to a significant portion of GenOn's counterparties was \$833 million and GenOn held collateral (cash and letters of credit) against those positions of \$59 million, resulting in a net exposure of \$774 million. Approximately 90% of GenOn's exposure before collateral is expected to roll off by the end of 2014. GenOn Americas Generation's counterparty credit exposure to a significant portion of counterparties was \$801 million and GenOn Americas Generation held collateral (cash and letters of credit) against those positions of \$59 million, resulting in a net exposure of \$742 million. Approximately 90% of GenOn Americas Generation's exposure before collateral is expected to roll off by the end of 2014. GenOn Mid-Atlantic's counterparty credit exposure to a significant portion of counterparties was \$641 million and GenOn Mid-Atlantic held collateral (cash and letters of credit) against those positions of \$57 million, resulting in a net exposure of \$584 million. Approximately 91% of GenOn Mid-Atlantic's exposure before collateral is expected to roll off by the end of 2014.

The following tables highlight the credit quality and the net counterparty credit exposure by industry sector. Net counterparty credit exposure is defined as the aggregate net asset position for the Registrants with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. As of December 31, 2012, the exposure is shown net of collateral held and includes amounts net of receivables or payables.

## GenOn

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Financial institutions	76	%
Utilities, energy merchants, marketers and other	14	%
ISOs	10	%
Total	100	%

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Investment grade	99	%
Non-rated	1	%
Total	100	%

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

GenOn has counterparty credit risk exposure to certain counterparties representing more than 10% of total net exposure discussed above and the aggregate of such counterparties was \$522 million. 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, GenOn does not anticipate a material impact on its financial position or results of

operations from nonperformance by any of its counterparties.

## GenOn Americas Generation

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Financial institutions	80	%
Utilities, energy merchants, marketers and other	14	%
ISOs	6	%
Total	100	%

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Investment grade	99	%
Non-rated	1	%
Total	100	%

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

GenOn Americas Generation has counterparty credit risk exposure to certain counterparties representing more than 10% of total net exposure discussed above and the aggregate of such counterparties was \$522 million. 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, GenOn Americas Generation does not anticipate a material impact on its financial position or results of operations from nonperformance by any of its counterparties.

## GenOn Mid-Atlantic

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Financial institutions	100	%

Category	Net Exposure <sup>(a)</sup> (% of Total)	
Investment grade	100	%

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

GenOn Mid-Atlantic has counterparty credit risk exposure to certain counterparties representing more than 10% of total net exposure discussed above and the aggregate of such counterparties was \$505 million. 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, GenOn Mid-Atlantic does not anticipate a material impact on its financial position or results of operations from nonperformance by any of its counterparties.

## Credit Risk Related Contingent Features

Certain of the Registrants' hedging agreements contain provisions that require the Registrants 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 Registrants to post additional collateral if there were a one notch downgrade in the Registrants' credit rating. The collateral required for contracts that have adequate assurance clauses that are in net liability positions as of December 31, 2012, was \$5 million for GenOn and GenOn Americas Generation. The collateral required for contracts with credit rating contingent features that are in a net liability position as of December 31, 2012, was \$3 million for GenOn and GenOn Americas Generation. In addition, GenOn and GenOn Americas Generation are parties to certain marginable agreements under which they have net liability positions, but the counterparties have not called for collateral due, which is approximately \$1 million as of December 31, 2012. As of December 31, 2012, GenOn Mid-Atlantic did not have any financial instruments with credit risk

related contingent features.

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#### Coal Agreement Risk

In addition, the Registrants have non-performance risk associated with their coal agreements. There is risk that their coal suppliers may not provide the contractual quantities on the dates specified within the agreements, or the deliveries may be carried over to future periods. If their coal suppliers do not perform in accordance with the agreements, the Registrants may have to procure coal in the market to meet their needs, or power in the market to meet their obligations. In addition, generally the Registrants' coal suppliers do not have investment grade credit ratings nor do they post collateral with the Registrants and, accordingly, the Registrants may have limited ability to collect damages in the event of default by such suppliers. The Registrants seek to mitigate this risk through diversification of coal suppliers, to the extent possible, and through guarantees. Despite this, there can be no assurance that these efforts will be successful in mitigating credit risk from coal suppliers. Non-performance or default risk by the Registrants' coal suppliers could have a material adverse effect on their future results of operations, financial condition and cash flows.

Certain of the Registrants' coal contracts are not required to be recorded at fair value under the accounting guidance for derivative financial instruments. As such, these contracts are not included in derivative contract assets and liabilities in the consolidated balance sheets. For GenOn, these contracts contain pricing terms that are unfavorable compared to forward market prices at December 31, 2012, and are projected to result in a \$2 million expense to GenOn's realized value of hedges through 2014 as the coal is utilized in the production of electricity. For GenOn Americas Generation and GenOn Mid-Atlantic, these contracts contain pricing terms that are favorable compared to forward market prices at December 31, 2012, and are projected to provide a \$1 million benefit to their realized value of hedges through 2013 as the coal is utilized in the production of electricity.

#### Item 8 — Financial Statements and Supplementary Data (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

The financial statements and schedules of the Registrants are listed in Part IV, Item 15 of this Form 10-K.

Item 9 — Changes in and Disagreements with Accountants on Accounting and Financial Disclosure (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

None.

Item 9A — Controls and Procedures (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Under the supervision and with the participation of the Registrants' management, including principal executive officer, principal financial officer and principal accounting officer, the Registrants conducted an evaluation of the effectiveness of the design and operation of disclosure controls and procedures, as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act. Based on this evaluation, the Registrants' principal executive officer, principal financial officer and principal accounting officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this annual report on Form 10-K. Management's reports on the Registrants' internal control over financial reporting are incorporated under the caption "Management's Report on Internal Control over Financial Reporting" of the Registrants' Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Changes in Internal Control over Financial Reporting

On December 14, 2012, NRG acquired the Registrants as described in Item 15- Note 3, NRG Merger, to the Consolidated Financial Statements. Prior to the acquisition date, there were no changes in either NRG's or the Registrants' internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred in the fourth quarter of 2012 that materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

Post acquisition, management maintained the effectiveness of the Registrants' legacy controls over the design and operation of their disclosure controls and procedures. In addition, management designed and tested additional controls over the financial reporting process, which support the preparation of the consolidated financial statements in accordance with U.S. GAAP.

The Registrants plan to further integrate into NRG's internal control over financial reporting in 2013.

Inherent Limitations over Internal Controls

The Registrants' internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. The Registrants' internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Registrants' assets;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that the Registrants' receipts and expenditures are being made only in accordance with authorizations of management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Registrants' assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Item 9B — Other Information (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

None.



## PART III

Item 10 — Directors, Executive Officers and Corporate Governance

Item 11 — Executive Compensation

Item 12 — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13 — Certain Relationships and Related Transactions, and Director Independence

Each of Items 10 through 13 has been omitted from this report for the Registrants pursuant to the reduced disclosure format permitted by General Instruction I to Form 10-K.

Item 14 — Principal Accounting Fees and Services (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

KPMG LLP conducts an integrated audit of NRG and its subsidiaries. Professional audit services and other services rendered by KPMG LLP subsequent to December 14, 2012 were allocated to the Registrants through the Services Agreement with NRG as described in Note 19, Related Party Transactions, to the Registrants' consolidated financial statements. Prior to the NRG Merger, the GenOn Audit Committee pre-approved all audit services and permissible non-audit services provided by the independent auditor. As provided in the NRG Audit Committee Charter, the NRG Audit Committee pre-approved all audit services and permissible non-audit services provided by the independent auditor from the time of the NRG Merger and for the remainder of fiscal year 2012.

The following table shows the aggregate fees related to the audit and other services provided by KPMG LLP for fiscal years 2012 and 2011. Amounts in the table for periods prior to the consummation of the NRG Merger on December 14, 2012 reflect amounts paid by the Registrants to KPMG LLP.

	2012	2011
	(in thousands)	
Audit Fees <sup>(a)</sup>	\$4,840	\$5,390
Audit-Related Fees <sup>(b)</sup>	197	25
Total	\$5,037	\$5,415

Includes fees and expenses related to the audits of the Registrants' consolidated financial statements for 2012 and 2011 and the effectiveness of GenOn's internal controls over financial reporting for 2011. This category also includes the review of financial statements included in the Registrants' Quarterly Reports on Form 10-Q, the audits (a) of various subsidiary financial statements required by statute or regulation, and services that are normally provided by the independent auditors in connection with regulatory filings or engagements, consultations provided on audit and accounting matters that arose during, or as a result of, the audits or the reviews of interim financial statements, and the preparation of any written communications on internal control matters.

(b) Consists of accounting consulting, assurance and related services that are reasonably related to the performance of the audit or review of the Registrants' financial statements, which during 2012 related to the NRG Merger, and are not reported above under "Audit Fees."

PART IV

Item 15 — Exhibits, Financial Statement Schedules (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

(a)(1) Financial Statements

The following consolidated financial statements of GenOn Energy, Inc., GenOn Americas Generation, LLC and GenOn Mid-Atlantic, LLC and related notes thereto, together with the reports thereon of KPMG LLP, are included herein:

GenOn Energy, Inc.

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Loss

Consolidated Balance Sheets

Consolidated Statements of Cash Flows

Consolidated Statement of Stockholder's Equity

GenOn Americas Generation, LLC

Consolidated Statements of Operations

Consolidated Balance Sheets

Consolidated Statements of Cash Flows

Consolidated Statement of Member's Equity

GenOn Mid-Atlantic, LLC

Consolidated Statements of Operations

Consolidated Balance Sheets

Consolidated Statements of Cash Flows

Consolidated Statement of Member's Equity

Combined Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

The following Consolidated Financial Statement Schedules of GenOn Energy, Inc., GenOn Americas Generation, LLC and GenOn Mid-Atlantic, LLC are filed as part of Item 15(d) of this report and should be read in conjunction with the Consolidated Financial Statements.

Schedule I — GenOn Energy, Inc. Financial Statements

Schedule I — GenOn Americas Generation, LLC Financial Statements

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

(a)(3) Exhibits: See Exhibit Index submitted as a separate section of this report.

(b) Exhibits

See Exhibit Index submitted as a separate section of this report.

(c) Not applicable

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Registrants' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Registrants' management, including their principal executive officer, principal financial officer and principal accounting officer, the Registrants conducted an evaluation of the effectiveness of their internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Registrants' evaluation under the framework in Internal Control — Integrated Framework, the Registrants' management concluded that their internal control over financial reporting was effective as of December 31, 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholder  
GenOn Energy, Inc.:

We have audited the accompanying consolidated balance sheets of GenOn Energy, Inc. and subsidiaries as of December 31, 2012 (Successor) and December 31, 2011 (Predecessor), and the related consolidated statements of operations, comprehensive loss, stockholder's equity and cash flows for the periods from December 15, 2012 to December 31, 2012 (Successor period), and from January 1, 2012 to December 14, 2012 (Predecessor period) and for each of the years in the two-year period ended December 31, 2011 (Predecessor periods). These consolidated financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned Successor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Energy, Inc. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the Successor period, in conformity with U.S. generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Energy, Inc. and subsidiaries as of December 31, 2011, and the results of their operations and their cash flows for the Predecessor periods, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective December 15, 2012, NRG Energy, Inc. acquired all of the outstanding stock of GenOn Energy, Inc. in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable.

/s/ KPMG LLP  
KPMG LLP

Houston, Texas  
February 27, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member  
GenOn Americas Generation, LLC:

We have audited the accompanying consolidated balance sheets of GenOn Americas Generation, LLC and subsidiaries as of December 31, 2012 (Successor) and December 31, 2011 (Predecessor), and the related consolidated statements of operations, member's equity and cash flows for the periods from December 15, 2012 to December 31, 2012 (Successor period), and from January 1, 2012 to December 14, 2012 (Predecessor period) and for each of the years in the two-year period ended December 31, 2011 (Predecessor periods). These consolidated financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned Successor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Americas Generation, LLC and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the Successor period, in conformity with U.S. generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Americas Generation, LLC and subsidiaries as of December 31, 2011, and the results of their operations and their cash flows for the Predecessor periods, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective December 15, 2012, NRG Energy, Inc. acquired all of the outstanding stock of GenOn Energy, Inc., parent company of GenOn Americas Generation, LLC, in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable.

/s/ KPMG LLP  
KPMG LLP

Houston, Texas  
February 27, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member  
GenOn Mid-Atlantic, LLC:

We have audited the accompanying consolidated balance sheets of GenOn Mid-Atlantic, LLC and subsidiaries as of December 31, 2012 (Successor) and December 31, 2011 (Predecessor), and the related consolidated statements of operations, member's equity and cash flows for the periods from December 15, 2012 to December 31, 2012 (Successor period), and from January 1, 2012 to December 14, 2012 (Predecessor period) and for each of the years in the two-year period ended December 31, 2011 (Predecessor periods). These consolidated financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned Successor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Mid-Atlantic, LLC and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the Successor period, in conformity with U.S. generally accepted accounting principles. Further, in our opinion, the aforementioned Predecessor consolidated financial statements present fairly, in all material respects, the financial position of GenOn Mid-Atlantic, LLC and subsidiaries as of December 31, 2011, and the results of their operations and their cash flows for the Predecessor periods, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, effective December 15, 2012, NRG Energy, Inc. acquired all of the outstanding stock of GenOn Energy, Inc., parent company of GenOn Mid-Atlantic, LLC, in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable.

/s/ KPMG LLP  
KPMG LLP

Houston, Texas  
February 27, 2013

## GENON ENERGY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010
Operating Revenues				
Total operating revenues	\$73	\$2,564	\$3,614	\$2,270
Operating Costs and Expenses				
Cost of operations	66	2,073	2,642	1,528
Depreciation and amortization	10	339	375	224
Impairment losses	—	47	133	565
Selling, general and administrative	61	177	255	277
Total operating costs and expenses	137	2,636	3,405	2,594
Operating Income/(Loss)	(64 )	(72 )	209	(324 )
Other Income/(Expense)				
Other income, net	—	3	4	16
Gain on bargain purchase	—	—	—	335
Interest expense	(8 )	(330 )	(379 )	(253 )
Loss on debt extinguishment and refinancing expense	—	—	(23 )	(9 )
Total other income/(expense)	(8 )	(327 )	(398 )	89
Loss Before Income Taxes	(72 )	(399 )	(189 )	(235 )
Income tax expense/(benefit)	—	15	—	(2 )
Net Loss	\$(72 )	\$(414 )	\$(189 )	\$(233 )

See notes to Consolidated Financial Statements.

## GENON ENERGY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010
Net Loss	\$(72 )	\$(414 )	\$(189 )	\$(233 )
Other Comprehensive Income/(Loss), net of reclassifications, net of tax of \$0:				
Unrealized gain/(loss) on derivatives	1	(18 )	(55 )	21
Available-for-sale securities	—	—	(1 )	1
Defined benefit plans	1	(8 )	(89 )	6
Other, net	—	1	—	—
Other Comprehensive Income/(Loss)	2	(25 )	(145 )	28
Comprehensive Loss	\$(70 )	\$(439 )	\$(334 )	\$(205 )

See notes to Consolidated Financial Statements.



GENON ENERGY, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$825	\$1,539
Funds deposited by counterparties	140	129
Restricted cash	18	201
Accounts receivable — trade	138	357
Inventory	450	563
Derivative instruments	596	999
Derivative instruments — affiliate	8	—
Cash collateral paid in support of energy risk management activities	148	185
Prepayments	85	167
Taxes receivable and other current assets	131	36
Total current assets	2,539	4,176
<b>Property, Plant and Equipment</b>		
In service	3,321	6,956
Under construction	634	395
Total property, plant and equipment	3,955	7,351
Less accumulated depreciation	(9	) (1,160
Net property, plant and equipment	3,946	6,191
<b>Other Assets</b>		
Intangible assets, net of accumulated amortization of \$1 and \$36	68	48
Derivative instruments	511	733
Derivative instruments — affiliate	1	—
Deferred income taxes	209	294
Prepaid rent	—	386
Other non-current assets	232	441
Total other assets	1,021	1,902
Total Assets	\$7,506	\$12,269

See notes to Consolidated Financial Statements.



## GENON ENERGY, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (Continued)

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt and capital leases	\$32	\$10
Accounts payable	188	448
Accounts payable — affiliate	6	—
Derivative instruments	237	720
Derivative instruments — affiliate	8	—
Deferred income taxes	209	294
Cash collateral received in support of energy risk management activities	140	129
Accrued payroll	151	120
Accrued taxes	93	116
Accrued expenses and other current liabilities	102	107
<b>Total current liabilities</b>	<b>1,166</b>	<b>1,944</b>
<b>Other Liabilities</b>		
Long-term debt and capital leases	4,167	4,122
Postretirement and other benefit obligations	324	259
Derivative instruments	123	131
Derivative instruments — affiliate	1	—
Out-of-market contracts	1,062	398
Other non-current liabilities	250	298
<b>Total non-current liabilities</b>	<b>5,927</b>	<b>5,208</b>
<b>Total Liabilities</b>	<b>7,093</b>	<b>7,152</b>
<b>Commitments and Contingencies</b>		
<b>Stockholder's Equity</b>		
Preferred stock: no shares authorized and issued at December 31, 2012; \$0.001 par value, 125,000,000 shares authorized, no shares issued at December 31, 2011	—	—
Common stock: \$0.001 par value, 1 share authorized and issued at December 31, 2012; \$0.001 par value, 2.0 billion shares authorized, 771,692,734 shares issued at December 31, 2011	—	1
Additional paid-in capital	483	7,449
Accumulated deficit	(72	) (2,163
Accumulated other comprehensive income/(loss)	2	(170
<b>Total Stockholder's Equity</b>	<b>413</b>	<b>5,117</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$7,506</b>	<b>\$12,269</b>

See notes to Consolidated Financial Statements.



GENON ENERGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010
<b>Cash Flows from Operating Activities</b>				
Net loss	\$(72 )	\$(414 )	\$(189 )	\$(233 )
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:				
Depreciation and amortization	10	339	375	224
Amortization of financing costs and debt discount/premiums	(4 )	16	15	10
Loss on debt extinguishment	—	—	23	—
Amortization of acquired and out-of-market contracts	(2 )	(45 )	(33 )	—
Amortization of unearned equity compensation	6	19	14	41
Gain on disposals and sales of assets	—	(9 )	(6 )	(4 )
Impairment losses	—	47	133	565
Changes in derivative instruments	13	143	(224 )	42
Gain on bargain purchase	—	—	—	(335 )
Postretirement benefits curtailment (gain) loss	—	2	—	(37 )
Excess materials and supplies inventory reserve	—	35	—	—
Lower of cost or market inventory adjustments	—	108	13	22
Advance settlement of out-of-market contract obligation	—	(20 )	—	—
Potomac River settlement obligation and reversal	—	(32 )	—	32
Large scale remediation and settlement costs	—	(3 )	59	—
Other, net	—	3	(5 )	23
Cash provided/(used) by changes in other working capital, net of acquisition and disposition effects:				
Accounts receivable - trade	(10 )	164	204	(10 )
Inventory	(1 )	(56 )	(21 )	(65 )
Prepayments and other current assets	(27 )	(31 )	(38 )	(42 )
Accounts payable	(67 )	(111 )	(183 )	176
Accrued expenses and other current liabilities	18	36	14	(157 )
Other assets and liabilities	(16 )	17	(8 )	(31 )
Net Cash Provided/(Used) by Operating Activities of Continuing Operations	(152 )	208	143	221
Net Cash Provided by Operating Activities of Discontinued Operations	—	—	—	6
	(152 )	208	143	227

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Net Cash Provided/(Used) by Operating Activities				
Cash Flows from Investing Activities				
Acquisition of businesses, net of cash acquired—	—	—	717	
Capital expenditures	(12 )	(557 )	(450 )	(304 )
Proceeds from sale of assets, net	—	14	18	4
(Increase)/decrease in restricted cash, net	6	189	1,424	(1,545 )
Other	—	2	(21)	(43 )
Net Cash Provided/(Used) by Investing Activities	(6 )	(352 )	971	(1,171 )
Cash Flows from Financing Activities				
Payment for treasury stock	—	—	—	(11 )
Proceeds from issuance of long-term debt	—	283	107	1,896
Payment of debt issuance costs	—	—	(2)	(92 )
Payments for short and long-term debt	—	(695 )	(2,078 )	(379 )
Proceeds from exercises of stock options	—	—	3	1
Net Cash Provided/(Used) by Financing Activities	—	(412 )	(1,970 )	1,415
Net (Decrease)/Increase in Cash and Cash Equivalents	(158 )	(556 )	(856 )	471
Cash and Cash Equivalents at Beginning of Period	983	1,539	2,395	1,924
Cash and Cash Equivalents at End of Period	\$825	\$983	\$1,539	\$2,395
Supplemental Disclosures				
Interest paid, net of amount capitalized	\$51	\$279	\$382	\$244
Income taxes paid, net of refunds received	\$—	\$11	\$(9)	\$(1 )
Non-cash investing and financing activities				
Issuance of common stock to affect the Mirant/RRI Merger	\$—	\$—	\$—	\$1,305
See notes to Consolidated Financial Statements.				

## GENON ENERGY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total Stockholder's Equity
	(In millions)					
Predecessor						
Balances as of December 31, 2009	\$—	\$6,085	\$(1,741)	\$11	\$ (53)	\$ 4,302
Net loss	—	—	(233)	—	—	(233)
Other comprehensive income	—	—	—	—	28	28
Purchase of treasury stock	—	—	—	(11)	—	(11)
Equity-based compensation	—	43	—	—	—	43
Shares issued pursuant to the Mirant/RRI Merger	1	1,304	—	—	—	1,305
Balances as of December 31, 2010	\$1	\$7,432	\$(1,974)	\$—	\$ (25)	\$ 5,434
Net loss	—	—	(189)	—	—	(189)
Other comprehensive loss	—	—	—	—	(145)	(145)
Equity-based compensation	—	17	—	—	—	17
Balances as of December 31, 2011	\$1	\$7,449	\$(2,163)	\$—	\$ (170)	\$ 5,117
Net loss	—	—	(414)	—	—	(414)
Other comprehensive loss	—	—	—	—	(25)	(25)
Equity-based compensation	—	14	—	—	—	14
Balances as of December 14, 2012 <sup>(a)</sup>	\$1	\$7,463	\$(2,577)	\$—	\$ (195)	\$ 4,692
Successor						
Balances as of December 15, 2012 <sup>(a)</sup>	\$—	\$483	\$—	\$—	\$ —	\$ 483
Net loss	—	—	(72)	—	—	(72)
Other comprehensive income	—	—	—	—	2	2
Balances as of December 31, 2012	\$—	\$483	\$(72)	\$—	\$ 2	\$ 413

(a) The differences in equity balances at December 14, 2012 and December 15, 2012 are due to the application of pushdown accounting reflecting the NRG Merger.

See notes to Consolidated Financial Statements.

## GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010	
<b>Operating Revenues</b>					
Operating revenues	\$74	\$2,405	\$3,015	\$2,102	
Operating revenues — affiliate	3	189	(77)	) 3	
Total operating revenues	77	2,594	2,938	2,105	
<b>Operating Costs and Expenses</b>					
Cost of operations	28	1,064	1,038	1,217	
Cost of operations — affiliate	41	1,307	1,374	231	
Depreciation and amortization	5	155	177	199	
Impairment losses	—	—	128	565	
Selling, general and administrative	1	11	12	15	
Selling, general and administrative — affiliate	2	62	76	65	
Total operating costs and expenses	77	2,599	2,805	2,292	
Operating Income/(Loss)	—	(5	) 133	(187	)
<b>Other Income/(Expense)</b>					
Other expense, net	—	—	(1	) —	
Interest expense	(3	) (70	) (88	) (200	)
Interest expense — affiliate	—	(5	) (5	) —	
Loss on debt extinguishment and refinancing expense	—	—	(23	) (9	)
Total other expense	(3	) (75	) (117	) (209	)
Income/(Loss) Before Income Taxes	(3	) (80	) 16	(396	)
Income tax expense/(benefit)	—	—	—	—	
Net Income/(Loss)	\$(3	) \$(80	) \$16	\$(396	)

See notes to Consolidated Financial Statements.



GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$148	\$267
Restricted cash	—	198
Accounts receivable — trade	125	288
Accounts receivable — affiliate	—	22
Note receivable — affiliate	198	181
Inventory	239	257
Derivative instruments	596	977
Derivative instruments — affiliate	60	44
Cash collateral paid in support of energy risk management activities	91	118
Prepayments and other current assets	62	113
Total current assets	1,519	2,465
<b>Property, Plant and Equipment</b>		
In service	1,313	3,818
Under construction	18	76
Total property, plant and equipment	1,331	3,894
Less accumulated depreciation	(4	) (960
Net property, plant and equipment	1,327	2,934
<b>Other Assets</b>		
Intangible assets, net of accumulated amortization of \$1 and \$16	66	28
Derivative instruments	511	731
Derivative instruments — affiliate	25	29
Prepaid rent	—	386
Other non-current assets	13	16
Total other assets	615	1,190
Total Assets	\$3,461	\$6,589

See notes to Consolidated Financial Statements.



GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Continued)

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt and capital leases	\$5	\$4
Accounts payable	69	322
Accounts payable — affiliate	71	93
Note payable — affiliate	—	47
Derivative instruments	228	700
Derivative instruments — affiliate	134	76
Cash collateral received in support of energy risk management activities	140	129
Accrued expenses and other current liabilities	72	83
<b>Total current liabilities</b>	<b>719</b>	<b>1,454</b>
<b>Other Liabilities</b>		
Long-term debt and capital leases	955	862
Derivative instruments	82	100
Derivative instruments — affiliate	51	89
Out-of-market contracts	539	—
Other non-current liabilities	103	119
<b>Total non-current liabilities</b>	<b>1,730</b>	<b>1,170</b>
<b>Total Liabilities</b>	<b>2,449</b>	<b>2,624</b>
<b>Commitments and Contingencies</b>		
<b>Member's Equity</b>		
Member's interest	1,012	3,965
<b>Total Member's Equity</b>	<b>1,012</b>	<b>3,965</b>
<b>Total Liabilities and Member's Equity</b>	<b>\$3,461</b>	<b>\$6,589</b>

See notes to Consolidated Financial Statements.

GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010	
Cash Flows from Operating Activities					
Net income/(loss)	\$(3 )	\$(80 )	\$16	\$(396 )	
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:					
Depreciation and amortization	5	155	177	199	
Amortization of financing costs and debt discount/premiums	—	—	(1 )	8	
Loss on debt extinguishment	—	—	23	—	
Gain on disposals and sales of assets	—	—	(3 )	(9 )	
Impairment losses	—	—	128	565	
Changes in derivative instruments	12	134	(138 )	17	
Excess materials and supplies inventory reserve	—	6	—	—	
Lower of cost or market inventory adjustments	—	65	8	22	
Potomac River settlement obligation and reversal	—	(32 )	—	32	
Large scale remediation and settlement costs	—	(3 )	59	—	
Other, net	—	—	—	10	
Cash provided/(used) by changes in other working capital, net of acquisition and disposition effects:					
Accounts receivable - trade	(16 )	127	75	38	
Accounts receivable – affiliate	—	(9 )	(20 )	(2 )	
Inventory	(4 )	(67 )	30	(76 )	
Prepayments and other current assets	(19 )	(23 )	(27 )	(39 )	
Accounts payable	(50 )	(56 )	39	95	
Accounts payable - affiliate	(40 )	47	39	—	
Accrued expenses and other current liabilities	20	8	25	(108 )	
Other assets and liabilities	(19 )	(2 )	(66 )	88	
Net Cash Provided/(Used) by Operating Activities	(114 )	270	364	444	
Cash Flows from Investing Activities					
Capital expenditures	(4 )	(190 )	(159 )	(252 )	
Proceeds from sale of assets, net	—	2	9	8	
(Increase)/decrease in restricted cash, net	—	197	702	(866 )	
(Increase)/decrease in notes receivable - affiliate	95	(211 )	(181 )	—	
Net Cash Provided/(Used) by Investing Activities	91	(202 )	371	(1,110 )	

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Cash Flows from Financing Activities					
Payments for short and long-term debt	—	(4	) (1,405	) (376	)
Increase/(decrease) of notes payable-affiliate	—	52	49	—	
Capital contributions	—	18	474	1,079	
Distributions to member	—	(230	) (100	) (222	)
Redemption of preferred stock in affiliate	—	—	—	295	
Net Cash Provided/(Used) by Financing Activities	—	(164	) (982	) 776	
Net (Decrease)/Increase in Cash and Cash Equivalents	(23	) (96	) (247	) 110	
Cash and Cash Equivalents at Beginning of Period	171	267	514	404	
Cash and Cash Equivalents at End of Period	\$148	\$171	\$267	\$514	
Supplemental Disclosures					
Interest paid, net of amount capitalized	\$—	\$72	\$94	\$185	
Cash refunds received for income taxes	\$—	\$—	\$1	\$—	
Non-cash investing and financing activities					
Conversion to equity of notes payable to affiliate	\$—	\$—	\$2	\$—	
See notes to Consolidated Financial Statements.					

## GENON AMERICAS GENERATION, LLC SUBSIDIARIES

## CONSOLIDATED STATEMENT OF MEMBER'S EQUITY

	Member's Interest	Preferred Stock in Affiliate	Total Member's Equity
	(In millions)		
Predecessor			
Balances as of December 31, 2009	\$3,097	\$(280	) \$2,817
Net loss	(396	) —	(396 )
Amortization of discount on preferred stock in affiliate	15	(15	) —
Redemption of preferred stock in affiliate	—	295	295
Distributions to member	(222	) —	(222 )
Capital contributions	1,079	—	1,079
Balances as of December 31, 2010	\$3,573	\$—	\$3,573
Net income	16	—	16
Distributions to member	(100	) —	(100 )
Capital contributions	476	—	476
Balances as of December 31, 2011	\$3,965	\$—	\$3,965
Net loss	(80	) —	(80 )
Distributions to member	(230	) —	(230 )
Capital contributions	18	—	18
Balances as of December 14, 2012 <sup>(a)</sup>	\$3,673	\$—	\$3,673
Successor			
Balances as of December 15, 2012 <sup>(a)</sup>	\$1,015	\$—	\$1,015
Net loss	(3	) —	(3 )
Balances as of December 31, 2012	\$1,012	\$—	\$1,012

(a) The differences in equity balances at December 14, 2012 and December 15, 2012 are due to the application of pushdown accounting reflecting the NRG Merger.

See notes to Consolidated Financial Statements.

## GENON MID-ATLANTIC, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010
<b>Operating Revenues</b>				
Operating revenues	\$(3 )	\$143	\$260	\$347
Operating revenues — affiliate	31	846	1,087	1,357
Total operating revenues	28	989	1,347	1,704
<b>Operating Costs and Expenses</b>				
Cost of operations	8	202	311	310
Cost of operations — affiliate	13	592	644	825
Depreciation and amortization	4	114	131	141
Impairment losses	—	—	94	1,153
Selling, general and administrative	—	7	8	7
Selling, general and administrative — affiliate	2	39	49	46
Total operating costs and expenses	27	954	1,237	2,482
Operating Income/(Loss)	1	35	110	(778 )
<b>Other Income/(Expense)</b>				
Other expense, net	—	—	—	(1 )
Interest expense	—	(1 )	(1 )	(3 )
Interest expense — affiliate	—	(3 )	(4 )	—
Total other expense	—	(4 )	(5 )	(4 )
Income/(Loss) Before Income Taxes	1	31	105	(782 )
Income tax benefit	—	—	—	(1 )
Net Income/(Loss)	\$1	\$31	\$105	\$(781 )

See notes to Consolidated Financial Statements.

GENON MID-ATLANTIC, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 135	\$ 68
Restricted cash	—	198
Accounts receivable — trade	4	25
Accounts receivable — affiliate	—	44
Inventory	150	167
Derivative instruments	285	208
Derivative instruments — affiliate	109	191
Prepayments and other current assets	44	100
Total current assets	727	1,001
<b>Property, Plant and Equipment</b>		
In service	1,210	2,990
Under construction	14	64
Total property, plant and equipment	1,224	3,054
Less accumulated depreciation	(4	) (610
Net property, plant and equipment	1,220	2,444
<b>Other Assets</b>		
Intangible assets, net of accumulated amortization of \$0 and \$4	1	16
Derivative instruments	351	526
Derivative instruments — affiliate	104	105
Prepaid rent	—	386
Total other assets	456	1,033
Total Assets	\$2,403	\$4,478

See notes to Consolidated Financial Statements.





GENON MID-ATLANTIC, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Continued)

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt and capital leases	\$5	\$4
Accounts payable	16	51
Accounts payable — affiliate	2	44
Derivative instruments	3	—
Derivative instruments — affiliate	97	168
Cash collateral received in support of energy risk management activities	57	—
Contract retention liability	—	69
Accrued taxes and other current liabilities	38	55
<b>Total current liabilities</b>	<b>218</b>	<b>391</b>
<b>Other Liabilities</b>		
Long-term debt and capital leases	9	14
Derivative instruments — affiliate	55	68
Out-of-market contracts	539	—
Other non-current liabilities	56	78
<b>Total non-current liabilities</b>	<b>659</b>	<b>160</b>
<b>Total Liabilities</b>	<b>877</b>	<b>551</b>
<b>Commitments and Contingencies</b>		
<b>Member's Equity</b>		
Member's interest	1,526	3,927
<b>Total Member's Equity</b>	<b>1,526</b>	<b>3,927</b>
<b>Total Liabilities and Member's Equity</b>	<b>\$2,403</b>	<b>\$4,478</b>

See notes to Consolidated Financial Statements.

## GENON MID-ATLANTIC, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010	
<b>Cash Flows from Operating Activities</b>					
Net income/(loss)	\$1	\$31	\$105	\$(781)	)
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:					
Depreciation and amortization	4	114	131	141	
Gain on disposals and sales of assets	—	—	—	(3)	)
Impairment losses	—	—	94	1,153	
Changes in derivative instruments	7	115	(120)	(7)	)
Excess materials and supplies inventory reserve	—	4	—	—	
Lower of cost or market inventory adjustments	—	65	8	13	
Potomac River settlement obligation and reversal	—	(32)	) —	32	
Large scale remediation and settlement costs	—	(3)	) 59	—	
Cash provided/(used) by changes in other working capital, net of acquisition and disposition effects:					
Accounts receivable - trade	(2)	) 22	(4)	) 6	
Accounts receivable - affiliate	—	10	125	18	
Inventory	(4)	) (46)	) (53)	) (18)	)
Prepayments and other current assets	(32)	) (16)	) (31)	) (38)	)
Accounts payable	2	44	19	138	
Accounts payable - affiliate	—	(7)	) (70)	) (17)	)
Accrued expenses and other current liabilities	15	—	24	(126)	)
Other assets and liabilities	(16)	) (11)	) (35)	) 2	
Net Cash Provided/(Used) by Operating Activities	(25)	) 290	252	513	
<b>Cash Flows from Investing Activities</b>					
Capital expenditures	(3)	) (159)	) (147)	) (233)	)
Proceeds from the sales of assets	—	1	1	4	
(Increase)/decrease in restricted cash, net	—	197	(166)	) 1	
Net Cash Provided/(Used) by Investing Activities	(3)	) 39	(312)	) (228)	)
<b>Cash Flows from Financing Activities</b>					
Payments for short and long-term debt	—	(4)	) (4)	) (3)	)
Capital contributions	—	—	30	—	
Distributions to member	—	(230)	) (100)	) (350)	)

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Redemption of preferred stock in affiliate	—	—	—	145
Net Cash Used by Financing Activities	—	(234	) (74	) (208
Net (Decrease)/Increase in Cash and Cash Equivalents	(28	) 95	(134	) 77
Cash and Cash Equivalents at Beginning of Period	163	68	202	125
Cash and Cash Equivalents at End of Period	\$135	\$163	\$68	\$202
Supplemental Disclosures				
Interest paid, net of amount capitalized	\$—	\$—	\$—	\$2
Cash refunds received for income taxes	\$—	\$—	\$1	\$—

See notes to Consolidated Financial Statements.

## GENON MID-ATLANTIC, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF MEMBER'S EQUITY

	Member's Interest  (In millions)	Preferred Stock in Affiliate	Total Member's Equity
Predecessor			
Balances as of December 31, 2009	\$5,016	\$(138	) \$4,878
Net loss	(781	) —	(781 )
Amortization of discount on preferred stock in affiliate	7	(7	) —
Redemption of preferred stock in affiliate	—	145	145
Distributions to member	(350	) —	(350 )
Balances as of December 31, 2010	\$3,892	\$—	\$3,892
Net income	105	—	105
Distributions to member	(100	) —	(100 )
Capital contributions	30	—	30
Balances as of December 31, 2011	\$3,927	\$—	\$3,927
Net income	31	—	31
Distributions to member	(230	) —	(230 )
Balances as of December 14, 2012 <sup>(a)</sup>	\$3,728	\$—	\$3,728
Successor			
Balances as of December 15, 2012 <sup>(a)</sup>	\$1,525	\$—	\$1,525
Net income	1	—	1
Balances as of December 31, 2012	\$1,526	\$—	\$1,526

<sup>(a)</sup> The differences in equity balances at December 14, 2012 and December 15, 2012 are due to the application of pushdown accounting reflecting the NRG Merger.

See notes to Consolidated Financial Statements.

## COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 — Nature of Business (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

## General

GenOn is a wholesale generator with approximately 21,440 MW of net electric generating capacity located in the U.S. RRI Energy (a Delaware corporation) changed its name from Reliant Energy, Inc. effective May 2009 in connection with the sale of its retail business. GenOn changed its name from RRI Energy effective December 3, 2010 in connection with the merger with Mirant. “GenOn” refers to GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries, after giving effect to the Mirant/RRI Merger.

GenOn Americas Generation is a wholesale generator with approximately 8,805 MW of net electric generating capacity located, in many cases, near major metropolitan areas. GenOn Americas Generation's electric generating capacity is part of the 21,440 MW of net electric generating capacity of GenOn.

GenOn Mid-Atlantic operates and owns or leases 4,680 MW of net electric generating capacity in the Washington, D.C. and Baltimore areas. GenOn Mid-Atlantic's electric generating capacity is part of the 8,805 MW of net electric generating capacity of GenOn Americas Generation. GenOn Mid-Atlantic's generating facilities serve the Eastern PJM markets.

GenOn Americas Generation and GenOn Mid-Atlantic are Delaware limited liability companies and indirect wholly-owned subsidiaries of GenOn. GenOn Mid-Atlantic is a wholly-owned subsidiary of GenOn North America and an indirect wholly-owned subsidiary of GenOn Americas Generation.

GenOn's generation facilities consist of baseload, intermediate and peaking power generation facilities. The following table summarizes GenOn's generation portfolio by operating segment.

Generation Type	(In MW)			Total
	East	South Central	West	
Natural gas	6,390	1,200	5,390	12,980
Coal	6,380	—	—	6,380
Oil	2,080	—	—	2,080
Total generation capacity	14,850	1,200	5,390	21,440
Under Construction				
Natural gas	—	—	720	720

GenOn Americas Generation facilities consist of baseload, intermediate and peaking power generation facilities. The following table summarizes GenOn Americas Generation's portfolio by operating segment.

Generation Type	(In MW)		Total
	East	West	
Natural gas	2,940	1,985	4,925
Coal	2,430	—	2,430
Oil	1,450	—	1,450
Total generation capacity	6,820	1,985	8,805

GenOn Mid-Atlantic facilities consist of baseload, intermediate and peaking power generation facilities. The following table summarizes GenOn Mid-Atlantic's portfolio in the East region.

Generation Type	(In MW)
	East
Natural gas	1,945
Coal	2,430
Oil	305
Total generation capacity	4,680

The Registrants sell power from their generation portfolio and offer capacity or similar products to retail electric providers and others, and provide ancillary services to support system reliability.

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#### NRG Merger

On July 20, 2012, GenOn entered into the NRG Merger Agreement with NRG and a direct wholly-owned subsidiary of NRG. Upon the terms and subject to the conditions set forth in the NRG Merger Agreement, which was approved by the boards of directors of GenOn and NRG, a wholly-owned subsidiary of NRG merged with and into GenOn, with GenOn continuing as the surviving corporation and a wholly-owned subsidiary of NRG.

Upon closing of the NRG Merger, each issued and outstanding share of GenOn's common stock automatically converted into the right to receive 0.1216 shares of common stock of NRG based on the NRG Merger Exchange Ratio. All outstanding stock options (other than options granted in 2012) immediately vested and all outstanding stock options generally converted upon completion of the NRG Merger into stock options with respect to NRG common stock, after giving effect to the NRG Merger Exchange Ratio. In addition, all outstanding restricted stock units (other than restricted stock units granted in 2012) immediately vested and all outstanding restricted stock units were exchanged for the NRG Merger consideration. All outstanding stock options and unvested restricted stock units granted in 2012 will vest per the terms and conditions of the grant, and if the holder is terminated, upon the holder's termination date if the termination is as a result of the NRG Merger and within two years of the closing date. See Note 3, NRG Merger, and Note 18, Stock-Based Compensation.

The NRG Merger qualified as a tax-free reorganization under the IRC, as amended, so that none of GenOn, NRG or any of the stockholders generally recognized any gain or loss in the transaction, except that the stockholders will recognize gain with respect to cash received in lieu of fractional shares of NRG common stock.

#### Mirant/RRI Merger (GenOn)

On December 3, 2010, Mirant and RRI Energy completed the Mirant/RRI Merger. Upon completion of the Mirant/RRI Merger, RRI Energy Holdings, Inc., a direct and wholly-owned subsidiary of RRI Energy merged with and into Mirant, with Mirant continuing as the surviving corporation and a wholly-owned subsidiary of RRI Energy. Each of Mirant and RRI Energy received legal opinions that the Merger qualified as a tax-free reorganization under the IRC. Upon the closing of the Mirant/RRI Merger, each issued and outstanding share of Mirant common stock, including grants of restricted common stock, automatically converted into 2.835 shares of common stock of RRI Energy based on the Mirant/RRI Merger Exchange Ratio. Approximately 417 million shares of RRI Energy common stock were issued. Additionally, upon the closing of the Mirant/RRI Merger, RRI Energy was renamed GenOn. Mirant stock options and other equity awards converted upon completion of the Mirant/RRI Merger into stock options and equity awards with respect to GenOn common stock, after giving effect to the Mirant/RRI Merger Exchange Ratio. See Note 4, Mirant/RRI Merger.

#### Note 2 — Summary of Significant Accounting Policies (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic) Principles of Consolidation and Basis of Presentation

This is a combined annual report of the Registrants. The notes to the consolidated financial statements apply to the Registrants as indicated parenthetically next to each corresponding disclosure.

The Registrants' consolidated financial statements have been prepared in accordance with U.S. GAAP. The FASB or ASC is the source of authoritative U.S. GAAP to be applied by nongovernmental entities. In addition, the rules and interpretative releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants.

The consolidated financial statements include the Registrants' accounts and operations and those of their subsidiaries in which they have a controlling interest. All significant intercompany transactions and balances have been eliminated in consolidation. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Registrants apply the guidance of ASC 810, Consolidations, or ASC 810, to determine when an entity that is insufficiently capitalized or not controlled through its voting interests, referred to as a VIE, should be consolidated.

#### Predecessor and Successor Reporting



Upon completion of the NRG Merger, NRG stockholders had a majority of the voting interest in the combined company. The NRG Merger is accounted for under the acquisition method of accounting. Under the acquisition method of accounting, NRG is treated as the accounting acquirer and GenOn is treated as the acquired company for financial reporting purposes. As such, the assets and liabilities of the Registrants were provisionally recorded at their respective fair values as of the NRG Merger date. Fair value adjustments related to the NRG Merger have been pushed down to GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, resulting in certain assets and liabilities of the Registrants being recorded at fair value at December 15, 2012. See Note 3, NRG Merger, for further discussion.

The Registrants' consolidated statements of operations subsequent to the NRG Merger include amortization expense relating to fair value adjustments and depreciation expense based on the fair value of the Registrants' property, plant and equipment. In addition, effective with the NRG Merger, the Registrants adopted accounting policies of NRG. Therefore, the Registrants' financial information prior to the NRG Merger is not comparable to its financial information subsequent to the NRG Merger.

As a result of the impact of pushdown accounting, the financial statements and certain note presentations separate the Registrants' presentations into two distinct periods, the period before the consummation of the NRG Merger (labeled predecessor) and the period after that date (labeled successor), to indicate the application of different basis of accounting between the periods presented.

#### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the time of purchase.

#### Funds Deposited by Counterparties (GenOn)

Funds deposited by counterparties consist of cash held by GenOn as a result of collateral posting obligations from GenOn's counterparties with positions in GenOn's hedging programs. These amounts are not contractually restricted, but based on GenOn's intentions, are not available for the payment of GenOn's general corporate obligations. Depending on market fluctuations and the settlement of the underlying contracts, GenOn will refund this collateral to the hedge counterparties pursuant to the terms and conditions of the underlying trades. Since collateral requirements fluctuate daily and GenOn 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 GenOn's balance sheets, with an offsetting liability for this cash collateral received within current liabilities. Changes in funds deposited by counterparties are closely associated with GenOn's operating activities and are classified as an operating activity in GenOn's consolidated statements of cash flows.

#### Restricted Cash

Restricted cash consists of funds held within the Registrants' projects that are restricted in their use. Restricted cash at December 31, 2011 included (a) \$166 million of cash reserved in respect of interlocutory liens related to the scrubber contract litigation, which settled in 2012 and (b) \$32 million related to the Potomac River settlement, which was released in 2012. See Note 9, Retirements, Mothballing or Long-Term Protective Lay-Up of Generating Facilities and Note 20, Commitments and Contingencies.

#### Inventory

Inventory is valued at the lower of weighted average cost or market, and consists principally of fuel oil, coal and raw materials used to generate electricity or steam. The Registrants remove these inventories as they are used in the production of electricity or steam. Spare parts inventory is valued at a weighted average cost, since the Registrants expect to recover these costs in the ordinary course of business. The Registrants remove these inventories when they are used for repairs, maintenance or capital projects. Sales of inventory are classified as an operating activity in the consolidated statements of cash flows.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost; however impairment adjustments are recorded whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statements of operations.

#### Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360. An impairment loss is recognized if the total future estimated undiscounted cash flows expected from an asset are less

than its carrying value. An impairment charge is measured by the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the statements of operations. Fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets and present value techniques.

### Project Development Costs and Capitalized Interest (GenOn and GenOn Americas Generation)

Project development costs are expensed in the preliminary stages of a project and capitalized when the project is deemed to be commercially viable. Commercial viability is determined by one or a series of actions including, among others, Board of Director approval pursuant to a formal project plan that subjects the Registrants to significant future obligations that can only be discharged by the use of an asset of the Registrants.

Interest incurred on funds borrowed to finance capital projects is capitalized until the project under construction is ready for its intended use. Capitalized interest amounts were as follows:

	Successor December 15, 2012 through December 31, 2012 (In millions)	Predecessor January 1, 2012 through December 14, 2012 (In millions)	2011	2010
GenOn	\$2	\$35	\$15	\$6
GenOn Americas Generation	—	3	3	5

When a project is available for operations, capitalized interest and project development costs are reclassified to property, plant and equipment and amortized on a straight-line basis over the estimated useful life of the project's related assets. Capitalized costs are charged to expense if a project is abandoned or management otherwise determines the costs to be unrecoverable.

### Debt Issuance Costs (GenOn and GenOn Americas Generation)

Debt issuance costs are capitalized and amortized as interest expense on a basis which approximates the effective interest method over the term of the related debt. These costs were eliminated as a result of pushdown accounting.

### Intangible Assets

Intangible assets represent contractual rights held by the Registrants. The Registrants recognize specifically identifiable intangible assets including trading rights, development rights and emission allowances when specific rights and contracts are acquired. As a result of the Mirant/RRI Merger, GenOn also established fair values for acquired contracts under the acquisition method of accounting. Upon the NRG Merger, the Registrants' acquired contracts were established as a result of pushdown accounting. Intangible assets are amortized based on expected volumes, expected delivery, straight line or units of production basis.

Intangible assets determined to have indefinite lives are not amortized, but rather are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that such acquired intangible assets have been determined to have finite lives and should now be amortized over their useful lives. The Registrants had no intangible assets with indefinite lives recorded as of December 31, 2012.

Emission allowances held-for-sale, which are included in other non-current assets on the Registrants' consolidated balance sheets, are not amortized; they are carried at the lower of cost or fair value and reviewed for impairment in accordance with ASC 360, Property, Plant, and Equipment.

### Income Taxes

#### GenOn

GenOn is a wholly-owned subsidiary of NRG that exists as a corporate regarded entity for income tax purposes. As a result, GenOn, GenOn Americas and NRG have direct liability for the majority of the federal and state income taxes resulting from GenOn's operations. GenOn has allocated current and deferred income taxes as if it were a single consolidated taxpayer utilizing the asset and liability method to account for income taxes. To the extent GenOn provides current tax expense or benefit, any related tax payable or receivable to NRG is reclassified to equity in the same period since GenOn does not have a tax sharing agreement with NRG.

GenOn's deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. When necessary, deferred tax assets are reduced by a valuation allowance to reflect the amount that is estimated to be recoverable. In assessing the recoverability of the deferred tax assets, GenOn considers whether it is likely that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The determination of a valuation allowance requires significant judgment as to the generation of taxable income during future periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including GenOn's past and anticipated future performance, the reversal of deferred tax liabilities and the implementation of tax planning strategies.

Additionally, GenOn has not recognized any tax benefits relating to tax uncertainties arising in the ordinary course of business that are less than or subject to the measurement threshold of the more-likely-than-not standard prescribed under the accounting guidance for determining the uncertainty of income taxes. These unrecognized tax benefits may be either a tax liability or an adjustment to NOLs based on the specific facts of each tax uncertainty. GenOn periodically assesses its tax uncertainties based on the latest information available. The amount of the unrecognized tax benefit requires management to make significant assumptions about the expected outcomes of certain tax positions included in their filed or yet to be filed tax returns.

#### GenOn Americas Generation

GenOn Americas Generation and most of its subsidiaries are limited liability companies that are treated as branches of GenOn Americas for income tax purposes. As a result, GenOn Americas, GenOn and NRG have direct liability for the majority of the federal and state income taxes relating to GenOn Americas Generation's operations. Several of GenOn Americas Generation's subsidiaries exist as regarded corporate entities for income tax purposes. For the subsidiaries that continue to exist as corporate regarded entities, GenOn Americas Generation allocates current and deferred income taxes to each corporate regarded entity as if such entity were a single taxpayer utilizing the asset and liability method to account for income taxes. To the extent GenOn Americas Generation provides tax expense or benefit, any related tax payable or receivable to NRG is reclassified to equity in the same period since GenOn Americas Generation does not have a tax sharing agreement with NRG.

Deferred tax assets and liabilities are recognized for the regarded corporate entities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. When necessary, deferred tax assets are reduced by a valuation allowance to reflect the amount that is estimated to be recoverable. In assessing the recoverability of the deferred tax assets, GenOn Americas Generation considers whether it is likely that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date.

The determination of a valuation allowance requires significant judgment as to the generation of taxable income during future periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including GenOn Americas Generation's past and anticipated future performance, the reversal of deferred tax liabilities and the implementation of tax planning strategies.

Additionally, GenOn Americas Generation has not recognized any tax benefits relating to tax uncertainties arising in the ordinary course of business that are less than or subject to the measurement threshold of the more-likely-than-not standard prescribed under the accounting guidance for accounting for uncertainty of income taxes. These unrecognized tax benefits may be either a tax liability or an adjustment to their NOLs based on the specific facts of

each tax uncertainty. GenOn Americas Generation periodically assesses its tax uncertainties based on the latest information available. The amount of the unrecognized tax benefit requires management to make significant assumptions about the expected outcomes of certain tax positions included in their filed or yet to be filed tax returns.

GenOn Mid-Atlantic

GenOn Mid-Atlantic and GenOn Mid-Atlantic's subsidiaries are limited liability companies that are treated as branches of GenOn Americas for income tax purposes. As such, GenOn, GenOn Americas and NRG have direct liability for the majority of the federal and state income taxes relating to GenOn Mid-Atlantic's operations.

### Revenue Recognition

**Energy** — Both physical and financial transactions are entered into to optimize the financial performance of the Registrants' generating facilities. Electric energy revenue is recognized upon transmission to the customer. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in the Registrants' consolidated statements of operations. 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** — Capacity revenues are recognized when contractually earned, and 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.

**Natural Gas Sales (GenOn and GenOn Americas Generation)** — GenOn and GenOn Americas Generation record revenues from the sales of natural gas under the accrual method. These sales are sold at market-based prices. Sales that have been delivered but not billed by period end are estimated.

**PPAs (GenOn and GenOn Americas Generation)** — GenOn and GenOn Americas Generation's revenues are currently obtained through PPAs or other contractual arrangements. All of these PPAs are accounted for as operating leases in accordance with ASC 840, Leases, or ASC 840. ASC 840 requires minimum lease payments received to be amortized over the term of the lease and contingent rentals are recorded when the achievement of the contingency becomes probable. These leases have no minimum lease payments and all the rent is recorded as contingent rent on an actual basis when the electricity is delivered.

### Derivative Financial Instruments

The Registrants account for derivative financial instruments under ASC 815, which requires the Registrants to record all derivatives on the balance sheet at fair value unless they qualify for a NPNS exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

If certain criteria are met, a derivative financial instrument may be designated as a fair value hedge or cash flow hedge. In 2010, GenOn Marsh Landing entered into interest rate protection agreements (interest rate swaps) in connection with its project financing, which have been designated as cash flow hedges. GenOn Marsh Landing entered into the interest rate swaps to reduce the risks with respect to the variability of the interest rates for the term loans. With the exception of these interest rate swaps, the Registrants did not have any other derivative financial instruments designated as fair value or cash flow hedges for accounting purposes during 2012, 2011, or 2010. Changes in the fair value of derivatives accounted for as cash flow hedges, if elected for hedge accounting, are deferred and recorded as a component of accumulated OCI until the hedged transactions occur and are recognized in earnings.

The Registrants' primary derivative instruments are financial power and natural gas contracts, fuels purchase contracts, other energy related commodities, and interest rate instruments used to mitigate variability in earnings due to fluctuations in market prices and interest rates. On an ongoing basis, the Registrants assess the effectiveness of all derivatives that are designated as cash flow hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting will be discontinued prospectively. If the derivative instrument is terminated, the effective portion of this derivative deferred in accumulated OCI will be frozen until the underlying hedged item is delivered.

Revenues and expenses on contracts that qualify for the NPNS exception are recognized when the underlying physical transaction is delivered. While the Registrants can elect to consider these contracts as derivative financial instruments under ASC 815, they are not recorded at fair value, but on an accrual basis of accounting. If it is determined that a transaction designated as NPNS no longer meets the scope exception, the fair value of the related contract is recorded on the balance sheet and immediately recognized through earnings.

The Registrants' trading activities are subject to limits in accordance with the risk management policy. These contracts are recognized on the balance sheet at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings.





#### Concentrations of Credit Risk

Financial instruments which potentially subject the Registrants to concentrations of credit risk consist primarily of accounts receivable and derivatives. Certain accounts receivable and derivative instruments are concentrated within entities engaged in the energy industry. These industry concentrations may impact the Registrants' overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. Receivables and other contractual arrangements are subject to collateral requirements under the terms of enabling agreements. However, the Registrants believe that the credit risk posed by industry concentration is offset by the diversification and creditworthiness of the Registrants' customer base. See Note 5, Fair Value of Financial Instruments, for a further discussion of derivative concentrations.

#### Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, funds deposited by counterparties, receivables, accounts payables, and accrued liabilities approximate fair value because of the short-term maturity of these instruments. See Note 5, Fair Value of Financial Instruments, for a further discussion of fair value of financial instruments.

#### Coal Supplier Concentration Risk

##### GenOn

GenOn's coal supply comes primarily from the Northern Appalachian and Central Appalachian coal regions. GenOn enters into contracts of varying tenors to secure appropriate quantities of fuel that meet the varying specifications of its generating facilities. For the coal-fired generating facilities, GenOn purchases most of its coal from a small number of suppliers under contracts with terms of varying lengths, some of which extend to 2015 and one that extends to 2020. Excluding the Keystone and Conemaugh generating facilities (which are not 100% owned by GenOn) and excluding the Seward generating facility (which burns waste coal supplied by an all requirements contract), GenOn had exposure to two counterparties at December 31, 2012, and exposure to three counterparties at December 31, 2011, that each represented an exposure of more than 10% of its total coal commitments, by volume, and in aggregate represented approximately 63% and 62% of its total coal commitments at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the single largest counterparty represented an exposure of 41% and 38%, respectively, of these total coal commitments, by volume.

##### GenOn Americas Generation and GenOn Mid-Atlantic

GenOn Americas Generation and GenOn Mid-Atlantic's coal supply primarily comes from the Northern Appalachian and Central Appalachian coal regions. GenOn Americas Generation enters into contracts of varying tenors on behalf of GenOn Mid Atlantic to secure appropriate quantities of fuel that meet the varying specifications of GenOn Mid-Atlantic's generating facilities. For the coal-fired generating facilities, GenOn Americas Generation purchases most of its coal from a small number of suppliers under contracts with terms of varying lengths, some of which extend to 2015. GenOn Americas Generation had exposure to two counterparties at December 31, 2012, and exposure to three counterparties at December 31, 2011, that each represented an exposure of more than 10% of GenOn Americas Generation's total coal commitments, by volume, and in aggregate represented approximately 63% and 62% of its total coal commitments at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the single largest counterparty represented an exposure of 41% and 38%, respectively, of these total coal commitments, by volume.

#### Coal Transportation Concentration Risk

##### GenOn

The coal to operate GenOn's coal-fired facilities is delivered primarily by train with a limited number of railroads transporting such coal. For 2012, one railroad represented 74% of coal transportation costs and another railroad represented 15% of coal transportation costs.

##### GenOn Americas Generation and GenOn Mid-Atlantic

The coal to operate GenOn Americas Generation and GenOn Mid-Atlantic's coal-fired facilities (all of which are owned or leased by GenOn Mid-Atlantic) is delivered primarily by train and with a limited number of railroads transporting such coal. For 2012, one railroad represented 98% of coal transportation costs.



#### Asset Retirement Obligations

The Registrants account for their AROs in accordance with ASC 410-20, Asset Retirement Obligations, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires an entity to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, the Registrants capitalize the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See Note 13, Asset Retirement Obligations, for a further discussion of AROs.

#### Pensions (GenOn)

GenOn offers pension benefits through defined benefit pension plans. In addition, GenOn provides postretirement health and welfare benefits for certain groups of employees. GenOn accounts for pension and other postretirement benefits in accordance with ASC 715, Compensation — Retirement Benefits. GenOn recognizes the funded status of its defined benefit plans in the consolidated balance sheets and records an offset to other comprehensive income/loss. In addition, GenOn also recognizes on an after-tax basis, as a component of other comprehensive income/loss, gains and losses as well as all prior service costs and credits that have not been included as part of GenOn's net periodic benefit cost/credit. The determination of GenOn's obligation and expenses for pension benefits is dependent on the selection of certain assumptions. These assumptions determined by management include the discount rate, the expected rate of return on plan assets and the rate of future compensation increases. GenOn's actuarial consultants determine assumptions for such items as retirement age.

GenOn measures the fair value of its pension assets in accordance with ASC 820, Fair Value Measurements and Disclosures, or ASC 820.

#### Business Combinations

The Registrants account for the business combinations in accordance with ASC 805, Business Combinations, or ASC 805. ASC 805 requires an acquirer to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value at the acquisition date. It also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity's financial statements to evaluate the nature and financial effects of the business combination. In addition, transaction costs are expensed as incurred.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

In recording transactions and balances resulting from business operations, the Registrants use estimates based on the best information available. Estimates are used for such items as plant depreciable lives, tax provisions, actuarially determined benefit costs, the valuation of energy commodity contracts, environmental liabilities, legal costs incurred in connection with recorded loss contingencies, and pushdown accounting in connection with the NRG Merger relative to the assets acquired and liabilities assumed by NRG, among others. In addition, estimates are used to test long-lived assets for impairment and to determine the fair value of impaired assets. As better information becomes available or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

### Reclassifications

Certain prior-year amounts have been reclassified for comparative purposes. The reclassifications did not affect net income/loss or cash flows from operating activities, cash flows from investing activities or cash flows from financing activities.

### Recently Adopted Accounting Guidance

ASU 2011-05 (GenOn) — In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income, or ASU No. 2011-05, which was further amended by ASU No. 2011-12, Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, issued in December 2011. The amendments in ASU No. 2011-05 require GenOn to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single statement of comprehensive income or in two separate but consecutive statements. GenOn is required to present, in either option, each component of net income, total net income, each component of other comprehensive income, total other comprehensive income and total comprehensive income. Effective January 1, 2012, GenOn adopted the provisions of ASU No. 2011-05 and began presenting the total of comprehensive income, the components of net income and the components of other comprehensive income in two separate but consecutive statements. The provisions of ASU No. 2011-05 are required to be adopted retroactively. As this guidance provides only presentation requirements, the adoption of this standard did not impact GenOn's results of operations, cash flows or financial position.

### New Accounting Guidance Not Yet Adopted as of December 31, 2012

ASU 2011-11 — In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities, or ASU No. 2011-11. The guidance provides enhanced disclosure requirements to evaluate the effect or potential effect of netting arrangements on an entity's financial position by improving information about financial instruments and derivative instruments that either (1) offset in accordance with either ASC 210-20-45 or ASC 810-20-45 or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Reporting entities will be required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The disclosures required by ASU No. 2011-10 are required to be adopted retroactively. The Registrants adopted this standard on January 1, 2013. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial position.

ASU 2013-02 (GenOn) - In February 2013, the FASB issued ASU No. 2013-02, Other Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, or ASU No. 2013-02. The amendments in ASU No. 2013-02 require GenOn to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income either on the face of the statement of operations or in the notes if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income in the same reporting period. For other amounts not required by U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures which provide additional information about the amounts. GenOn adopted this standard on January 1, 2013. As this guidance provides only presentation requirements, the adoption of this standard did not impact GenOn's results of operations, cash flows or financial position.

## Note 3 — NRG Merger (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

On December 14, 2012, NRG completed the acquisition of GenOn. NRG issued, as consideration for the acquisition, 0.1216 shares of NRG common stock for each outstanding share of GenOn, including restricted stock units outstanding, on the acquisition date, except for fractional shares which were paid in cash.

The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. As discussed in Note 2, Summary of Significant Accounting Policies, the acquisition method of accounting impacts have been pushed down to the Registrants, resulting in certain assets and liabilities of the Registrants being recorded at provisional fair value as of December 14, 2012.

The provisional allocation of assets and liabilities is as follows:

	GenOn	GenOn Americas Generation	GenOn Mid-Atlantic
	(In millions)		
<b>Assets</b>			
Cash	\$983	\$171	\$163
Other current and non-current assets	1,385	849	163
Property, plant and equipment	3,936	1,329	1,221
Derivative assets	1,157	1,238	863
Deferred income taxes	220	—	—
Total assets	7,681	3,587	2,410
<b>Liabilities</b>			
Other current and non-current liabilities	1,312	542	169
Out-of-market contracts and leases	1,064	540	540
Derivative liabilities	399	529	162
Deferred income taxes	220	—	—
Long-term debt and capital leases	4,203	961	14
Total liabilities	7,198	2,572	885
Net assets	\$483	\$1,015	\$1,525

The initial pushdown accounting for the NRG Merger is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. Any changes to the fair value assessments will affect the Registrants' additional paid in capital. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed by NRG.

GenOn incurred \$11 million and \$53 million of NRG Merger-related costs during the period from January 1, 2012 through December 14, 2012 and the period from December 15, 2012 through December 31, 2012, respectively. Of the total incurred, \$40 million is personnel related costs and is included in accrued payroll in current liabilities at December 31, 2012 for GenOn.

Current and non-current assets include accounts receivable with preliminary fair values of \$221 million, \$110 million and \$2 million and contractual amounts of \$222 million, \$110 million and \$2 million for GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, respectively, at the time of the NRG Merger.

### Fair Value Measurements

The provisional fair values of the property, plant and equipment, commodity, transportation and storage contracts and operating leases at the acquisition date were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Significant inputs were as follows:

- Property, Plant and Equipment - The estimated fair values were determined based on consideration of both an income method using discounted cash flows and a market approach based on recent transactions of comparable assets. The income approach was primarily relied upon as the forecasted cash flows as it more appropriately incorporates differences in regional markets, plant type, age, useful life, equipment condition and environmental controls of each asset. Furthermore, the income approach allows for a more accurate reflection of current and expected market dynamics such as supply and demand, commodity prices, and regulatory environment as of the valuation date. Under this approach, the expected future cash flows associated with each plant were estimated and then discounted to present value at the weighted average cost of capital derived from an independent power producer peer group and risk adjusted to reflect the individual characteristics of each plant. The market approach was computed based on data for transactions announced proximate to the valuation date and analyzed on a \$/kW basis for fuel/dispatch type and region. Due to the limited volume of recent transactions and amount of financial and operating characteristics that are publicly disclosed, that market approach was given less weight.

Contracts - The estimated fair values of contracts were determined based on a form of the income approach which measures the contract relative to a replacement contract or the current market with consideration of the counterparty risk. Contracts such as long-term natural gas transportation contracts were determined to have an unfavorable fair value compared to the original contract terms and were recorded in out-of-market commodity contracts.

Operating leases - The estimated fair values of the leases for REMA and GenOn Mid-Atlantic were determined utilizing a variation of the income approach under which the fair value of the lease was determined by discounting the future lease payments at an appropriate discount rate and comparing it to the fair value of the property, plant and equipment being leased.

The fair values of derivative assets and liabilities and long-term debt and capital leases as of the acquisition date were determined in accordance with ASC 820. The breakdown of Level 1, 2 and 3 is as follows:

#### GenOn

	Fair Value Level 1 (In millions)	Level 2	Level 3	Total
Assets				
Derivative assets	\$146	\$978	\$33	\$1,157
Liabilities				
Derivative liabilities	\$50	\$334	\$15	\$399
Long-term debt and capital leases	3,799	—	404	4,203
GenOn Americas Generation				
	Fair Value Level 1 (In millions)	Level 2	Level 3	Total
Assets				
Derivative assets	\$175	\$1,030	\$33	\$1,238
Liabilities				
Derivative liabilities	\$124	\$391	\$14	\$529
Long-term debt and capital leases	947	—	14	961



## GenOn Mid-Atlantic

	Fair Value			Total
	Level 1 (In millions)	Level 2	Level 3	
Assets				
Derivative assets	\$ 67	\$ 787	\$ 9	\$ 863
Liabilities				
Derivative liabilities	\$ 16	\$ 145	\$ 1	\$ 162
Long-term debt and capital leases	—	—	14	14
Deferred Income Taxes				

In connection with the accounting for the acquisition, the Registrants recorded the realizable deferred tax assets and liabilities, primarily consisting of net operating losses and other temporary differences. In addition, the excess of the Registrants' historical tax basis of assets and liabilities over the amounts assigned to the fair value of the assets acquired and liabilities assumed generated deferred tax assets and liabilities, adjusted for the valuation allowance, that were recorded on the acquisition date.

## Note 4 — Mirant/RRI Merger (GenOn)

On December 3, 2010, Mirant and RRI Energy completed the Mirant/RRI Merger. Because the Mirant/RRI Merger is accounted for as a reverse acquisition with Mirant as the accounting acquirer, the purchase price was computed based on shares of Mirant common stock that would have been issued to RRI Energy's stockholders on the date of the Mirant/RRI Merger to give RRI Energy an equivalent ownership interest in Mirant as it had in the combined company (approximately 46%). The purchase price was calculated as follows (in millions, except closing stock price):

Number of shares of Mirant common stock that would have been issued to RRI Energy stockholders	125
Closing price of Mirant common stock on December 3, 2010	\$ 10.39
Total	1,302
RRI Energy stock options	3
Total purchase price	\$ 1,305

The Mirant/RRI Merger is accounted for under the acquisition method of accounting for business combinations. Accordingly, GenOn has conducted an assessment of the net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition are expensed as incurred. GenOn finalized its assessment of fair value during 2011. The final allocation of the purchase price as of December 3, 2010 is as follows (in millions):

Cash and cash equivalents	\$ 717	
Other current assets	736	
Property, plant and equipment	3,070	(a)
Intangible assets	47	
Other long-term assets	275	
Total assets	4,845	
Current liabilities	(557)	
Debt	(1,931)	
Other non-current liabilities	(717)	
Total liabilities	(3,205)	
Fair value of net assets acquired	1,640	
Purchase price	1,305	
Gain on bargain purchase	\$ 335	(b)

(a) The valuations of the acquired long-lived assets were primarily based on the income approach, and in particular, discounted cash flow analyses. The income approach was employed for the generating facilities because of the



differing age, geographic location, market conditions, asset life, equipment condition and status of environmental controls of the assets. The discounted cash flows incorporated information based on observable market prices to the extent available and long-term prices derived from proprietary fundamental market modeling. For the generating facilities that were not valued using the income approach, the cost approach was used. The market approach was considered, but was ultimately given no weighting because of many of the factors listed as the primary reasons for application of the income approach as well as a lack of proximity of the observed transactions to the valuation date.

- (b) The acquisition is treated as a nontaxable merger for federal income tax purposes and there is no tax deductible goodwill resulting from the Mirant/RRI Merger.

The unaudited pro forma results give effect to the Mirant/RRI Merger as if it had occurred on January 1, 2010. The unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2010. The unaudited pro forma results for 2010 are as follows:

	2010
	(In millions)
Revenues	\$4,166
Loss from continuing operations	(746)
Net loss	(740)

The unaudited pro forma information primarily includes the following adjustments, among others:

- amortization of fair value adjustments related to energy-related contracts;
- additional fuel expense related to fair value adjustments of fuel inventories;
- effects of fair value adjustments of property, plant and equipment;
- effects of fair value adjustments of debt and the issuance of a new revolving credit facility, new senior secured term loan and new senior unsecured notes; and
- adjustments to income taxes for a zero percent rate applied to the pro forma adjustments and historical federal and state deferred tax expense (benefit).

Note 5 — Fair Value of Financial Instruments (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

For cash and cash equivalents, funds deposited by counterparties, accounts receivable, accounts payable, accrued liabilities, 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 values and fair values of GenOn and GenOn Americas Generation's debt are as follows:

GenOn	Carrying Amount (In millions)	Level 1	Level 2 <sup>(a)</sup>	Level 3 <sup>(a)</sup>	Total Fair Value
Successor December 31, 2012					
Liabilities:					
Long and short-term debt	\$4,199	\$—	\$3,819	\$390	\$4,209
Predecessor December 31, 2011					
Liabilities:					
Long and short-term debt	\$4,132	\$—	\$3,969	\$97	\$4,066

(a) The fair value of long and short term debt is estimated using reported market prices for instruments that are publicly traded or estimated based on the income approach valuation technique for non-publicly traded debt using current interest rates for similar instruments with equivalent credit quality.

## GenOn Americas Generation

	Carrying Amount (In millions)	Level 1	Level 2 <sup>(a)</sup>	Level 3 <sup>(a)</sup>	Total Fair Value
Successor December 31, 2012					
Liabilities:					
Long and short-term debt	\$960	\$—	\$967	\$—	\$967

## Predecessor

December 31, 2011

## Liabilities:

Long and short-term debt	\$866	\$—	\$797	\$—	\$797
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(a) The fair value of long and short term debt is estimated using reported market prices for instruments that are publicly traded.

## Fair Value Accounting under ASC 820

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities that the Registrants have the ability to access as of the measurement date. The Registrants' financial assets and liabilities utilizing Level 1 inputs include active exchange-traded securities, energy derivatives and interest-bearing funds.

Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. The Registrants' financial assets and liabilities utilizing Level 2 inputs include exchange-based derivatives, and over the counter derivatives such as swaps, options and forward contracts.

Level 3 — unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date. The Registrants' financial assets and liabilities utilizing Level 3 inputs include infrequently-traded and non-exchange-based derivatives which are measured using present value pricing models.

In accordance with ASC 820, the Registrants determine the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

## Recurring Fair Value Measurements

Derivative assets and liabilities are carried at fair market value.

## GenOn

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

	As of December 31, 2012			
	Fair Value			
	Level 1 <sup>(a)</sup>	Level 2 <sup>(a)</sup>	Level 3	Total
	(In millions)			
Successor				
Derivative assets:				
Commodity contracts	\$139	\$946	\$31	\$1,116
Derivative liabilities:				
Commodity contracts	\$52	\$253	\$14	\$319
Interest rate contracts	—	50	—	50
Total liabilities	\$52	\$303	\$14	\$369
Other assets <sup>(b)</sup>	\$21	\$—	\$—	\$21

- (a) There have been no transfers during 2012 between Levels 1 and 2.
- (b) Relates to mutual funds held in a rabbi trust for non-qualified deferred compensation plans for some key and highly compensated employees.

	As of December 31, 2011			
	Fair Value			
	Level 1 (a)	Level 2 (a)	Level 3	Total
Predecessor	(In millions)			
Derivative assets:				
Commodity contracts	\$228	\$1,438	\$66	\$1,732
Derivative liabilities:				
Commodity contracts	\$206	\$516	\$97	\$819
Interest rate contracts	—	32	—	32
Total liabilities	\$206	\$548	\$97	\$851
Other assets (b)	\$20	\$—	\$—	\$20

(a) There were no transfers during the year ended December 31, 2011 between Levels 1 and 2.

(b) Relates to mutual funds held in a rabbi trust for non-qualified deferred compensation plans for some key and highly compensated employees.

The following tables reconcile the beginning and ending balances for derivatives that are recognized at fair value in GenOn's consolidated financial statements at least annually using significant unobservable inputs for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011:

	Successor December 15, 2012 through December 31, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives (a) (In millions)	Predecessor January 1, 2012 through December 14, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives (a) (In millions)	2011 Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Balance as of beginning of period (b)	\$18	\$(31)	\$(68)
Total gains and losses (realized/unrealized) included in earnings (c)	2	(117)	24
Purchases	2	—	—
Settlements	(5)	80	1
Transfers into Level 3 (d)	—	—	—
Transfers out of Level 3 (d)	—	—	12
Balance as of end of period	\$17	\$(68)	\$(31)
The amount of the total gains/(losses) for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held at end of period	\$4	\$(80)	\$42

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

(b) The change in Level 3 balance is primarily driven by the change in accounting policy at the NRG Merger date to include all curves with broker-quoted coal contracts within the Level 2 designation.

- (c) Contracts entered into are reported with total gains and losses included in earnings in the predecessor periods.
- (d) Transfers in/out of Level 3 are related to the availability of external broker quotes and are valued as of the end of the reporting period.

GenOn Americas Generation

The following tables present assets and liabilities (including amounts with affiliates) measured and recorded at fair value on GenOn Americas Generation's consolidated balance sheet on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2012			
	Fair Value			
	Level 1 <sup>(a)</sup>	Level 2 <sup>(a)</sup>	Level 3	Total
Successor	(In millions)			
Derivative assets:				
Commodity contracts	\$170	\$991	\$31	\$1,192
Derivative liabilities:				
Commodity contracts	\$123	\$358	\$14	\$495

(a) There have been no transfers during 2012 between Levels 1 and 2.

	As of December 31, 2011			
	Fair Value			
	Level 1 <sup>(a)</sup>	Level 2 <sup>(a)</sup>	Level 3	Total
Predecessor	(In millions)			
Derivative assets:				
Commodity contracts	\$244	\$1,471	\$66	\$1,781
Derivative liabilities:				
Commodity contracts	\$269	\$598	\$98	\$965

(a) There were no transfers during the year ended December 31, 2011 between Levels 1 and 2.

The following tables reconcile the beginning and ending balances for GenOn Americas Generation's derivatives that are recognized at fair value in the consolidated financial statements at least annually using significant unobservable inputs for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011:

	Successor December 15, 2012 through December 31, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives <sup>(a)</sup> (In millions)	Predecessor January 1, 2012 through December 14, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives <sup>(a)</sup> (In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Balance as of beginning of period <sup>(b)</sup>	\$18	\$(32)	\$(66)
Total gains and losses (realized/unrealized) included in earnings <sup>(c)</sup>	2	(101)	10
Purchases	2	—	—
Settlements	(5)	68	12
Transfers into Level 3 <sup>(d)</sup>	—	—	—
Transfers out of Level 3 <sup>(d)</sup>	—	—	12
Balance as of end of period	\$17	\$(65)	\$(32)

The amount of the total gains/(losses) for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held at end of period \$4 \$(70 ) \$38

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

(b) The change in Level 3 balance is primarily driven by the change in accounting policy at the NRG Merger date to include all curves with broker-quoted coal contracts within the Level 2 designation.

(c) Contracts entered into are reported with total gains and losses included in earnings in the predecessor periods.

(d) Transfers in/out of Level 3 are related to the availability of external broker quotes and are valued as of the end of the reporting period.



GenOn Mid-Atlantic

The following tables present assets and liabilities (including amounts with affiliates) measured and recorded at fair value on GenOn Mid-Atlantic's consolidated balance sheet on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2012			
	Fair Value			
	Level 1 <sup>(a)</sup>	Level 2 <sup>(a)</sup>	Level 3	Total
Successor	(In millions)			
Derivative assets:				
Commodity contracts	\$63	\$778	\$8	\$849
Derivative liabilities:				
Commodity contracts	\$16	\$138	\$1	\$155

(a) There have been no transfers during 2012 between Levels 1 and 2.

	As of December 31, 2011			
	Fair Value			
	Level 1 <sup>(a)</sup>	Level 2 <sup>(a)</sup>	Level 3	Total
Predecessor	(In millions)			
Derivative assets:				
Commodity contracts	\$39	\$982	\$9	\$1,030
Derivative liabilities:				
Commodity contracts	\$32	\$131	\$73	\$236

(a) There were no transfers during the year ended December 31, 2011 between Levels 1 and 2.

The following tables reconcile the beginning and ending balances for GenOn Mid-Atlantic's derivatives that are recognized at fair value in the consolidated financial statements at least annually using significant unobservable inputs for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011:

	Successor December 15, 2012 through December 31, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives <sup>(a)</sup> (In millions)	Predecessor January 1, 2012 through December 14, 2012 Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Derivatives <sup>(a)</sup> (In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Balance as of beginning of period <sup>(b)</sup>	\$8	\$(64)	\$(69)
Total gains and losses (realized/unrealized) included in earnings <sup>(c)</sup>	2	(110)	(31)
Purchases	—	—	—
Settlements	(3)	113	24
Transfers into Level 3 <sup>(d)</sup>	—	—	—
Transfers out of Level 3 <sup>(d)</sup>	—	—	12
Balance as of end of period	\$7	\$(61)	\$(64)

The amount of the total gains/(losses) for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held at end of period \$1 \$(36 ) \$4

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

(b) The change in Level 3 balance is primarily driven by the change in accounting policy at the NRG Merger date to include all curves with broker-quoted coal contracts within the Level 2 designation.

(c)