

GenOn Energy, Inc.
Form 10-Q
November 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2015

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

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

211 Carnegie Center, Princeton, New Jersey 08540
(Address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (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 Exchange Act 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 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="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GenOn Americas Generation, LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GenOn Mid-Atlantic, LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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	NRG Americas, Inc.
GenOn Mid-Atlantic, LLC	NRG North America LLC

This combined Form 10-Q is separately filed by GenOn Energy, Inc., GenOn Americas Generation, LLC and GenOn Mid-Atlantic, LLC. Information contained in this combined Form 10-Q 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.

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

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

(GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "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 factors described under Item 1A - Risk Factors, in Part I, Item 1A of the Registrants' Annual Report on Form 10-K for the year ended December 31, 2014, and 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 CO₂ and other GHG 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; and

• 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.

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 Quarterly Report on Form 10-Q should not be construed as exhaustive.

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:
2014 Form 10-K

ASC	The Registrants' Annual Report on Form 10-K for the year ended December 31, 2014
ASU	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
Average realized prices	Accounting Standards Updates, which reflect updates to the ASC
Bankruptcy Court	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
CAIR	United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division
CenterPoint	Clean Air Interstate Rule
CFTC	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries prior to August 31, 2002
CO ₂	U.S. Commodity Futures Trading Commission
CSAPR	Carbon Dioxide
CWA	Cross-State Air Pollution Rule
D.C. Circuit	Clean Water Act
Direct Energy	U.S. Court of Appeals for the District of Columbia Circuit
Economic gross margin	Direct Energy Business Marketing, LLC
EPA	Sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of sales
Exchange Act	United States Environmental Protection Agency
FASB	The Securities Exchange Act of 1934, as amended
FCM	Financial Accounting Standards Board
FERC	Forward Capacity Market
FTRs	Federal Energy Regulatory Commission
FPA	Financial Transmission Rights
GenOn	Federal Power Act
GenOn Americas Generation	GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Energy Holdings	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries
GenOn Mid-Atlantic	GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries
GHG	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
HAPs	Greenhouse Gases
ICAP	Hazardous Air Pollutants
IPPNY	New York Installed Capacity
ISO	Independent Power Producers of New York
ISO-NE	Independent System Operator, also referred to as RTO
LIBOR	ISO New England Inc.
MATS	London Interbank Offered Rate
MC Asset Recovery	Mercury and Air Toxics Standards promulgated by the EPA
MDE	MC Asset Recovery, LLC
Mirant	Maryland Department of the Environment
Mirant/RRI Merger	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries

The merger completed on December 3, 2010 of Mirant Corporation and RRI Energy Inc. to form GenOn Energy, Inc.

Mirant Debtors	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and certain of its subsidiaries
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MW	Megawatt
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
NERC	North American Electric Reliability Corporation
NextEra	NextEra Energy Resources, LLC
NO _x	Nitrogen Oxide
NPDES	National Pollution Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRG	NRG Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
NRG Merger	The merger completed on December 14, 2012, whereby GenOn became a wholly owned subsidiary of NRG
NYISO	New York Independent System Operator
NYSPSC	New York State Public Service Commission
OCI	Other Comprehensive Income/(Loss)
PJM	PJM Interconnection, LLC
Plan	The plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection on January 3, 2006
PPM	Parts Per Million
PSCs	Public Service Commissions
RCRA	Resource Conservation and Recovery Act of 1976
Registrants	GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, collectively
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)
RMR	Reliability Must-Run
RTO	Regional Transmission Organization
SCR	Selective Catalytic Reduction Control System
Securities Act	The Securities Act of 1933, as amended
SO ₂	Sulfur Dioxide
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States

PART I - FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

GENON ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Operating Revenues				
Operating revenues	\$648	\$713	\$1,950	\$2,300
Operating revenues — affiliate	(3	) (4	) 6	17
Total operating revenues	645	709	1,956	2,317
Operating Costs and Expenses				
Cost of operations	361	385	1,269	1,388
Cost of operations — affiliate	78	69	210	367
Depreciation and amortization	52	52	163	172
Impairment loss	—	60	—	60
General and administrative	—	19	—	60
General and administrative — affiliate	43	31	135	90
Acquisition-related transaction and integration costs	—	1	—	3
Total operating costs and expenses	534	617	1,777	2,140
Loss on sale of assets	—	—	—	(6
Operating Income	111	92	179	171
Other Income/(Expense)				
Other income, net	—	2	4	4
Interest expense	(49	) (46	) (146	) (140
Interest expense — affiliate	(3	) (2	) (8	) (9
Total other expense	(52	) (46	) (150	) (145
Income Before Income Taxes	59	46	29	26
Income tax expense	1	—	—	2
Net Income	\$58	\$46	\$29	\$24

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(In millions)			
Net Income	\$58	\$46	\$29	\$24
Other Comprehensive (Loss)/Income, net of tax of \$0:				
Defined benefit plans	—	(5	) (2	) 3
Other comprehensive (loss)/income	—	(5	) (2	) 3
Comprehensive Income	\$58	\$41	\$27	\$27

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (unaudited) (In millions)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,093	\$920
Funds deposited by counterparties	40	54
Accounts receivable — trade	110	120
Inventory	426	507
Derivative instruments	371	591
Derivative instruments — affiliate	20	11
Cash collateral paid in support of energy risk management activities	73	38
Prepayments and other current assets	156	150
Total current assets	2,289	2,391
Property, plant and equipment, net of accumulated depreciation of \$597 and \$436	3,052	3,045
Other Assets		
Intangible assets, net of accumulated amortization of \$50 and \$66	73	72
Derivative instruments	240	195
Derivative instruments — affiliate	6	10
Other non-current assets	238	201
Total other assets	557	478
Total Assets	\$5,898	\$5,914
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$6	\$10
Accounts payable	132	135
Accounts payable — affiliate	82	14
Derivative instruments	306	382
Derivative instruments — affiliate	20	35
Cash collateral received in support of energy risk management activities	40	54
Accrued expenses and other current liabilities	279	238
Total current liabilities	865	868
Other Liabilities		
Long-term debt and capital leases	3,073	3,120
Derivative instruments	139	69
Derivative instruments — affiliate	12	3
Out-of-market contracts	912	969
Other non-current liabilities	469	484
Total non-current liabilities	4,605	4,645
Total Liabilities	5,470	5,513
Commitments and Contingencies		
Stockholder's Equity		
Common stock: \$0.001 par value, 1 share authorized and issued at September 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	325	325
Retained earnings	107	78

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Accumulated other comprehensive loss	(4) (2)
Total Stockholder's Equity	428	401	
Total Liabilities and Stockholder's Equity	\$5,898	\$5,914	

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2015	2014
	(In millions)	
Cash Flows from Operating Activities		
Net Income	\$29	\$24
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	163	172
Amortization of financing costs and debt discount/premiums	(43)	(43)
Amortization of out-of-market contracts and emission allowances	(23)	(17)
Loss on sale of asset	—	6
Impairment loss	—	60
Changes in derivative instruments	158	323
Changes in collateral deposits supporting energy risk management activities	(35)	(73)
Changes in other working capital	103	(173)
Net Cash Provided by Operating Activities	352	279
Cash Flows from Investing Activities		
Capital expenditures	(175)	(125)
Proceeds from sale of assets, net of cash disposed of	—	50
Other	—	5
Net Cash Used by Investing Activities	(175)	(70)
Cash Flows from Financing Activities		
Payments for short and long-term debt	(4)	(1)
Net Cash Used by Financing Activities	(4)	(1)
Net Increase in Cash and Cash Equivalents	173	208
Cash and Cash Equivalents at Beginning of Period	920	760
Cash and Cash Equivalents at End of Period	\$1,093	\$968

See accompanying notes to condensed consolidated financial statements.

GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three months ended September 30, 2015		2014		Nine months ended September 30, 2015		2014	
	(In millions)							
Operating Revenues								
Operating revenues	\$587		\$667		\$1,808		\$2,123	
Operating revenues — affiliate	21		(25	)	40		110	
Total operating revenues	608		642		1,848		2,233	
Operating Costs and Expenses								
Cost of operations	181		198		711		753	
Cost of operations — affiliate	315		336		925		1,185	
Depreciation and amortization	18		21		55		70	
General and administrative	—		2		—		7	
General and administrative — affiliate	20		19		61		58	
Total operating costs and expenses	534		576		1,752		2,073	
Loss on sale of assets	—		—		—		(6)
Operating Income	74		66		96		154	
Other Expense								
Interest expense	(17	)	(17	)	(49	)	(50)
Interest expense — affiliate	(1	)	(2	)	(4	)	(6)
Total other expense	(18	)	(19	)	(53	)	(56)
Income Before Income Taxes	56		47		43		98	
Income tax	—		—		—		—	
Net Income	\$56		\$47		\$43		\$98	

See accompanying notes to condensed consolidated financial statements.

GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (unaudited) (In millions)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$248	\$103
Funds deposited by counterparties	40	54
Accounts receivable — trade	99	106
Accounts receivable — affiliate	57	—
Note receivable — affiliate	331	331
Inventory	253	318
Derivative instruments	371	591
Derivative instruments — affiliate	200	261
Cash collateral paid in support of energy risk management activities	64	29
Prepayments and other current assets	96	90
Total current assets	1,759	1,883
Property, plant and equipment, net of accumulated depreciation of \$225 and \$170	1,111	1,110
Other Assets		
Intangible assets, net of accumulated amortization of \$50 and \$66	73	72
Derivative instruments	240	196
Derivative instruments — affiliate	103	60
Other non-current assets	122	111
Total other assets	538	439
Total Assets	\$3,408	\$3,432
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$1	\$5
Accounts payable	72	50
Accounts payable — affiliate	—	23
Derivative instruments	306	382
Derivative instruments — affiliate	182	292
Cash collateral received in support of energy risk management activities	40	54
Accrued expenses and other current liabilities	135	93
Total current liabilities	736	899
Other Liabilities		
Long-term debt and capital leases	922	929
Derivative instruments	139	69
Derivative instruments — affiliate	120	66
Out-of-market contracts	527	547
Other non-current liabilities	105	106
Total non-current liabilities	1,813	1,717
Total Liabilities	2,549	2,616
Commitments and Contingencies		
Member's Equity		
Member's interest	859	816

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Total Member's Equity	859	816
Total Liabilities and Member's Equity	\$3,408	\$3,432

See accompanying notes to condensed consolidated financial statements.

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GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine months ended September 30,	
	2015	2014
	(In millions)	
Cash Flows from Operating Activities		
Net Income	\$43	\$98
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55	70
Amortization of debt premiums	(7	) (7
Amortization of out-of-market contracts and emission allowances	14	10
Loss on sale of assets	—	6
Changes in derivative instruments	132	258
Changes in collateral deposits supporting energy risk management activities	(35	) (131
Changes in other working capital	—	49
Net Cash Provided by Operating Activities	202	353
Cash Flows from Investing Activities		
Capital expenditures	(53	) (25
Decrease in note receivable — affiliate	—	(32
Proceeds from sale of assets, net of cash disposed of	—	50
Net Cash Used by Investing Activities	(53	) (7
Cash Flows from Financing Activities		
Payments for short and long-term debt	(4) —
Capital contributions	—	37
Distributions to member	—	(320
Net Cash Used by Financing Activities	(4	) (283
Net Increase in Cash and Cash Equivalents	145	63
Cash and Cash Equivalents at Beginning of Period	103	63
Cash and Cash Equivalents at End of Period	\$248	\$126

See accompanying notes to condensed consolidated financial statements.

GENON MID-ATLANTIC, LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three months ended September 30, 2015		2014		Nine months ended September 30, 2015		2014	
	(In millions)							
Operating Revenues								
Operating revenues	\$4	\$46	\$8	\$ (110))			
Operating revenues — affiliate	216	199	684	878				
Total operating revenues	220	245	692	768				
Operating Costs and Expenses								
Cost of operations	121	141	420	535				
Cost of operations — affiliate	20	26	102	29				
Depreciation and amortization	16	18	49	61				
General and administrative — affiliate	15	15	44	48				
Total operating costs and expenses	172	200	615	673				
Operating Income	48	45	77	95				
Other Expense								
Interest expense	—	—	(1	) (1)			
Interest expense — affiliate	(1	) (1	) (2	) (3)			
Total other expense	(1	) (1	) (3	) (4)			
Income Before Income Taxes	47	44	74	91				
Income tax	—	—	—	—				
Net Income	\$47	\$44	\$74	\$91				

See accompanying notes to condensed consolidated financial statements.

GENON MID-ATLANTIC, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (unaudited) (In millions)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$291	\$157
Accounts receivable — trade	3	10
Inventory	158	166
Derivative instruments	29	100
Derivative instruments — affiliate	181	141
Prepayments and other current assets	75	80
Total current assets	737	654
Property, plant and equipment, net of accumulated depreciation of \$184 and \$135	928	958
Other Assets		
Intangible assets, net	13	10
Derivative instruments — affiliate	128	141
Other non-current assets	116	87
Total other assets	257	238
Total Assets	\$1,922	\$1,850
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$1	\$5
Accounts payable	20	27
Accounts payable — affiliate	2	14
Derivative instruments	—	1
Derivative instruments — affiliate	128	127
Accrued expenses and other current liabilities	78	53
Total current liabilities	229	227
Other Liabilities		
Derivative instruments — affiliate	49	22
Out-of-market contracts	527	547
Other non-current liabilities	49	60
Total non-current liabilities	625	629
Total Liabilities	854	856
Commitments and Contingencies		
Member's Equity		
Member's interest	1,068	994
Total Member's Equity	1,068	994
Total Liabilities and Member's Equity	\$1,922	\$1,850

See accompanying notes to condensed consolidated financial statements.

GENON MID-ATLANTIC, LLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine months ended September 30,	
	2015	2014
	(In millions)	
Cash Flows from Operating Activities		
Net Income	\$74	\$91
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49	61
Amortization of out-of-market contracts and emission allowances	(20)	(12)
Changes in derivative instruments	71	259
Changes in other working capital	(10)	(3)
Net Cash Provided by Operating Activities	164	396
Cash Flows from Investing Activities		
Capital expenditures	(26)	(11)
Net Cash Used by Investing Activities	(26)	(11)
Cash Flows from Financing Activities		
Payments for short and long-term debt	(4)	—
Distributions to member	—	(320)
Net Cash Used by Financing Activities	(4)	(320)
Net Increase in Cash and Cash Equivalents	134	65
Cash and Cash Equivalents at Beginning of Period	157	64
Cash and Cash Equivalents at End of Period	\$291	\$129

See accompanying notes to condensed consolidated financial statements.

COMBINED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 — Basis of Presentation (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

GenOn Energy, Inc., a wholly owned subsidiary of NRG, is a wholesale power generator engaged in the ownership and operation of power generation facilities, with approximately 17,752 MW of net electric generating capacity located in the U.S. In the first nine months of 2015, GenOn mothballed Osceola and Shawville, retired Coolwater, Glen Gardner, Gilbert and Werner, and restored Unit 2 at Bowline to full capacity following the boiler restoration completed in June 2015, resulting in a net decrease in generation capacity of 1,777 MW from December 31, 2014. Shawville is planned to return to service with a natural gas addition during the summer of 2016.

GenOn Americas Generation is a wholesale power generator with approximately 7,985 MW of net electric generating capacity located, in many cases, near major metropolitan areas. During June 2015, GenOn Americas Generation restored Unit 2 at Bowline to full capacity, as discussed above, resulting in an increase of 389 MW from December 31, 2014. GenOn Americas Generation's electric generating capacity is part of the 17,752 MW of net electric generating capacity of GenOn.

GenOn Mid-Atlantic operates and owns or leases 4,683 MW of net electric generating capacity in Maryland near Washington, D.C. GenOn Mid-Atlantic's electric generating capacity is part of the 7,985 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 an indirect wholly owned subsidiary of GenOn Americas Generation.

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

This is a combined quarterly report of the Registrants for the quarter ended September 30, 2015. The notes to the condensed consolidated financial statements apply to the Registrants as indicated parenthetically next to each corresponding disclosure. The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Registrants' financial statements in the Registrants' 2014 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Registrants' consolidated financial positions as of September 30, 2015, and the results of operations, comprehensive income/(loss) and cash flows for the three and nine months ended September 30, 2015, and 2014.

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.

Reclassifications

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

Note 2 — Summary of Significant Accounting Policies (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)
Oil Inventory Adjustment (GenOn, GenOn Americas Generation, and GenOn Mid-Atlantic)

During the nine months ended September 30, 2015, certain oil inventory was identified as unusable and the related value of \$16 million was written off to cost of operations in the statement of operations.

Impairment Loss (GenOn)

During the three months ended September 30, 2014, GenOn determined that it would mothball the 463 MW natural gas-fired Osceola facility in Saint Cloud, Florida. GenOn considered this to be an indicator of impairment and performed an impairment test for these assets under ASC 360, Property, Plant and Equipment. The carrying amount of the assets was higher than the future net cash flows expected to be generated by the assets and as a result, the assets were considered to be impaired. GenOn measured the impairment loss as the difference between the carrying amount and the fair value of the assets. Due to the location of the facility, it was determined that the best indicator of fair value is the market value of the combustion turbines. GenOn recorded an impairment loss of approximately \$60 million during the three months ended September 30, 2014, which represents the excess of the carrying value over the fair market value, and mothballed the facility effective January 1, 2015.

Recent Accounting Developments (GenOn, GenOn Americas Generation, and GenOn Mid-Atlantic)

ASU 2015-02 — In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, or ASU No. 2015-02. The amendments of ASU No. 2015-02 were issued in an effort to minimize situations under previously existing guidance in which a reporting entity was required to consolidate another legal entity in which that reporting entity did not have: (1) the ability through contractual rights to act primarily on its own behalf; (2) ownership of the majority of the legal entity's voting rights; or (3) the exposure to a majority of the legal entity's economic benefits. ASU No. 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The guidance in ASU No. 2015-02 is effective for periods beginning after December 15, 2015. Early adoption is permitted. The Registrants adopted the standard effective January 1, 2015 and the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial position.

ASU 2014-16 — In November 2014, the FASB issued ASU No. 2014-16, Derivatives and Hedging (Topic 815):

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity, or ASU No. 2014-16. The amendments of ASU No. 2014-16 clarify how U.S. GAAP should be applied in determining whether the nature of a host contract is more akin to debt or equity and in evaluating whether the economic characteristics and risks of an embedded feature are "clearly and closely related" to its host contract. The guidance in ASU No. 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Registrants adopted the standard effective January 1, 2015 and the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial position.

ASU 2014-09 — In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU No. 2014-09. The amendments of ASU No. 2014-09 complete the joint effort between the FASB and the International Accounting Standards Board, or IASB, to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards, or IFRS, and to improve financial reporting. The guidance in ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services provided and establishes the following steps to be applied by an entity: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. In August 2015, the FASB issued ASU 2015-14, which formally deferred the effective date by one year to make the guidance of ASU No. 2014-09 effective for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early adoption is permitted, but not prior to the original effective date, which was for annual reporting periods beginning after December 15, 2016. The Registrants are currently evaluating the impact of the standard on the Registrants' results of operations, cash flows and financial position.

Note 3 — Fair Value of Financial Instruments (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)
 This footnote should be read in conjunction with the complete description under Note 4, Fair Value of Financial Instruments, to the Registrants' 2014 Form 10-K.

For cash and cash equivalents, funds deposited by counterparties, accounts receivable, note receivable — affiliate, accounts payable, accrued liabilities, restricted cash, and cash collateral paid and received in support of energy risk management activities, the carrying amounts approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

The estimated carrying amounts and fair values of GenOn and GenOn Americas Generation's debt are as follows:
 GenOn

	As of September 30, 2015		As of December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Long-term debt, including current portion	\$3,076	\$2,566	\$3,122	\$2,706

The fair value of long-term debt that is estimated using reported market prices for instruments that are publicly traded is classified as Level 2 within the fair value hierarchy. The fair value of non-publicly traded debt is based on the income approach valuation technique using current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy.

GenOn Americas Generation

	As of September 30, 2015		As of December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Long-term debt, including current portion	\$922	\$694	\$929	\$720

The fair value of long-term debt is estimated using reported market prices for instruments that are publicly traded and is classified as Level 2 within the fair value hierarchy.

Recurring Fair Value Measurements

Derivative assets and liabilities are carried at fair market value. Realized and unrealized gains and losses included in earnings that are related to energy derivatives are recorded in operating revenues and cost of operations.

GenOn

The following tables present assets and liabilities (including affiliate amounts) 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 September 30, 2015			
	Fair Value			
	Level 1 (a)	Level 2 (a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$190	\$437	\$10	\$637
Derivative liabilities:				
Commodity contracts	\$130	\$337	\$10	\$477
Other assets (b)	\$14	\$—	\$—	\$14

(a) There were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2015.

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

	As of December 31, 2014			
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$179	\$582	\$46	\$807
Derivative liabilities:				
Commodity contracts	\$105	\$371	\$13	\$489
Other assets ^(b)	\$21	\$—	\$—	\$21

(a) There were no transfers between Levels 1 and 2 during the year ended December 31, 2014.

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

The following table reconciles, for the three and nine months ended September 30, 2015, and 2014, 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:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Three months ended		Nine months ended	
	September 30, 2015	2014	September 30, 2015	2014
	Derivatives ^(a)			
	(In millions)			
Beginning balance	\$14	\$(44)	\$33	\$(4)
Total (losses)/gains included in earnings — realized/unrealized	(18)	) 1	(44)	) 3
Purchases	(2)	) 22	5	(19)
Transfers into Level 3 ^(b)	—	1	—	—
Transfers out of Level 3 ^(b)	6	—	6	—
Ending balance	\$—	\$(20)	\$—	\$(20)
Losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of September 30	\$(14)	) \$—	\$(20)	) \$(1)

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

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

GenOn Americas Generation

The following tables present assets and liabilities (including affiliate amounts) 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 September 30, 2015			
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$255	\$640	\$19	\$914
Derivative liabilities:				
Commodity contracts	\$148	\$581	\$18	\$747

(a) There were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2015.

	As of December 31, 2014			
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$208	\$848	\$52	\$1,108
Derivative liabilities:				
Commodity contracts	\$137	\$640	\$32	\$809

(a) There were no transfers between Levels 1 and 2 during the year ended December 31, 2014.

The following table reconciles, for the three and nine months ended September 30, 2015, and 2014, 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:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Three months ended September 30, 2015		Nine months ended September 30, 2015	
	2014	2014	2015	2014
	Derivatives ^(a)			
	(In millions)			
Beginning balance	\$12	\$(41)	) \$20	\$(1)
Total (losses)/gains included in earnings — realized/unrealized	(16	) 1	(26	) 1
Purchases	(1	) 22	1	(18)
Transfers out of Level 3 ^(b)	6	—	6	—