ZIONS BANCORPORATION /UT/
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es in option premium collected, net of acquisition (265) (5) (270)

Cash provided by/(used by) changes in other working capital, net of acquisition
532 170 (941) (239)
Net Cash Provided/(Used) by Operating Activities
1,596 310 (524) (660) 722
Cash Flows from Investing Activities

Intercompany loans to from subsidiaries
(901) 160 741
Acquisition of Reliant Energy, net of cash acquired
(57) (288) (345)
Investment in Reliant Energy
200 (200)
Capital expenditures
(263) (109) (2) (374)
(Increase)/decrease in restricted cash, net
6 (9) (3)
Decrease/(increase) in notes receivable
(47) 36 (11)
Purchases of emission allowances
(52) (52)
Proceeds from sale of emission allowances
15 15
Investment in nuclear decommissioning trust fund securities
(172) (172)
Proceeds from sales of nuclear decommissioning trust fund securities
157 157
Proceeds from sale of assets, net
6 6
Other investment
(5) (5)
Proceeds from sale of equity method investment
284 284
Net Cash Used by Investing Activities
(1,204) 262 (299) 741 (500)
Cash Flows from Financing Activities

Proceeds from intercompany loans
(188) 28 901 (741)
Payment from intercompany dividends
(330) (330) 660
Payment of dividends to preferred stockholders
(21) (21)
Receipt from/(payment of) financing element of acquired derivatives

102 (124) (22)

Proceeds from sale of noncontrolling interest in subsidiary

50 50

Proceeds from issuance of long-term debt

34 98 688 820

Payment of deferred debt issuance costs

(1) (1) (27) (29)

Payment of short and long-term debt

(20) (213) (233)

Net Cash (Used)/Provided by Financing Activities

(383) (299) 1,328 (81) 565

Effect of exchange rate changes on cash and cash equivalents

1 1

Net Decrease in Cash and Cash Equivalents

10 274 504 788

Cash and Cash Equivalents at Beginning of Period

(2) 159 1,337 1,494

Cash and Cash Equivalents at End of Period

$ 8 $ 433 $ 1,841 $ $ 2,282

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

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2008

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated Balance
Operating Revenues					
Total operating revenues	$ 1,222	$ 94	$	$	$ 1,316
Operating Costs and Expenses					
Cost of operations	946	65	1	(1)	1,011
Depreciation and amortization	153	8			161
General and administrative	18	(7)	72		83
Development costs	(5)	1	8		4
Total operating costs and expenses	1,112	67	81	(1)	1,259
Operating Income/(Loss)	110	27	(81)	1	57
Other Income/(Expense)					
Equity in earnings/(losses) of consolidated subsidiaries	138	(32)	303	(409)	
Equity in losses of unconsolidated affiliates	(1)	(18)			(19)
Other income, net	14	(4)	3	(1)	12
Interest expense	(51)	(18)	(75)		(144)
Total other income/(expense)	100	(72)	231	(410)	(151)
Income/(Loss) From Continuing Operations Before Income Taxes	210	(45)	150	(409)	(94)
Income tax (benefit)/expense	46	(25)	(74)		(53)
Income/(Loss) From Continuing Operations	164	(20)	224	(409)	(41)
Income from discontinued operations, net of income taxes		265	(97)		168
Net Income/(Loss) attributable to NRG Energy, Inc.	$ 164	$ 245	$ 127	$ (409)	$ 127

(a)

All significant intercompany transactions have been eliminated in consolidation.

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2008

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated Balance
Operating Revenues					
Total operating revenues	$ 2,423	$ 195	$	$	$ 2,618
Operating Costs and Expenses					
Cost of operations	1,681	132	3	(1)	1,815
Depreciation and amortization	306	14	2		322
General and administrative	31	(4)	131		158
Development costs	(5)	3	18		16
Total operating costs and expenses	2,013	145	154	(1)	2,311
Operating Income/(Loss)	410	50	(154)	1	307
Other Income/(Expense)					
Equity in earnings/(losses) of consolidated subsidiaries	210	(50)	445	(605)	
Equity in losses of unconsolidated affiliates	(3)	(20)			(23)
Other income, net	15	(1)	8	(1)	21
Interest expense	(102)	(39)	(159)		(300)
Total other income/(expense)	120	(110)	294	(606)	(302)
Income/(Loss) From Continuing Operations Before Income Taxes	530	(60)	140	(605)	5
Income tax expense/(benefit)	167	(33)	(133)		1
Income/(Loss) From Continuing Operations	363	(27)	273	(605)	4
Income from discontinued operations, net of income taxes		269	(97)		172
Net Income/(Loss) attributable to NRG Energy, Inc.	$ 363	$ 242	$ 176	$ (605)	$ 176

(a) All significant intercompany

transactions have been eliminated in consolidation.

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2008

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations (a)	Consolidated Balance
		ASSETS			
Current Assets					
Cash and cash equivalents	$ (2)	$ 159	$ 1,337	$	$ 1,494
Funds deposited by counterparties			754		754
Restricted cash	7	9			16
Accounts receivable, net	422	42			464
Inventory	443	12			455
Derivative instruments valuation	4,600				4,600
Cash collateral paid in support of energy risk management activities	494				494
Prepayments and other current assets	130	37	278	(230)	215
Total current assets	6,094	259	2,369	(230)	8,492
Net Property, Plant and Equipment	10,725	791	29		11,545
Other Assets					
Investment in subsidiaries	651		11,949	(12,600)	
Equity investments in affiliates	26	464			490
Capital leases and note receivable, less current portion	598	435	3,177	(3,775)	435
Goodwill	1,718				1,718
Intangible assets, net	797	16	2		815
Nuclear decommissioning trust fund	303				303
Derivative instruments valuation	870		15		885
Other non-current assets	9	4	112		125
Total other assets	4,972	919	15,255	(16,375)	4,771
Total Assets	$ 21,791	$ 1,969	$ 17,653	$(16,605)	$ 24,808

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities					
Current portion of long-term debt and capital leases	$ 67	$ 235	$ 229	$ (67)	$ 464
Accounts payable	(1,302)	429	1,324		451
Derivative instruments valuation	3,976	3	2		3,981
Deferred income taxes	503	31	(333)		201
Cash collateral received in support of energy risk management activities	760				760
Accrued expenses and other current liabilities	507	48	333	(164)	724
Total current liabilities	4,511	746	1,555	(231)	6,581
Other Liabilities					
Long-term debt and capital leases	2,730	1,014	7,729	(3,776)	7,697
Nuclear decommissioning reserve	284				284
Nuclear decommissioning trust liability	218				218
Deferred income taxes	705	(187)	672		1,190
Derivative instruments valuation	348	46	114		508
Out-of-market contracts	291				291
Other non-current liabilities	405	44	220		669
Total non-current liabilities	4,981	917	8,735	(3,776)	10,857
Total liabilities	9,492	1,663	10,290	(4,007)	17,438
3.625% Preferred Stock			247		247
Stockholders Equity	12,299	306	7,116	(12,598)	7,123
Total Liabilities and Stockholders Equity	$ 21,791	$ 1,969	$ 17,653	$(16,605)	$ 24,808

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

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NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2008

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated Balance
Cash Flows from Operating Activities					
Net income	$ 363	$ 242	$ 176	$ (605)	$ 176
Adjustments to reconcile net income to net cash provided by operating activities					
Distributions and equity (earnings)/losses of unconsolidated affiliates and consolidated subsidiaries	(207)	79	(445)	605	32
Depreciation and amortization	306	14	2		322
Amortization of nuclear fuel	30				30
Amortization of financing costs and debt discount/premiums		8	11		19
Amortization of intangibles and out-of-market contracts	(147)				(147)
Changes in deferred income taxes and liability for unrecognized tax benefits	(159)	(52)	307		96
Changes in nuclear decommissioning liability	17				17
Changes in derivatives	664	5			669
Changes in collateral deposits supporting energy risk management activities	(328)				(328)
Loss on disposal and sale of assets	2				2
Gain on sale of discontinued operations		(270)			(270)
Gain on sale of emission allowances	(42)				(42)
Amortization of unearned equity compensation			14		14
Changes in option premium collected	99				99
Cash provided by/(used by) changes in other working capital, net of dispositions affects	185	96	(534)		(253)
Net Cash Provided by/Used by Operating Activities	783	122	(469)		436
Cash Flows from Investing Activities					
Intercompany (loans to)/receipts from subsidiaries	(81)		444	(363)	
Capital expenditures	(201)	(204)	(4)		(409)
Increase in restricted cash		(1)			(1)
Decrease in notes receivable		21			21
Purchases of emission allowances	(4)				(4)
Proceeds from sale of emission allowances	61				61
Investment in nuclear decommissioning trust fund securities	(285)				(285)
Proceeds from sales of nuclear decommissioning trust fund securities	269				269
Proceeds from sale of discontinued operations and assets, net of cash divested		(59)	288		229
Proceeds from sale of assets	14				14

Equity investment in unconsolidated affiliate			(17)		(17)
Net Cash Provided/Used by Investing Activities	(227)	(243)	711	(363)	(122)
Cash Flows from Financing Activities					
(Payments)/proceeds for intercompany loans	(523)	79	81	363	
Receipt/(Payment) from intercompany dividend		17	(17)		
Payments for dividends to preferred stockholders			(28)		(28)
Payment of financing element of acquired derivatives	(28)				(28)
Payments for treasury stock			(55)		(55)
Proceeds from issuance of common stock, net of issuance costs			8		8
Proceeds from sale of noncontrolling interest on subsidiary		50			50
Proceeds from issuance of long term debt		10			10
Payments for deferred debt issuance costs			(2)		(2)
Payments for short and long-term debt		(30)	(158)		(188)
Net Cash Provided by/Used by Financing Activities	(551)	126	(171)	363	(233)
Change in cash from discontinued operations		43			43
Effect of exchange rate changes on cash and cash equivalents		7			7
Net Increase in Cash and Cash Equivalents	5	55	71		131
Cash and Cash Equivalents at Beginning of Period	(4)	124	1,012		1,132
Cash and Cash Equivalents at End of Period	$ 1	$ 179	$ 1,083	$	$ 1,263

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

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ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this discussion and analysis, NRG discusses and explains its financial condition and results of operations, including:

- Factors which affect the Company s business;
- NRG s earnings and costs in the periods presented;
- Changes in earnings and costs between periods;
- Impact of these factors on NRG s overall financial condition;
- A discussion of new and ongoing initiatives that may affect NRG s future results of operations and financial condition;
- Expected future expenditures for capital projects; and
- Expected sources of cash for future operations and capital expenditures.

As you read this discussion and analysis, refer to the Company s Condensed Consolidated Statements of Operations, which present the results of operations for the three and six months ended June 30, 2009 and 2008. NRG analyzes and explains the differences between periods in the specific line items of NRG s Condensed Consolidated Statements of Operations. Also refer to NRG s 2008 Annual Report on Form 10-K, which includes detailed discussions of various items impacting the Company s business, results of operations and financial condition, including:

- Introduction and Overview section which provides a description of NRG s business segments;
- Strategy section;
- Business Environment section, including how regulation, weather, and other factors affect NRG s business; and
- Critical Accounting Policies and Estimates section.

The discussion and analysis below has been organized as follows:

- Executive Summary, including introduction and overview, business strategy, and changes to the business environment during the period including regulatory and environmental matters;
- Results of operations beginning with an overview of the Company s consolidated results, followed by a more detailed discussion of those results by operating segment;
- Financial condition addressing liquidity position, sources and uses of cash, capital resources and requirements, commitments, and off-balance sheet arrangements; and
- Known trends that may affect NRG s results of operations and financial condition in the future, including the Reliant Energy acquisition and the disposition of the MIBRAG investment.

Executive Summary

Introduction and Overview

NRG Energy, Inc., or NRG or the Company, is primarily a wholesale power generation company with a significant presence in major competitive power markets in the United States, as well as a major retail electricity franchise in the ERCOT (Texas) market. NRG is engaged in the ownership, development, construction and operation of power generation facilities, the transacting in and trading of fuel and transportation services, the trading of energy, capacity and related products in the United States and select international markets, and supply of electricity and energy services to retail electricity customers in the Texas market.

As of June 30, 2009, NRG had a total global generation portfolio of 187 active operating fossil fuel and nuclear generation units, at 47 power generation plants, with an aggregate generation capacity of approximately 24,085 MW, and approximately 350 MW under construction which includes partners interests of 100 MW. In addition to its fossil fuel plant ownership, NRG has ownership interests in two wind farms representing an aggregate generation capacity of 270 MW, which includes partner interests of 75 MW. Within the U.S., NRG has one of the largest and most diversified power generation portfolios in terms of geography, fuel-type and dispatch levels, with approximately 23,080 MW of fossil fuel and nuclear generation capacity in 179 active generating units at 43 plants. In addition, NRG has ownership interests in two wind farms representing 195 MW of wind generation capacity. The Company s power generation facilities are most heavily concentrated in Texas (approximately 11,175 MW, including the 195 MW from the two wind farms), the Northeast (approximately 7,015 MW), South Central (approximately 2,840 MW), and West (approximately 2,130 MW) regions of the U.S., and approximately 115 MW of additional generation capacity from the Company s thermal assets.

NRG s principal domestic power plants consist of a mix of natural gas-, coal-, oil-fired, nuclear and wind facilities, representing approximately 46%, 32%, 16%, 5% and 1% of the Company s total domestic generation capacity, respectively. In addition, 11% of NRG s domestic generating facilities have dual or multiple fuel capacity, which allows plants to dispatch with the lowest cost fuel option.

NRG s domestic generation facilities consist of intermittent, baseload, intermediate and peaking power generation facilities, the ranking of which is referred to as Merit Order, and include thermal energy production plants. The sale of capacity and power from baseload generation facilities accounts for the majority of the Company s revenues and provides a stable source of cash flow. In addition, NRG s generation portfolio provides the Company with opportunities to capture additional revenues by selling power during periods of peak demand, offering capacity or similar products to retail electric providers and others, and providing ancillary services to support system reliability.

On May 1, 2009, NRG acquired Reliant Energy, which is the second largest mass market electricity provider to residential and commercial customers in Texas. Based on metered locations, as of June 30, 2009, Reliant Energy had approximately 1.6 million mass customers and 0.1 million C&I customers. Reliant Energy arranges for the transmission and delivery of electricity to customers, bills customers, collects payments for electricity sold and maintains call centers to provide customer service.

NRG s Business Strategy

NRG s business strategy is intended to maximize shareholder value over time through the production and the sale of safe, reliable and affordable power to its customers and in the markets served by the Company. The key to successful implementation of this strategy is the Company s sizable fleet of wholesale power generation assets in the U.S., its leading retail franchise in Texas and, increasingly, its position as an industry leader in the development of various types of low and no carbon generation technology. NRG utilizes its asset base as a platform for growth and development and as a source of cash flow generation which can be used for the return of capital to debt and equity holders. More specifically, the Company s strategy is focused on: (i) top decile operating performance of its existing operating assets and enhanced operating performance of the Company s commercial operations and hedging program; (ii) repowering of power generation assets at existing sites and development of new power generation projects; (iii) empowering retail customers with distinctive products and services that transform how they use, manage, and value energy; (iv) investment in energy-related new businesses and new technologies being developed and deployed in response to the twin societal dynamics to foster sustainability and combat climate change, and (v) engaging in a proactive capital allocation plan focused on achieving the regular return of capital to stockholders within the dictates of prudent balance sheet management. This strategy is supported by the Company s five major initiatives (*FOR*NRG,

*Repowering*NRG, econrg, Future NRG and NRG Global Giving) which are designed to enhance the Company s competitive advantages in these strategic areas and enable the Company to convert the challenges faced by the power industry in the coming years into opportunities for financial growth. This strategy is being implemented by focusing on the following principles, which are more fully described in the Company s 2008 Annual Report on Form 10-K:

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Operational Performance The Company is focused on increasing value from its existing assets, primarily through the Company s *FOR*NRG initiative, commercial operations strategy, efficiency between the retail and wholesale business, and maintenance of appropriate levels of liquidity, debt and equity in order to ensure continued access to capital.

Development NRG is favorably positioned to pursue growth opportunities through expansion of its existing generating capacity and development of new generating capacity at its existing facilities, primarily through the Company s *Repowering*NRG initiative. NRG expects that these efforts will provide some or all of the following benefits: improved heat rates; lower delivered costs; expanded electricity production capability; improved ability to dispatch economically across the regional general portfolio; increased technological and fuel diversity; and reduce environmental impacts, including facilities that either have near zero GHG emissions or can be equipped to capture and sequester GHG emissions. Several of the Company s original *Repowering*NRG projects or projects commenced under that initiative since its inception may qualify for financial support under the infrastructure financing component of the American Recovery and Reinvestment Act.

New Businesses and New Technology NRG is focused on the development and investment in energy-related new businesses and new technologies where the benefits of such investments represent significant commercial opportunities and create a comparative advantage for the Company, including low or no GHG emitting energy generating sources, such as nuclear, wind, solar thermal, photovoltaic, clean coal and gasification, and the retrofit of post-combustion carbon capture technologies. A primary focus of this strategy is supported by the econrg initiative whereby NRG is pursuing investments in new generating facilities and technologies that are expected to be highly efficient and will employ no and low carbon technologies to limit CO_2 emissions and other air emissions. While the Company s effort in this regard to date has focused on businesses and technologies applicable to the centralized power station, the acquisition of Reliant Energy has put the Company in a position to consider and pursue smart meters and distributed clean solutions.

Company-Wide Initiatives In addition, the Company s overall strategy is also supported by Future NRG and NRG Global Giving initiatives, which address workforce planning and community involvement and support, respectively.

Finally, NRG will continue to pursue selective acquisitions, joint ventures and divestitures to enhance its asset mix and competitive position in the Company s core markets. NRG intends to concentrate on opportunities that present attractive risk-adjusted returns. NRG will also opportunistically pursue other strategic transactions, including mergers, acquisitions or divestitures.

Business Environment Financial Credit Market Availability

Power generation companies are capital intensive and, as such, rely on the credit markets for liquidity and for the financing of power generation investments. At the end of the second quarter 2009, there were some indications that the nation s credit markets began to recover although credit continued to be tight relative to previous years. As evidence of the markets improvement, in April 2009, GenConn Energy, a joint venture of NRG and the United Illuminating Company, closed on a $534 million project financing and NRG was able to issue $700 million of bonds in June 2009 with a 10 year maturity at a yield to maturity of 8.75%. NRG has a diversified liquidity program, with $4.0 billion in total liquidity, excluding funds deposited by counterparties, and a first and second lien structure that enables significant strategic hedging while reducing requirements for the posting of cash or letters of credit as collateral. NRG expects to continue to manage commodity price volatility through its strategic hedging program, under which the Company expects to hedge revenues and fuel costs. This program should provide the Company with the flexibility to enter into hedges opportunistically, such as when gas prices are increasing, while at the same time protecting NRG against longer-term volatility in the commodity markets. NRG transacts with a diversified pool of counterparties and actively manages the Company s exposure to any single counterparty. See Part I, Item 2 *Liquidity and Capital Resources*, and Part I, Item 3 *Quantitative and Qualitative Disclosures about Market Risk* for further discussion.

The addition of Reliant Energy to NRG s existing generation portfolio may provide opportunities to match generation to load directly which should reduce hedging and credit costs that both businesses would incur if hedged separately. Reliant Energy, which expects to lock in supply and thereby its margin as load is contracted, should also benefit from having better access to nonstandard products necessary to meet load. NRG expects to continue hedging

the generation consistent with its prior practice, but now will benefit from having an additional outlet for its range of generation products.

Unsolicited Exelon Proposal

On October 19, 2008, the Company received an unsolicited proposal from Exelon Corporation to acquire all of the outstanding shares of the Company and on November 12, 2008, Exelon announced a tender offer for all of the Company s outstanding common stock. NRG s Board of Directors, after carefully reviewing the proposal, unanimously concluded that the proposal was not in the best interests of the stockholders and recommended that NRG stockholders not tender their shares. In addition, on June 17, 2009 Exelon filed a Definitive Proxy Statement with the SEC with respect to their proposals for the Company s 2009, Annual Meeting of Stockholders, which consisted of: (i) consideration of Exelon s four nominees as Class III directors; (ii) consideration of the expansion of NRG s Board of Directors to 19 directors; (iii) if the Exelon board expansion is approved, consideration of five additional Exelon nominees; and (iv) consideration of repealing any amendments to the NRG Bylaws after February 26, 2008. NRG s Board of Directors recommended a vote against each of the proposals. On July 2, 2009, Exelon revised their unsolicited proposal and NRG s Board of Directors, after carefully reviewing the proposal, unanimously concluded that the proposal was not in the best interests of the stockholders and recommended that NRG stockholders not tender their shares. On July 21, 2009, based on the preliminary vote count at NRG s 2009 Annual Meeting of Stockholders, stockholders voted to re-elect all of the Company s director nominees to the NRG Board of Directors. In addition, NRG s stockholders rejected Exelon s proposal to expand NRG s Board with its own slate of five Director nominees. On July 21, 2009, Exelon Corporation announced that in light of the vote results, effective immediately, it terminated its offer to acquire all of the outstanding shares of NRG. On July 29, 2009, IVS Associates, Inc., the independent inspector of elections, certified the final results. The total defense costs associated with Exelon s unsolicited proposal was approximately $17 million as of June 30, 2009 of which $9 million was for the six months ended June 30, 2009. In the third quarter 2009, the Company expects to incur an additional $19 million of expenditures related to the Exelon defense.

Environmental Matters

Climate Change

On June 26, 2009, the House of Representatives passed *The American Clean Energy and Security Act of 2009*. This comprehensive bill proposes a multi-sector, market based greenhouse gas cap and trade system starting in 2012 as well as national Renewable Energy Standards, expedited transmission planning and approval and aggressive efficiency measures. The bill provides for a declining cap in U.S. GHG emissions and provides for allocation of allowances to merchant coal generators and local distribution companies, the use of both international and domestic offsets, and a transition from already existing state programs, all of which are important to the electric generation industry. The bill further exempts CO_2 from regulation under New Source Review, or NSR, as a criteria pollutant, or a hazardous air pollutant under the CAA. It proposes requirements for new coal-fueled power plants to implement, based on commercial availability, carbon capture and sequestration to reduce CO_2 emissions. The debate will now move to the Senate. NRG will continue to provide input as a leading energy company and member of the U.S. Climate Action Partnership, or USCAP, in support of federal legislation.

In 2008, NRG emitted in the U.S. 60 million metric tonnes of CO_2. If the Waxman-Markey legislation or some other federal comprehensive climate change bill were to pass both Houses of Congress and be enacted into law, the actual impact on the Company s financial performance would depend on a number of factors, including the overall level of GHG reductions required under any final legislation, the degree to which offsets may be used for compliance and their price and availability, and the extent to which NRG would be entitled to receive CO_2 emissions allowances without having to purchase them in an auction or on the open market. Thereafter, the impact would depend on the level of success of the Company s multifold strategy, which includes (i) shaping public policy with the objective being constructive and effective federal GHG regulatory policy; and (ii) pursuing its *Repowering*NRG and econrg programs. The Company s multifold strategy is discussed in greater detail in Part I, Item 1 *Business, Carbon Update* in NRG s 2008 Annual Report on Form 10-K.

On April 24, 2009, the U.S. EPA published a proposed endangerment finding that the mix of six key GHGs, including CO_2, threaten the public health and welfare. The proposed endangerment finding does not include any proposed regulations. This is in response to the Supreme Court s decision in *Massachusetts v. U.S. EPA*, which requires the U.S. EPA to decide under the CAA s mobile source title whether GHGs contribute to climate change, and

if so, promulgate appropriate regulations. Absent eventual action from Congress on climate change, this finding could ultimately serve as a basis for rulemaking for stationary sources, like power plants, under the existing CAA.

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Federal Environmental Initiatives

A number of regulations are under review by U.S. EPA including CAIR, MACT, National Ambient Air Quality Standards, or NAAQS, for ozone, small particle matter, or PM2.5, and the Phase II 316(b) Rule. These rules address air emissions and best practices for units with once-through-cooling. In addition, the U.S. EPA has announced that it is considering new rules regarding the handling and disposition of coal combustion byproducts. While the Company cannot predict the requirements in the final versions nor the ultimate effect that the changing regulations will have on NRG s business, NRG has prepared an environmental capital expenditure plan in anticipation of such requirements.

The U.S. Supreme Court released its decision in the Phase II 316(b) Rule case on April 1, 2009, that the U.S. EPA does have the authority to allow a cost-benefit analysis in the evaluation of Best Technology Available, or BTA. This ruling is favorable for the industry and NRG as it improves the U.S. EPA s ability to include alternatives to closed-loop cooling in its redraft of the Phase II 316(b) Rules.

On April 24, 2009, the U.S. EPA granted petitions to reconsider three NSR rules; Fugitive Emissions, PM2.5 Implementation, and Reasonable Possibility. A Notice for reconsideration of the PM2.5 implementation Rule was published in Federal Register on May 1, 2009. While none of these actions directly impact NRG at this point, it is unknown if final rules will impact future projects.

Regional Environmental Initiatives

Northeast Region NRG operates electric generating units located in Connecticut, Delaware, Maryland, Massachusetts and New York which are subject to RGGI. The RGGI CO_2 cap-and-trade program went into effect on January 1, 2009. An allowance must be surrendered for every U.S. ton of CO_2 emitted with true up for 2009-2011 occurring in 2012. NRG s emissions under RGGI were approximately 12 million tonnes in 2008.

Regulatory Matters

As an operator of power plants and a participant in the wholesale markets, NRG is subject to regulation by various federal and state government agencies. In addition, NRG is subject to the market rules, procedures, and protocols of the various ISO markets in which NRG participates. NRG is also subject to regulatory requirements as a competitive retail electric service provider in Texas. The power markets are subject to ongoing legislative and regulatory changes. In some of NRG s regions, interested parties have advocated for material market design changes, including the elimination of a single clearing price mechanism, as well as proposals to re-regulate the markets or require divestiture by generating companies in order to reduce their market share. The Company cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on NRG s business.

West Region

California The CAISO Market Redesign and Technology Update, or MRTU, commenced April 1, 2009. Significant components of the MRTU include: (i) locational marginal pricing of energy; (ii) a more effective congestion management system; (iii) a day-ahead market; and (iv) an increase to the existing bid caps. NRG considers these market reforms to generally be a positive development for its assets in the region, but additional time is needed to assess the impact of MRTU.

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Texas Region

On October 6, 2008, as part of its determination of Competitive Renewable Energy Zones, or CREZ, the Public Utility Commission of Texas, or PUCT, issued its final order approving a significant transmission expansion plan to provide for the delivery of approximately 18,500 MW of energy from the western region of Texas, primarily wind generation. The transmission expansion plan is composed of approximately 2,300 miles of new 345 kV lines and 42 miles of new 138 kV lines. In January 2009, Texas Industrial Energy Consumers, a trade organization composed of large industrial customers, appealed the PUCT s CREZ plan in state district court, seeking reversal of the final order. On March 30, 2009, the PUCT issued a final order designating the transmission utilities that plan to construct the various CREZ transmission component projects. A large number of separate transmission licensing proceedings will be required prior to construction of the CREZ facilities. In July of 2009, the PUCT approved schedules for utilities to file applications to license several of the CREZ transmission projects (to obtain certificates of convenience and necessity, or CCNs). If the CREZ projects are completed as currently anticipated, the transmission upgrades and associated wind generation could impact wholesale energy and ancillary service prices in ERCOT. As part of the normal ERCOT five-year planning process, transmission utilities are also planning other system improvements, 2,800 circuit miles of transmission and more than 17,000 MVA of autotransformer capacity, intended to support increasing power demand and to address transmission congestion in the ERCOT Region.

Changes in Accounting Standards

See Note 1 to the condensed consolidated financial statements of this Form 10-Q as found in Item 1 for a discussion of recent accounting developments.

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Consolidated Results of Operations

The following table provides selected financial information for the Company:

	Three months ended June 30,			Six months ended June 30,		
(In millions except otherwise noted)	**2009**	**2008**	**Change %**	**2009**	**2008**	**Change %**
Operating Revenues						
Energy revenue	$ 725	$ 1,373	(47)%	$ 1,612	$ 2,298	(30)%
Capacity revenue	253	334	(24)	513	681	(25)
Retail revenue	1,250		N/A	1,250		N/A
Risk management activities	(12)	(588)	(98)	425	(717)	(159)
Contract amortization	(53)	88	(160)	(32)	157	(120)
Thermal revenue	21	23	(9)	55	59	(7)
Other revenues	53	86	(38)	72	140	(49)
Total operating revenues	2,237	1,316	70	3,895	2,618	49
Operating Costs and Expenses						
Cost of sales (including risk management activities of $204 and $136 for the three and six months ended June 30, 2009, respectively)	971	783	24	1,492	1,353	10
Other cost of operations	271	228	19	516	462	12
Total cost of operations	1,242	1,011	23	2,008	1,815	11
Depreciation and amortization	213	161	32	382	322	19
Selling, general and administrative	131	83	58	214	158	35
Acquisition-related transaction and integration costs	23		N/A	35		N/A
Development costs	9	4	125	22	16	38
Total operating costs and expenses	1,618	1,259	29	2,661	2,311	15
Operating income	619	57	N/A	1,234	307	302
Other Income/(Expense)						
Equity in earnings/(losses) of unconsolidated affiliates	5	(19)	126	27	(23)	217
Gain on sale of equity method investments	128		N/A	128		N/A
Other income, net	(11)	12	(192)	(14)	21	(167)
Interest expense	(159)	(144)	10	(297)	(300)	(1)
Total other expense	(37)	(151)	(75)	(156)	(302)	(48)
Income/(Losses) from Continuing Operations before	582	(94)	N/A	1,078	5	N/A

income tax expense						
Income tax expense/(benefit)	150	(53)	383	448	1	N/A
Income/(Losses) from Continuing Operations	432	(41)	N/A	630	4	N/A
Income from discontinued operations, net of income taxes		168	N/A		172	N/A
Net Income	432	127	240	630	176	258
Less: Net loss attributable to noncontrolling interest	(1)		N/A	(1)		N/A
Net income attributable to NRG Energy, Inc.	$ 433	$ 127	241	$ 631	$ 176	259
Business Metrics						
Average natural gas price Henry Hub ($/MMBtu)	3.68	11.32	(67)%	4.13	9.95	(58)%

N/A Not Applicable

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Management s discussion of the results of operations for the three months ended June 30, 2009 and 2008:

For the benefit of the following discussions, the table below represents the results of NRG excluding the impact of Reliant Energy during the two months ended June 30, 2009:

	Three months ended June 30,				
	2009			2008	
(In millions)	Consolidated	Reliant Energy	Total excluding Reliant Energy	Consolidated	Change %
Operating Revenues					
Energy revenue	$ 725	$	$ 725	$ 1,373	(47)%
Capacity revenue	253		253	334	(24)
Retail revenue	1,250	1,250			N/A
Risk management activities	(12)		(12)	(588)	(98)
Contract amortization	(53)	(75)	22	88	(75)
Thermal revenue	21		21	23	(9)
Other revenues	53		53	86	(38)
Total operating revenues	2,237	1,175	1,062	1,316	(19)
Operating Costs and Expenses					
Cost of sales (including risk management activities)	971	614	357	783	(54)
Other operating costs	271	41	230	228	1
Total cost of operations	1,242	655	587	1,011	(42)
Depreciation and amortization	213	43	170	161	6
Selling, general and administrative	131	49	82	83	(1)
Acquisition-related transaction and integration costs	23		23		N/A
Development costs	9		9	4	125
Total operating costs and expenses	1,618	747	871	1,259	(31)
Operating income	619	428	191	57	235%

Operating Revenues

Operating revenues, excluding risk management activities, increased by $345 million during the three months ended June 30, 2009, compared to the same period in 2008.

Energy revenue decreased $648 million during the three months ended June 30, 2009, compared to the same period in 2008:

- *Texas* energy revenue decreased by $325 million, with $283 million of the decrease driven by lower energy prices and $42 million of the decrease driven by reduction in generation. The average realized energy price decreased by 32%, driven by a 63% decrease in merchant prices offset by a 25% increase in contract prices. Generation decreased by 5% driven by a 9% decrease in coal plant generation and a 13% decrease in gas plant generation, offset by a 17% increase in nuclear plant generation, as well as generation from the recently constructed Elbow Creek wind farm, which was not in operation in the

second quarter 2008. Coal plant generation was adversely affected by lower energy prices driven by a 68% decrease in average natural gas prices in combination with depressed heat rates in the region. Increased wind generation shifted the coal unit s position in the bid stack which also negatively affected coal plant generation. The 2008 period contained a planned outage at the Company s nuclear plant which did not occur in 2009 resulting in an increase in plant generation.

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- o *Northeast* energy revenue decreased by $206 million, with $83 million driven by lower energy prices and $147 million attributable to a reduction in generation offset by a $24 million increase from higher net contract revenue. Merchant energy prices were lower by an average of 56%. The lower energy prices reduced the Company s net cost incurred to meet obligations under load serving contracts in the PJM market. Generation decreased by 50% with a 51% decrease in coal generation and a 41% decrease in oil and gas generation. Weakened demand for power combined with low gas prices resulted in reduced merchant energy prices. Lower merchant energy prices combined with higher cost of production from the introduction of RGGI resulted in increased hours where the units were uneconomic to dispatch. The decline in oil and gas generation is attributable to fewer reliability run hours at the Connecticut plants and a planned major maintenance outage at the Arthur Kill plant.

- o *South Central* energy revenue decreased by $49 million due to a $27 million decline in contract revenue coupled with a decrease of $22 million in merchant energy revenues. The decline in contract energy price was driven by a $9 million decrease in fuel cost pass through from the cooperatives and an $18 million decrease due to the expiration of a contract with a regional utility. Total MWh sales to the region s contract customers were down 12% while the average realized price on contract energy sales was $22.98 per MWh in 2009 compared to $30.23 per MWh in 2008. The expiration of the contract allowed more energy to be sold into the merchant market, but at lower average prices resulting in a $22 million decline in revenue. Megawatt hours sold to the merchant market increased by 43% as increased use of the region s tolled facility provided additional energy to the merchant market while prices fell by 61%.

- o *West* decreased by $8 million due to a 33% decline in merchant energy prices and a 31% decrease in generation.

- o *Intercompany energy revenues* intercompany sales of $54 million by NRG s Texas region to Reliant Energy is eliminated in consolidation.

Capacity revenue decreased $81 million during the three months ended June 30, 2009, compared to the same period in 2008:

- o *Texas* capacity revenue decreased by $72 million due to a lower proportion of baseload contracts which contained a capacity component.
- o *South Central* capacity revenue increased by $7 million primarily resulting from a new capacity agreement.
- o *Intercompany capacity revenue* intercompany sales of $12 million by NRG s Texas region to Reliant Energy is eliminated in consolidation.

Retail revenue the acquisition of Reliant Energy contributed $1.3 billion of retail revenue during the two months ended June 30, 2009. This includes mass revenues of $761 million, C&I revenues of $437 million, and supply management revenues of $52 million.

Contract amortization revenue decreased by $141 million in the three months ended June 30, 2009, as compared to the same period in 2008. The decrease includes $75 million in amortization expense of intangible assets related to the Reliant Energy acquisition in 2009 and a reduction of $66 million in revenue from the Texas Genco acquisition due to the lower volume of contracted energy.

Other revenues decreased by $33 million driven by $24 million in lower ancillary revenue and $26 million in lower emissions revenues. These decreases were offset by the recognition of a $31 million non-cash gain related to the settlement of pre-existing in-the-money contract with Reliant Energy.

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Cost of Operations

Cost of operations, excluding risk management activities, increased $435 million during the three months ended June 30, 2009, compared to the same period in 2008.

Cost of energy increased $392 million during the three months ended June 30, 2009, compared to the same period in 2008 due to:

- *Retail* Reliant Energy incurred $803 million of cost of energy during the two months ended June 30, 2009, which included $66 million of intercompany purchased energy costs.
- *Texas* cost of energy decreased $166 million due to lower natural gas and ancillary services costs offset by an increase in coal costs. Natural gas costs decreased $150 million, reflecting a 68% decline in average natural gas per MMBtu prices and a 13% decrease in gas-fired generation. Coal costs increased $3 million due to $10 million in higher prices and $4 million from higher transportation costs offset by a $12 million decrease due to 5% lower generation. Ancillary service costs decreased by $12 million due to a decrease in purchased ancillary services costs incurred to meet contract obligation.
- *Northeast* cost of energy decreased $123 million due to a $78 million reduction in natural gas and oil costs and a $48 million reduction in coal costs. Natural gas and oil costs decreased due to 41% lower generation and 68% lower average natural gas prices. Coal costs decreased due to 51% lower coal generation. These decreases were offset by a $3 million increase in costs related to RGGI which became effective in 2009.
- *South Central* cost of energy decreased $32 million primarily due to a decrease in purchased energy reflecting lower fuel costs associated with energy from the region s tolled facility and lower costs related to market purchases.
- *West* cost of energy decreased $9 million due to a 67% decrease in average natural gas per MMBtu prices and an 11% decrease in natural gas consumption.
- *Intercompany cost of energy* intercompany purchases of $66 million by Reliant Energy from NRG s Texas region is eliminated in consolidation.

Other operating expenses increased $43 million during the three months ended June 30, 2009, compared to the same period in 2008. Reliant Energy incurred $41 million in other operating costs during the two months ended June 30, 2009. Further, operating and maintenance expense increased $5 million offset by a decrease in property taxes of $4 million.

Risk Management Activities

Risk management activities include economic hedges that did not qualify for cash flow hedge accounting, ineffectiveness on cash flow hedges, and trading activities. Total derivative gains increased by $780 million during the three months ended June 30, 2009, compared to the same period in 2008. The breakdown of changes by region follows:

	Three months ended June 30, 2009							
(In millions)	**Reliant Energy**	**Texas**	**Northeast**	**South Central**	**West**	**Thermal**	**Elimination**	**Total**
Net gains/(losses) on settled positions, or financial income	$(114)	$ 101	$ 95	$ (5)	$ (1)	$ 1	$	$ 77
Mark-to-market results								
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	210	(4)	(13)			(1)		192
Reversal of previously recognized unrealized		(14)	(9)	(12)				(35)

(gains)/losses on settled positions related to trading activity								
Net unrealized gains/(losses) on open positions related to economic hedges	93	(116)	(17)	(9)	7	(1)		(43)
Net unrealized gains/(losses) on open positions related to trading activity		(10)	5	6				1
Subtotal mark-to-market results	303	(144)	(34)	(15)	7	(2)		115
Total derivative gain/(loss)	189	(43)	61	(20)	6	(1)		192
Total derivative gain/(loss) included in revenues		(54)	51	(12)	6	(1)	(2)	(12)
Total derivative gain/(loss) included in cost of operations	$ 189	$ 11	$ 10	$ (8)	$	$	$ 2	$ 204

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(In millions)	Three months ended June 30, 2008 Texas	Northeast	South Central	Total
Net losses on settled positions, or financial income	$ (48)	$ (34)	$ (4)	$ (86)
Mark-to-market results				
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	(9)	(6)		(15)
Reversal of previously recognized unrealized gains on settled positions related to trading activity		(3)	(4)	(7)
Net unrealized losses on open positions related to economic hedges	(382)	(113)		(495)
Net unrealized gains/(losses) on open positions related to trading activity	20	10	(15)	15
Subtotal mark-to-market results	(371)	(112)	(19)	(502)
Total derivative loss	$(419)	$ (146)	$ (23)	$(588)
Total derivative loss included in revenues	(419)	(146)	(23)	(588)
Total derivative gain/(loss) included in cost of operations	$	$	$	$

NRG s second quarter 2009 gain was comprised of $115 million of mark-to-market gains and $77 million in settled gains, or financial income. Of the $115 million of mark-to-market gains, a $192 million gain represented the reversal of mark-to-market losses recognized on economic hedges and a $35 million loss represents the reversal of mark-to-market gains recognized on trading activity during 2008. The $43 million loss from economic hedge positions included a $40 million decrease in value in forward purchases and sales of electricity and fuel due to higher forward power and gas prices, and a $3 million loss primarily from hedge accounting ineffectiveness related to gas trades in the Texas region which was driven by decreasing forward gas prices while forward power prices decreased at a slower pace.

Reliant Energy gains of $210 million represents the roll-off of positions acquired as of May 1, 2009, valued at that date s forward prices which are offset by the losses at the settled prices and are reflected in the cost of operations.

Since these hedging activities are intended to mitigate the risk of commodity price movements on revenues and cost of energy, the changes in such results should not be viewed in isolation, but rather should be taken together with the effects of pricing and cost changes on energy revenue and costs. During and prior to 2009, NRG hedged a portion of the Company s 2008 and 2009 generation. During the second quarter 2009, the settled and forward prices of electricity and natural gas decreased resulting in the recognition of realized gains and unrealized mark-to-market gains, while in the second quarter 2008, increasing prices of electricity and natural gas resulted in recognition of unrealized mark-to-market losses.

Depreciation and Amortization

NRG s depreciation and amortization expense increased by $52 million for the three months ended June 30, 2009, compared to the same period in 2008. Reliant Energy s depreciation and amortization expense for the two month period was $43 million principally for amortization of customer relationships. The balance of the increase was due to depreciation on the baghouse projects in western New York and the Elbow Creek project which came on line in late 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $48 million for the three months ended June 30, 2009, compared to the same period in 2008. The increase was due to:

Retail selling, general and administrative expense totaled $49 million, including $9 million of bad debt expense during the two months ended June 30, 2009.

Consultant costs increased $2 million consisting of costs related to Exelon s exchange offer and proxy contest efforts of $4 million offset by a decrease in other consulting costs of $3 million.

Wage and benefits expense increased $3 million.

These increases were offset by:

Other expenses decreased by $5 million consisting of information technology, administrative fees and travel related costs.

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Acquisition-related Transaction and Integration Costs

NRG incurred Reliant Energy acquisition-related transaction costs of $21 million and integration costs of $2 million for the three months ended June 30, 2009.

Equity in Earnings of Unconsolidated Affiliates

NRG s equity earnings from unconsolidated affiliates increased by $24 million for the three months ended June 30, 2009, compared to the same period in 2008. During the three months ended June 30, 2009, Sherbino recognized a $6 million mark-to-market unrealized loss whereas in the three months ended June 30, 2008 Sherbino recognized a $32 million mark-to-market loss on a natural gas swap executed to hedge its future power generation. Additionally, in 2009, the Company s share in NRG Saguaro LLC earnings increased by $2 million.

Gain on Sale of Equity Method Investments and Other (Loss)/Income, Net

NRG s gain on sale of equity method investments increased by $128 million for the three months ended June 30, 2009, compared to the same period in 2008 and other (loss)/income, net decreased by $23 million for the three months ended June 30, 2009, compared to the same period in 2008. The 2009 amounts include a $128 million gain on the sale of NRG s 50% ownership interest in MIBRAG and a $15 million realized loss on a forward contract for foreign currency executed to hedge the sale proceeds from the MIBRAG sale.

Interest Expense

NRG s interest expense increased by $15 million for the three months ended June 30, 2009, compared to the same period in 2008. This increase was primarily due to $13 million in fees incurred on the CSRA facility for the months of May and June.

Income Tax Expense

NRG s income tax expense increased by $203 million for the three months ended June 30, 2009, compared to the same period in 2008. The increase in income tax expense was primarily due to an increase in income. The effective tax rate was 25.8% and 56.4% for the three months ended June 30, 2009, and 2008, respectively.

For the three months ended June 30, 2009, NRG s overall effective tax rate on continuing operations was different than the statutory rate of 35% primarily due to a reduction in the state and local income tax rate as a result of the Reliant Energy acquisition and the sale of the MIBRAG facility. For the three months ended June 30, 2008, NRG s effective tax rate was increased primarily due to the movement of the valuation allowance established as result of capital losses generated in the period for which there is no projected capital gain or available tax planning strategies.

Income from Discontinued Operations, Net of Income Tax Expense

For the three months ended June 30, 2008, NRG recorded income from discontinued operations, net of income tax expense, of $168 million. NRG closed the sale of ITISA during the second quarter 2008.

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Management s discussion of the results of operations for the six months ended June 30, 2009 and 2008:

For the benefit of the following discussions, the table below represents the results of NRG excluding the impact of Reliant Energy during the two months ended June 30, 2009:

	Six months ended June 30,				
	2009			2008	
(In millions)	Consolidated	Reliant Energy	Total excluding Reliant Energy	Consolidated	Change %
Operating Revenues					
Energy revenue	$ 1,612	$	$ 1,612	$ 2,298	(30)%
Capacity revenue	513		513	681	(25)
Retail revenue	1,250	1,250			N/A
Risk management activities	425		425	(717)	(159)
Contract amortization	(32)	(75)	43	157	(73)
Thermal revenue	55		55	59	(7)
Other revenues	72		72	140	(49)
Total operating revenues	3,895	1,175	2,720	2,618	4
Operating Costs and Expenses					
Cost of sales (including risk management activities)	1,492	614	878	1,353	(35)
Other operating costs	516	41	475	462	3
Total cost of operations	2,008	655	1,353	1,815	(25)
Depreciation and amortization	382	43	339	322	5
Selling, general and administrative	214	49	165	158	4
Acquisition-related transaction and integration costs	35		35		N/A
Development costs	22		22	16	38
Total operating costs and expenses	2,661	747	1,914	2,311	(17)
Operating income	1,234	428	806	307	163%

Operating Revenues

Operating revenues, excluding risk management activities, increased $135 million during the six months ended June 30, 2009, compared to the same period in 2008.

Energy revenue decreased $686 million during the six months ended June 30, 2009, compared to the same period in 2008:

- o *Texas* energy revenue decreased by $277 million, with $198 million by driven by lower energy prices and $79 million decrease driven by a reduction in generation. The average realized energy price decreased by

14%, driven by a 51% decrease in merchant prices offset by a 24% increase in contract prices. Generation decreased by 5% driven by a 8% decrease in coal plant generation and a 21% decrease in gas plant generation, offset by generation from the recently constructed Elbow Creek wind farm, which was not in operation in 2008. Coal plant generation was adversely affected by lower energy prices driven by a 61% decrease in average natural gas prices also in combination with depressed heat rates in the region. Increased wind generation shifted the coal unit s position in the bid stack, negatively affecting coal plant generation.

o *Northeast* energy revenue decreased by $289 million, with $113 million driven by lower energy prices and $212 million attributable to a reduction in generation offset by a $35 million increase from higher net contract revenue. Merchant energy prices were lower by an average of 32%. The lower energy prices reduced the Company s net cost incurred to meet obligations under load serving contracts in the PJM market. Generation decreased by 38%, with a 37% decrease in coal generation and a 40% decrease in oil and gas generation. Weakened demand for power combined with low gas prices resulted in reduced merchant energy prices. Lower merchant energy prices combined with higher cost of production from the introduction of RGGI resulted in increased hours where the units were uneconomic to dispatch. The decline in oil and gas generation is attributable to fewer reliability run hours at the Connecticut plants and a planned major maintenance outage at the Arthur Kill plant.

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- o *South Central* decreased by $53 million due to a $42 million decline in contract revenue coupled with an $11 million decrease in merchant energy revenues. Contract customer sales volumes were down 11%. The decline in contract energy price was driven by a $7 million decrease in fuel cost pass through to the cooperatives. Also contributing to the decline in contract revenue was $31 million due to the expiration of a contract with a regional utility. Average realized price on contract energy sales was $23.17 per MWh in 2009 compared to $28.72 per MWh in 2008. The expiration of the contract allowed more energy to be sold into the merchant market, but at lower average prices resulting in an $11 million decline in revenue. Megawatt hours sold to the merchant market increased by 51%, while prices fell by 42%. Increased use of the region s tolled facility provided additional energy to the merchant market.
- o *Intercompany energy revenues* intercompany sales of $54 million by NRG s Texas region to Reliant Energy is eliminated in consolidation.

Capacity revenue decreased $168 million during the six months ended June 30, 2009, compared to the same period in 2008:

- o *Texas* capacity revenue decreased by $143 million due to a lower proportion of baseload contracts which contained a capacity component.
- o *Northeast* capacity revenue decreased by $15 million due to lower capacity prices in the NYISO and PJM markets which was partially offset by higher capacity prices in the NEPOOL market.
- o *South Central* capacity revenue increased by $18 million resulting primarily from a new capacity agreement.
- o *West* capacity revenue decreased by $9 million due to the expiration of a two year tolling agreement at the El Segundo facility in April 2008, which was replaced by resource adequacy and capacity contracts at lower prices.
- o *Intercompany capacity revenue* intercompany sales of $12 million by NRG s Texas region to Reliant Energy is eliminated in consolidation.

Retail revenue the acquisition of Reliant Energy contributed $1.3 billion of retail revenue during the two months ended June 30, 2009. This includes mass revenues of $761 million, C&I revenues of $437 million, and supply management revenues of $52 million.

Contract amortization revenue decreased by $189 million in the six months ended June 30, 2009, as compared to the same period in 2008. The decrease includes a reduction of $114 million in revenue from the Texas Genco acquisition due to the lower volume of contracted energy and $75 million in amortization expense of intangible assets related to the Reliant Energy acquisition in 2009.

Other revenues decreased by $68 million driven by $30 million in lower ancillary revenue, $33 million in lower emissions revenue, and a $37 million decrease in fuels trading. These decreases were offset by the recognition of a $31 million non-cash gain related to settlement of a pre-existing in-the-money contract with Reliant Energy.

Cost of Operations

Cost of operations, excluding risk management activities, increased $329 million during the six months ended June 30, 2009, compared to the same period in 2008.

Cost of energy increased $275 million during the six months ended June 30, 2009, compared to the same period in 2008 due to:

- *Retail revenue* Reliant Energy incurred $803 million of cost of energy during the two months ended June 30, 2009 which included $66 million of intercompany purchased energy costs.
- *Texas* cost of energy decreased $250 million due to lower natural gas, coal, purchased energy and ancillary services costs. Natural gas costs decreased $197 million, reflecting a 61% decline in average natural gas per MMBtu prices and a 21% decrease in gas-fired generation. Coal costs decreased $9 million as the 2008 expense included a $15 million loss reserve related to a coal contract dispute and $12 million resulting from reduced generation. This decrease was offset by an $11 million increase due to higher prices and a $7 million increase in transportation cost. Purchased energy decreased $14 million due to a lower average price to procure energy from the market offset by a greater number of MWhs purchased. Ancillary service costs decreased by $24 million due to a decrease in purchased ancillary services costs incurred to meet contract obligations. Nuclear fuel expenses decreased by $10 million as amortization of nuclear fuel inventory ended in March 2008 related to the Texas Genco acquistion.
- *Northeast* cost of energy decreased $169 million due to a $107 million reduction in natural gas and oil costs and a $69 million reduction in coal costs. Natural gas and oil costs decreased due to 40% lower generation and 56% lower average natural gas prices. Coal costs decreased due to 37% lower coal generation. These decreases were offset by a $8 million increase in costs related to RGGI which became effective in 2009.
- *South Central* cost of energy decreased $19 million due to a $16 million decrease in purchased energy reflecting lower fuel costs associated with the region s tolled facility and lower market energy prices, and a $4 million decrease in transmission expense due to transmission line outages.
- *West* cost of energy decreased $7 million due to a 66% decline in average natural gas per MMBtu prices offset by a $3 million increase in fuel oil expense resulting from a write down to market of fuel oil inventory no longer used in the production of energy.
- *Intercompany cost of energy* intercompany purchases of $66 million by Reliant Energy from NRG s Texas region are eliminated in consolidation.

Other operating expenses increased $54 million during the six months ended June 30, 2009, compared to the same period in 2008. Reliant Energy incurred $41 million in other operating costs during the two months ended June 30, 2009. Further, operating and maintenance expenses increased by $7 million and property taxes increased by $5 million.

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Risk Management Activities

Risk management activities include economic hedges that did not qualify for cash flow hedge accounting, ineffectiveness on cash flow hedges, and trading activities. Total derivative gains increased by $1,278 million during the six months ended June 30, 2009, compared to the same period in 2008. The breakdown of changes by region follows:

	Six months ended June 30, 2009							
(In millions)	**Reliant Energy**	**Texas**	**Northeast**	**South Central**	**West**	**Thermal**	**Elimination**	**Total**
Net gains/(losses) on settled positions, or financial income	$(114)	$ 130	$ 151	$ 5	$ (3)	$ 2	$	$ 171
Mark-to-market results								
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	210	(12)	(20)			(2)		176
Reversal of previously recognized unrealized gains on settled positions related to trading activity		(43)	(23)	(38)				(104)
Net unrealized gains/(losses) on open positions related to economic hedges	93	88	136	(14)	6	1		310
Net unrealized gains/(losses) on open positions related to trading activity		(8)	4	12				8
Subtotal mark-to-market results	303	25	97	(40)	6	(1)		390
Total derivative gain/(loss)	189	155	248	(35)	3	1		561
Total derivative gain/(loss) included in revenues		209	233	(19)	3	1	(2)	425
Total derivative gain/(loss) included in cost of operations	$ 189	$ (54)	$ 15	$ (16)	$	$	$ 2	$ 136

	Six months ended June 30, 2008			
(In millions)	**Texas**	**Northeast**	**South Central**	**Total**
Net losses on settled positions, or financial income	$ (50)	$ (24)	$	$ (74)

Mark-to-market results				
Reversal of previously recognized unrealized gains on settled positions related to economic hedges	(16)	(9)		(25)
Reversal of previously recognized unrealized (gains)/losses on settled positions related to trading activity	1	(2)	(11)	(12)
Net unrealized losses on open positions related to economic hedges	(495)	(142)		(637)
Net unrealized gains/(losses) on open positions related to trading activity	37	(7)	1	31
Subtotal mark-to-market results	(473)	(160)	(10)	(643)
Total derivative loss	$(523)	$ (184)	$ (10)	$(717)
Total derivative loss included in revenues	(523)	(184)	(10)	(717)
Total derivative gain/(loss) included in cost of operations	$	$	$	$

NRG s first half of 2009 gain was comprised of a $390 million of mark-to-market gains and $171 million in settled gains, or financial income. Of the $390 million of mark-to-market gains, a $176 million gain represents the reversal of mark-to-market losses recognized on economic hedges and a $104 million loss represents the reversal of mark-to-market gains recognized on trading activity during 2008. The $310 million gain from economic hedge positions included $217 million recognized in earnings from previously deferred amounts in OCI as the Company discontinued cash flow hedge accounting in the first quarter for certain 2009 transactions in Texas and New York due to lower expected generation, a $92 million increase in value in forward sales of electricity and fuel due to lower forward power and gas prices, and a $1 million gain primarily from hedge accounting ineffectiveness related to gas trades in the Texas region which was driven by decreasing forward gas prices while forward power prices decreased at a slower pace. The Company recognized a derivative loss of $29 million resulting from discontinued NPNS designated coal purchases due to expected lower coal consumption and accordingly the Company could not assert taking physical delivery of coal purchase transactions under NPNS designation. This amount was included in the Company s cost of operations during the six months ended June 30, 2009.

Reliant Energy gains of $210 million represents the roll-off of positions acquired as of May 1, 2009, valued at that date s forward prices which are offset by the losses at the settled prices and are reflected in the cost of operations.

Since these hedging activities are intended to mitigate the risk of commodity price movements on revenues and cost of energy, the changes in such results should not be viewed in isolation, but rather should be taken together with the effects of pricing and cost changes on energy revenue and costs. During and prior to 2008, NRG hedged a portion of the Company s 2008 and 2009 generation. During the first half of 2009, the settled and forward prices of electricity and natural gas decreased resulting in the recognition of realized gains and unrealized mark-to-market gains, while in the first half of 2008, increasing prices of electricity and natural gas resulted in recognition of unrealized mark-to-market losses.

Depreciation and Amortization

NRG s depreciation and amortization expense increased by $60 million for the six months ended June 30, 2009, compared to the same period in 2008. Reliant Energy s depreciation and amortization expense for the two month period was $43 million principally for amortization of customer relationships. The balance of the increase was due to depreciation on the baghouse projects in western New York and the Elbow Creek project which came online in late 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $56 million for the six months ended June 30, 2009, compared to the same period in 2008. The increase was due to:

Retail selling, general and administrative expense totaled $49 million, including $9 million of bad debt expense during the two months ended June 30, 2009.

Wage and benefits expense increased $6 million.

Consultant costs increased $5 million consisting of costs related to Exelon s exchange offer and proxy contest efforts of $9 million offset by a decrease in other consulting costs of $4 million.

These increases were offset by:

Other expenses decreased by $2 million consisting of information technology, administrative fees and travel related costs.

Acquisition-related Transaction and Integration Costs

NRG incurred Reliant Energy acquisition-related transaction costs of $33 million and integration costs of $2 million for the six months ended June 30, 2009.

Equity in Earnings of Unconsolidated Affiliates

NRG s equity earnings from unconsolidated affiliates increased by $50 million for the six months ended June 30, 2009, compared to the same period in 2008. During 2009, Sherbino recognized a $1 million mark-to-market unrealized loss whereas in 2008 Sherbino recognized a $50 million mark-to-market loss on a natural gas swap executed to hedge its future power generation. Additionally, in 2009, the Company s share in NRG Saguaro LLC earnings increased by $7 million and the Company s share in Gladstone decreased by $4 million.

Gain on Sale of Equity Method Investments and Other (Loss)/Income, Net

NRG s gain on sale of equity method investments increased by $128 million for the six months ended June 30, 2009, compared to the same period in 2008 and other (loss)/income, net decreased by $35 million for the six months ended June 30, 2009, compared to the same period in 2008. The 2009 amounts include a $128 million gain on the sale of NRG s 50% ownership interest in MIBRAG and a $24 million mark-to-market unrealized loss on a forward contract for foreign currency executed to hedge the sale proceeds from the MIBRAG sale.

Interest Expense

NRG s interest expense decreased by $3 million for the six months ended June 30, 2009, compared to the same period in 2008. This decrease was primarily due to a $19 million decrease in interest expense on the Company s Term Loan facility due to a decrease in the average interest rates and the outstanding notional amount offset by a $13 million increase in fees incurred on the CSRA facility for the months of May and June.

Income Tax Expense

NRG s income tax expense increased by $447 million for the six months ended June 30, 2009, compared to the same period in 2008. The increase in income tax expense was primarily due to an increase in income. The effective tax rate was 41.5% and 20.0% for the six months ended June 30, 2009, and 2008, respectively.

For the six months ended June 30, 2009, NRG s overall effective tax rate on continuing operations was different than the statutory rate of 35% primarily due to an increase in valuation allowance as a result of capital losses generated in the six month period for which there are no projected capital gains or available tax planning strategies. Furthermore, the effective tax rate is decreased by the sale of the MIBRAG facility as well as a reduction of the state and local income tax rate as a result of the Reliant Energy acquisition. For the six months ended June 30, 2008, NRG s overall effective tax rate was reduced primarily by foreign earnings that are taxed at rates in foreign jurisdictions lower than the U.S. statutory rate.

Income from Discontinued Operations, Net of Income Tax Expense

For the six months ended June 30, 2008, NRG recorded income from discontinued operations, net of income tax expense, of $172 million. NRG closed the sale of ITISA during the second quarter 2008.

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Results of Operations for Reliant Energy

Reliant Energy

The following is a detailed discussion of the results of operations of NRG s retail business segment since the date of acquisition.

Operating Strategy

Reliant Energy s business is to earn a margin by selling electricity to end use customers, providing innovative and value-enhancing services to such customers, and acquiring supply for the estimated demand. As a retail energy provider, Reliant Energy arranges for the transmission and delivery of electricity to customers, bills customers, collects payment for electricity sold, develops innovative energy solutions, engages in energy efficiency initiatives and maintains call centers to provide customer service. Although NRG has begun the process of becoming the primary provider of Reliant Energy s supply requirements, Reliant Energy presently purchases a substantial portion of its supply requirements from third parties such as generation companies and power marketers. Transmission and distribution services are purchased from entities regulated by the PUCT and subject to ERCOT protocols.

The energy usage of Reliant Energy s retail customers varies by season, with generally higher usage during the summer period. As a result, Reliant Energy s net working capital requirements generally increase during summer months along with the higher revenues, and then decline during off-peak months.

As of June 30, 2009, Reliant Energy had approximately 1,274 employees, none of whom are covered by a bargaining agreement.

Customer Segments

The following is a description of Reliant Energy s significant customer segments in Texas.

Mass Reliant Energy s Mass customer base is made up of approximately 1.6 million residential and small business customers in the ERCOT market with more than half located in the Houston area. Reliant Energy also serves customers in other competitive markets in ERCOT including the Dallas, Fort Worth, and Corpus Christi areas.

Commercial and industrial Reliant Energy markets electricity and energy services to approximately 0.1 million C&I customers in Texas. These customers include refineries, chemical plants, manufacturing facilities, hospitals, universities, commercial real estate, government agencies, restaurants, and other commercial facilities.

Market Framework

Reliant Energy operates within the same ERCOT market as the Company s Texas region. For further discussion of the Texas market framework, see pages 25-26 of NRG Energy Inc. s 2008 Annual Report on Form 10-K.

For further discussion of the Company s Reliant Energy operations, see Item I, Note 3, *Business Acquisition.*

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Selected Income Statement Data

(In millions except otherwise noted)		Period ended June 30, 2009[a]
Operating Revenues		
Mass revenues	$	761
Commercial and industrial revenues		437
Supply management revenues		52
Contract amortization		(75)
Total operating revenues		1,175
Operating Costs and Expenses		
Cost of energy (including risk management activities)		614
Other operating expenses		90
Depreciation and amortization		43
Operating Income	$	428
Electricity sales volume GWh (in thousands):		
Mass		4,851
Commercial and Industrial [c]		5,580
Business Metrics		
Weighted average Retail customers count (in thousands, metered locations)		
Mass		1,601
Commercial and Industrial [c]		71
Retail customers count (in thousands, metered locations)		
Mass		1,589
Commercial and Industrial [c]		68
Cooling Degree Days, or CDDs [b]		971
CDD s 30 year average		819
Heating Degree Days, or HDDs [b]		1
HDD s 30 year average		5

(a) *For the period May 1, 2009, to June 30, 2009.*

(b) *National Oceanic and Atmospheric Administration-Climate Prediction Center A CDD represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. An HDD represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period. The CDDs/HDDs amounts are representative of the Coast and North Central Zones within the ERCOT market in which Reliant Energy serves its customer base.*

(c) *Includes customers of the Texas General Land Office for whom the Company provides services.*

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Year to date results
Operating Income

Operating income for the two months ended June 30, 2009, was $428 million, which consisted of the following:

(In millions except otherwise noted)		Period ended June 30, 2009[(a)]
Reliant Energy Operating Income:		
Mass revenues	$	761
Commercial and industrial revenues		437
Supply management revenues		52
Total retail operating revenues [(a)]		1,250
Retail cost of sales [(a)]		930
Total retail gross margin		320
Unrealized gains on energy supply derivatives		303
Contract amortization, net		(62)
Other operating expenses		(90)
Depreciation and amortization		(43)
Operating Income	$	428

(a) Amounts exclude unrealized gains/(losses) on energy supply derivatives and contract amortization.

Gross margin Reliant Energy s gross margin totaled $320 million, which was driven by strong margins in the residential customer segment and expanding margins in the commercial and industrial segment. In addition, volumes were higher due to greater customer usage as a result of warmer weather as compared to the 30 year CDD average, although partially offset by a decrease in number of customers during the two months ended June 30, 2009. The strong margins were driven by high revenue rates relative to the current market cost of energy as the Company acquired Reliant Energy customers on prices more consistent with 2008 costs of natural gas. The lag between significant declines in energy costs and the corresponding price reductions resulted in higher margins for the period. This benefit from lower cost of energy will be partially offset in future periods by the Company s announced and enacted price reductions of up to 20% for certain mass customers. These price reductions are consistent with recent trends in competitive offers, and the Company expects to see competitors continue to more accurately reflect their true cost of capital in their pricing. Competition, along with the Company s pricing and supply decisions, will likely drive lower margins in the future and the Company believes that, in order to stabilize customer count, this level of margins will not be sustainable.

With the decline in natural gas prices, and the corresponding decline in the cost of energy supply, competitive retail prices have decreased relative to 2008. If costs continue to remain low, the Company expects competitive retail prices to continue to decline and place pressure on unit margins. Additionally, the Company s customer counts have declined approximately 1% for each of the past two months. The recent price reductions for certain mass customers are expected to improve customer retention. Further price reductions may be necessary if current attrition trends continue.

Risk management activities Unrealized gains of $303 million on economic hedges relates to supply contracts that were recognized for the two months ended June 2009 including $210 million of gains representing a roll-off of positions acquired at May 1, 2009, at forward prices and $93 million of gains that represents mark-to-market changes in forward value of purchased electricity and gas. The $210 million gain from roll-off positions is offset by the realized losses at the settled prices and reflected in the cost of operations.

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Operating Revenues

Total operating revenues for the two months ended June 30, 2009 were $1.2 billion and consisted of the following:

Mass revenues totaled $761 million from retail electric sales to approximately 1.6 million end use customers in the Texas market. Revenue rates for acquired Reliant Energy customers were not consistent with current costs of natural gas. The Company lowered prices up to 10% on select residential customer segments effective June 1, and announced another rate reduction for July. These two pricing actions will provide up to 20% lower prices for certain Mass customers. Also, warmer weather, as compared to the 30 year CDD average, caused an increase in customer usage. The higher prices, along with higher usage, were accompanied with a decrease in number of customers by approximately 1% per month. The Company expects the announced price reductions to stem the recent attrition trends.

Commercial and industrial revenue As of May 1, 2009, Reliant Energy re-launched its C&I segment. C&I revenues for the two months ended June 30, 2009 totaled $437 million on volume sales of roughly 5,580 GWh. Variable rate contracts tied to the market price of natural gas accounted for approximately 68% of the contracted volumes as of June 30, 2009.

Contract amortization reduced operating revenues by $75 million resulting from net in-market C&I contracts, which will continue to amortize over the term of the contracts acquired in the Reliant Energy acquisition.

Supply management revenues totaled $52 million from the sale of excess supply into various markets in Texas.

Cost of Energy

Cost of energy for the two months ended June 30, 2009, was $614 million and consisted of the following:

Supply costs totaled $550 million. The current market cost of energy is significantly down in 2009. Natural gas prices have declined 70% since the second quarter of 2008. Also, warmer weather for the period, as compared to the 30 year CDD average, caused an increase in purchased supply volumes at a relatively low cost.

Risk management activities Unrealized gains of $303 million on economic hedges relate to supply contracts that were recognized for the two months ended June 2009 including $210 million of gains which represent a roll-off of positions acquired at May 1, 2009 valued at forward prices and $93 million of gains that represent mark-to-market changes in forward value of purchased electricity and gas. The $210 million gain from roll-off positions is offset by the losses at the settled prices and reflected in cost of operations.

Transmission and distribution charges totaled $267 million.

Financial settlements totaled $114 million resulting from financial settlement of energy related derivatives.

Contract amortization reduced the cost of energy by $13 million, resulting from the net out-of-market supply contracts established at the acquisition date. These contracts will be amortized over the life of the contracts.

Other Operating Expenses

Other operating expenses for the two months ended June 30, 2009, was $90 million, or 8% of the region s total operating revenues. Other operating expenses consisted of the following:

Operations and maintenance expenses totaled $25 million, primarily consisted of the labor and external costs associated with customer activities, including the call center, billing, remittance processing, and credit and collections, as well as the information technology costs associated with those activities.

Selling, general and administrative expenses totaled $40 million, primarily consisted of the costs of labor and external costs associated with advertising and other marketing activities, as well as human resources, community activities, legal, procurement, regulatory, accounting, internal audit, and management, as well as facilities leases and other office expenses.

Gross receipts tax totaled $16 million or 1.4% of revenue.

Bad debt expense totaled $9 million or 0.8% of revenue.

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Results of Operations for Wholesale Power Generation Regions

The following is a detailed discussion of the results of operations of NRG s major wholesale power generation business segments.

Texas

For a discussion of the business profile of the Company s Texas operations, see pages 23-26 of NRG Energy, Inc. s 2008 Annual Report on Form 10-K.

Selected Income Statement Data

	Three months ended June 30,			Six months ended June 30,		
(In millions except otherwise noted)	**2009**	**2008**	**Change %**	**2009**	**2008**	**Change %**
Operating Revenues						
Energy revenue	$ 600	$ 925	(35)%	$ 1,194	$ 1,471	(19)%
Capacity revenue	47	119	(61)	94	237	(60)
Risk management activities	(54)	(419)	(87)	209	(523)	(140)
Contract amortization	17	83	(80)	32	146	(78)
Other revenues	9	43	(79)	15	69	(78)
Total operating revenues	619	751	(18)	1,544	1,400	10
Operating Costs and Expenses						
Cost of energy (including risk management activities)	236	413	(43)	474	671	(29)
Other operating expenses	154	150	3	322	314	3
Depreciation and amortization	117	113	4	234	226	4
Operating Income	$ 112	$ 75	49	$ 514	$ 189	172
MWh sold (in thousands)	12,333	12,675	(3)	22,506	23,706	(5)
MWh generated (in thousands)	11,919	12,500	(5)	21,992	23,256	(5)
Business Metrics						
Average on-peak market power prices ($/MWh)	45.20	164.29	(72)	39.43	117.80	(67)
Cooling Degree Days, or CDDs [(a)]	982	1,009	(3)	1,108	1,092	1
CDD s 30 year average	854	854		948	949	
Heating Degree Days, or HDDs [(a)]	100	112	(11)%	1,003	1,157	(13)
HDD s 30 year average	83	83		1,205	1,215	(1)%

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center A CDD represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. An HDD represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period.

Quarterly Results

Operating Income

Operating income increased by $37 million for the three months ended June 30, 2009, compared to the same period in 2008, primarily due to:

Risk management activities an increase of $365 million was primarily due to a $212 million reduction in unrealized derivative losses and $153 million in realized gains on settled financial transactions. These changes reflect a decline in forward and settled power and gas prices related to economic hedges in the second quarter 2009 as compared to the same period of 2008.

Energy revenues decreased by $325 million due to lower average energy prices and lower sales volume.

Cost of energy decreased by $177 million reflecting lower gas costs and a decrease in coal and gas generation.

Operating Revenues

Total operating revenues decreased by $132 million during the three months ended June 30, 2009, compared to the same period in 2008, due to:

Risk management activities loss of $54 million was recognized for the three months ended June 30, 2009, compared to a $419 million loss in the same period in 2008. The $54 million of losses included $159 million of unrealized mark-to-market losses and $105 million in settled gains, or financial income, compared to $371 million in unrealized derivative losses and $48 million of settled financial losses in the same period in 2008. The $159 million loss included a $133 million unrealized loss due to the increase of forward power and gas prices related to economic hedges, a $2 million unrealized loss due to ineffectiveness on gas hedges, and a $24 million unrealized loss attributable to trading activities.

Energy revenues decreased $325 million due to:

- *Energy Prices* decreased by $283 million as the unusually high prices that occurred in the second quarter of 2008 did not repeat in the same period 2009. Higher MWh sold in the merchant market were offset by significantly lower merchant prices in 2009 versus the same period of 2008. The average realized energy price decreased by 32%, driven by a 63% decrease in merchant prices offset by a 25% increase in contract prices.
- *Generation* decreased by 5% contributing to a $42 million decrease in sales volume. This decrease was driven by a 9% decrease in coal plant generation and a 13% decrease in gas plant generation, offset by a 17% increase in nuclear plant generation as the second quarter of 2008 contained a planned outage which did not occur in the same period 2009, as well as generation from the recently constructed Elbow Creek wind farm, which was not in operation in the second quarter 2008. Coal plant generation was adversely affected by lower energy prices driven by a 68% decrease in average natural gas prices in combination with depressed heat rates in the region. Increased wind generation shifted the coal unit s position in the bid stack which also negatively affected coal plant generation. These factors led to increased hours in which the coal units were uneconomic to dispatch.

Capacity revenue decreased by $72 million due to a lower proportion of baseload contracts which contain a capacity component.

Contract amortization revenue resulting from the Texas Genco acquisition decreased by $66 million due to the reduced volume of contracted energy in 2009 as compared to 2008.

Other revenue decreased by $34 million due to lower ancillary services revenue, lower emissions credit revenue and lower physical coal and natural gas sales.

Cost of Energy

Cost of energy decreased by $177 million during the three months ended June 30, 2009, compared to the same period in 2008, due to:

Natural gas costs decreased by $150 million due to a 68% decline in average natural gas prices and a 13% decrease in gas-fired generation.

Derivative Cost of Energy decreased $17 million due to the recognition of unrealized gains on coal contracts of $8 million as the Company discontinued NPNS accounting for coal purchases combined with $9 million of unrealized gains associated with oil transactions hedging price risk on rail transportation contracts.

Ancillary Services Costs decreased by $12 million due to a decrease in purchased ancillary services costs incurred to meet obligations.

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These decreases were offset by:

Financial Cost of Energy increased $6 million primarily due to higher risk management activities to hedge for coal transportation, as well as certain hedge allocations.

Coal costs increased by $3 million due to higher cost of coal of $10 million and greater transportation costs of $4 million . These increases were offset by reduced generation of $12 million.

Other Operating Expenses

Other operating expenses increased by $4 million during the three months ended June 30, 2009, compared to the same period in 2008, driven by increased development costs in 2009, offset by a decrease in operations and maintenance expense.

Year to date results

Operating Income

Operating income increased by $325 million for the six months ended June 30, 2009, compared to the same period in 2008, primarily due to:

Risk management activities an increase of $732 million was primarily due to a $539 million increase in unrealized derivative gains and $193 million in realized gains on settled financial transactions. These changes reflect a decline in forward power and gas prices related to economic hedges in the first half of 2009 as compared to the same period of 2008.

Energy revenues decreased by $277 million due to lower average energy prices and lower sales volume.

Cost of energy decreased by $197 million reflecting lower gas costs and a decrease in coal and gas generation.

Operating Revenues

Total operating revenues increased by $144 million during the six months ended June 30, 2009, compared to the same period in 2008, due to:

Risk management activities $209 million gain was recognized for the six months ended June 30, 2009, compared to a $523 million loss in the same period in 2008. The $209 million gain included $65 million of unrealized mark-to-market gains and $144 million in settled gains, or financial income, compared to $473 million in unrealized derivative losses and $50 million of settled financial losses in the same period in 2008. The $65 million gain included an $115 million unrealized gain due to decreases in forward and settled power and gas prices related to economic hedges, and a $50 million unrealized loss attributable to trading activities.

Energy revenues decreased $277 million due to:

- *Energy Prices* decreased by $198 million as unusually high prices that occurred in the second quarter 2008 did not repeat in 2009. Higher MWh sold under merchant market was offset by lower merchant prices. The average realized energy price decreased by 14%, driven by a 51% decrease in merchant prices offset by a 24% increase in contract prices.

- *Generation* decreased by 5% contributing to a $79 million decrease in sales volume. This decrease was driven by an 8% decrease in coal plant generation and a 21% decrease in gas plant generation, offset by generation from the recently constructed Elbow Creek wind farm, which was not in operation in the first half of 2008. Coal plant generation was adversely affected by lower energy prices driven by a 61% decrease in average natural gas prices in combination with depressed heat rates in the region. Increased wind generation shifted the coal unit s position in the bid stack also negatively affecting coal plant generation. These factors led to increased hours where the coal units were uneconomic to dispatch.

Capacity revenue decreased by $143 million due to a lower proportion of baseload contracts which contain a capacity component.

Contract amortization revenue resulting from the Texas Genco acquisition decreased by $114 million due to the reduced volume of contracted energy in 2009 as compared to 2008.

Other revenue decreased by $54 million due to lower ancillary services provided to the market as well as lower emissions credit revenue and reduced physical sales.

Cost of Energy

Cost of energy decreased by $197 million during the six months ended June 30, 2009, compared to the same period in 2008, due to:

Natural gas costs decreased by $197 million due to a 61% decline in average natural gas prices and a 21% decrease in gas-fired generation.

Ancillary Service Costs decreased by $24 million due to a decrease in purchased ancillary services costs incurred to meet contract obligations.

Coal costs decreased by $9 million as the first half of 2008 included a $15 million loss reserve related to a coal contract dispute. In addition, there was a $12 million reduction caused by lower generation. These decreases were offset by higher coal costs of $11 million and greater transportation costs of $7 million.

Purchased energy decreased by $14 million due to a lower average price to procure energy from the market offset by a greater number of MWhs purchased.

Nuclear fuel expense resulting from the Texas Genco purchase accounting, decreased $10 million as amortization of nuclear fuel inventory ended in March 2008.

These decreases were offset by:

Derivative Cost of Energy increased $40 million due to the recognition of unrealized losses on coal contracts of $32 million as the Company discontinued NPNS accounting for coal purchases combined with $8 million of unrealized losses associated with oil transactions hedging price risk on rail transportation contracts.

Other Operating Expenses

Other operating expenses increased by $8 million during the six months ended June 30, 2009, compared to the same period in 2008, driven by an increase in general and administrative expense as a result of higher external consulting expenditures and higher corporate allocations, offset by lower operations and maintenance expenditures.

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Northeast Region

For a discussion of the business profile of the Northeast region, see pages 27-29 of NRG Energy, Inc. s 2008 Annual Report on Form 10-K.

Selected Income Statement Data

(In millions except otherwise noted)	Three months ended June 30, 2009	2008	Change %	Six months ended June 30, 2009	2008	Change %
Operating Revenues						
Energy revenue	$ 79	$ 285	(72)%	$ 260	$ 549	(53)%
Capacity revenue	100	101	(1)	196	211	(7)
Risk management activities	51	(146)	(135)	233	(184)	(227)
Other revenues	7	25	(72)	12	49	(76)
Total operating revenues	237	265	(11)	701	625	12
Operating Costs and Expenses						
Cost of energy (including risk management activities)	58	191	(70)	175	359	(51)
Other operating expenses	94	91	3	188	184	2
Depreciation and amortization	30	25	20	59	51	16
Operating Income/(Loss)	$ 55	$ (42)	(231)	$ 279	$ 31	N/A
MWh sold (in thousands)	1,634	3,245	(50)	4,272	6,836	(38)
MWh generated (in thousands)	1,634	3,245	(50)	4,272	6,836	(38)
Business Metrics						
Average on-peak market power prices ($/MWh) [b]	39.68	107.36	(63)	48.99	96.76	(49)
Cooling Degree Days, or CDDs[a]	77	165	(53)	77	165	(53)
CDD s 30 year average	105	105		105	105	
Heating Degree Days, or HDDs[a]	789	771	2%	3,997	3,731	7
HDD s 30 year average	841	841		3,935	3,968	(1)%

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center A CDD represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. An HDD represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit

in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period.

(b) MWh sold are shown net of MWh purchased to satisfy certain load contracts in the region.

Quarterly Results

Operating Income

Operating income increased by $97 million for the three months ended June 30, 2009, compared to the same period in 2008 due to:

Cost of energy decreased by $133 million due to lower generation and fuel costs.

Operating revenues decreased by $28 million due to unfavorable energy revenues offset by favorable impact of risk management activities.

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Operating Revenues

Operating revenues decreased by $28 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Energy revenues decreased by $206 million due to:

- o *Energy prices* decreased by $83 million reflecting an average 56% decline in merchant energy prices. This decrease was partially offset by higher net contract revenues of $24 million driven by lower net costs incurred in meeting obligations under load serving contracts in the PJM market.

- o *Generation* decreased by $147 million due to a 50% decrease in generation in 2009 compared to 2008, with a 51% decrease in coal generation and a 41% decrease in oil and gas generation. Coal generation in western New York declined 44%, or 625,000 MWhs, due to weak power prices that made the plants uneconomic to dispatch. Coal generation at the Indian River plant declined 65%, or 536,000 MWhs, due to a combination of weakened demand for power, low gas prices and higher cost of production from compliance with RGGI and the NO_x rules contained in CAIR resulting in increased hours where the units were uneconomic to dispatch. The Somerset plant experienced similar weakened demand and low gas prices, with generation down 95%, or 174,000 MWh. The decline in oil and gas generation is attributable to fewer reliability run hours at the Connecticut plants and a planned major maintenance outage at the Arthur Kill plant during February through May 2009.

Other revenues decreased by $18 million due to $10 million lower allocations of net physical gas sales and $8 million due to decreased activity in the trading of emission allowances.

These decreases were offset by:

Risk management activities gains of $51 million were recorded for the three months ending June 30, 2009, compared to losses of $146 million during the same period in 2008. The $51 million gain included $46 million of unrealized mark-to-market losses and $97 million in gains on settled transactions, or financial income, compared to $111 million in unrealized mark-to-market losses and $35 million in financial losses during the same period in 2008. The $46 million unrealized loss is the net effect of a $10 million loss from economic hedge positions, the reversal of $33 million of mark-to-market gains on economic hedges, the reversal of $9 million of mark-to-market gains on trading activities and $6 million in unrealized mark-to-market gains on trading activity. Gains and losses are driven by changes in power and gas prices.

Cost of Energy

Cost of energy decreased by $133 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

- o *Natural gas and oil costs* decreased by $78 million, or 74%, due to 41% lower generation and 68% lower average natural gas prices.

- o *Coal costs* decreased by $48 million, or 57%, due to lower coal generation of 51% as discussed in energy revenues above.

- o *Fuel risk management activities* decreased by $10 million due to a $12 million mark-to-market gain on fuel hedges which were discontinued from NPNS to mark-to-market in the first quarter of 2009 offset by a $2 million loss on settled fuel hedges.

These decreases were offset by:

- o *Carbon emissions expense* increased by $3 million due to the January 1, 2009 implementation of RGGI and the recognition of carbon compliance cost under this program.

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Year-to-Date Results

Operating Income

Operating income increased by $248 million for the six months ended June 30, 2009, compared to the same period in 2008 due to:

Cost of energy decreased by $184 million due to lower generation and fuel costs.

Operating revenues increased by $76 million due to favorable impact of risk management activities, offset by lower energy revenues.

Operating Revenues

Operating revenues increased by $76 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Risk management activities gains of $233 million were recorded for the six months ending June 30, 2009, compared to losses of $184 million during the same period in 2008. The $233 million gain included $77 million of unrealized mark-to-market gains and $156 million in gains on settled transactions, or financial income, compared to $160 million in unrealized mark-to-market losses and $24 million in financial losses during the same period in 2008. The $77 million unrealized gain is the net effect of a $159 million gain from economic hedge positions and $4 million in unrealized mark-to-market gains on trading activity offset by the reversal of $63 million of mark-to-market gains on economic hedges and the reversal of $23 million of mark-to-market gains on trading activities. Gains and losses are driven by changes in power and gas prices.

This increase was offset by:

Energy revenues decreased by $289 million due to:

- *Energy prices* decreased by $113 million reflecting an average 32% decline in merchant energy prices. This decrease was partially offset by higher net contract revenues of $35 million driven by lower net costs incurred in meeting obligations under load serving contracts in the PJM market.

- *Generation* decreased by $212 million due to a 38% decrease in generation in 2009 compared to 2008, driven by a 37% decrease in coal generation and a 40% decrease in oil and gas generation. Coal generation in western New York declined 30% or 921,000 MWhs due to weak power prices that made the plants uneconomic to dispatch. Coal generation at the Indian River plant declined 48% or 953,000 MWhs due to a combination of weakened demand for power, low gas prices and higher cost of production from the introduction of RGGI and NO_x rules contained in CAIR resulting in increased hours where the units were uneconomic to dispatch. The Somerset plant experienced similar weakened demand and low gas prices, with generation down 78% or 297,000 MWh. The decline in oil and gas generation is attributable to fewer reliability run hours at the Connecticut plants and a planned major maintenance outage at the Arthur Kill plant during February through May of 2009.

Capacity revenues decreased by $15 million due to:

- *NYISO* capacity revenues decreased by $15 million due to unfavorable prices. The lower capacity market prices are a result of NYISO s reductions in Installed Reserve Margins and ICAP in-city mitigation rules effective March 2008.

- *PJM* capacity revenues decreased by $4 million due to lower capacity prices.

- *NEPOOL* capacity revenues increased by $4 million due to higher volume of Locational Forward Reserve Market, or LFRM, revenues on the Cos Cob repowered units which entered service in June 2008.

Other revenues decreased by $37 million due to $21 million lower allocations of net physical gas sales and $14 million due to decreased activity in the trading of emission allowances.

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Cost of Energy

Cost of energy decreased by $184 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

- *Natural gas and oil costs* decreased by $107 million, or 63%, due to 40% lower generation and 56% lower average natural gas prices.

- *Coal costs* decreased by $69 million, or 38%, due to lower coal generation of 37% as discussed in energy revenues above.

- *Fuel risk management activities* decreased by $15 million due to a $20 million mark-to-market gains on fuel hedges which were discontinued from NPNS to mark-to-market in the first quarter of 2009 offset by a $5 million loss on settled fuel hedges.

These decreases were offset by:

- *Carbon emissions expense* increased by $8 million due to the January 1, 2009 implementation of RGGI and the recognition of carbon compliance cost under this program.

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South Central Region

For a discussion of the business profile of the South Central region, see pages 30-31 of NRG Energy, Inc. s 2008 Annual Report on Form 10-K.

Selected Income Statement Data

(In millions except otherwise noted)	Three months ended June 30, 2009	2008	Change %	Six months ended June 30, 2009	2008	Change %
Operating Revenues						
Energy revenue	$ 81	$ 130	(38)%	$ 177	$ 230	(23)%
Capacity revenue	65	58	12	133	115	16
Risk management activities	(12)	(23)	(48)	(19)	(10)	90
Contract amortization	5	5		11	11	
Other revenues		2	100	(1)	5	(120)
Total operating revenues	139	172	(19)	301	351	(14)
Operating Costs and Expenses						
Cost of energy (including risk management activities)	92	116	(21)	202	204	(1)
Other operating expenses	27	33	(18)	49	55	(11)
Depreciation and amortization	17	17		34	34	
Operating Income	$ 3	$ 6	(50)	$ 16	$ 58	(72)
MWh sold (in thousands)	2,792	2,977	(6)	5,961	6,065	(2)
MWh generated (in thousands)	2,386	2,616	(9)	5,093	5,641	(10)
Business Metrics						
Average on-peak market power prices ($/MWh)	32.21	84.82	(62)	34.75	76.28	(54)
Cooling Degree Days, or CDDs[(a)]	582	546	7	588	550	7
CDD s 30 year average	458	458		489	489	
Heating Degree Days, or HDDs[(a)]	289	319	(9)%	2,094	2,223	(6)
HDD 30 year average	299	299		2,194	2,213	(1)%

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center A CDD represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. An HDD represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit

in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period.

Quarterly Results

Operating income decreased by $3 million for the three months ended June 30, 2009, compared to the same period in 2008, primarily due to:

Operating revenues decreased by $33 million due to a decreases in energy revenue offset by increases in risk management activities and capacity revenue.

*Cost of energ*y decreased by $24 million due to lower purchased energy costs reflecting lower fuel and energy prices and lower transmission costs, offset by fuel risk management activities.

Other Operating Expenses decreased by $6 million because of lower operations and maintenance and general and administrative costs.

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Operating Revenues

Operating revenues decreased by $33 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Energy revenues decreased by $49 million due to a $27 million decline in contract revenue coupled with a decrease of $22 million in merchant energy revenues. Total MWh sales to the region s contract customers were down 12% while the average realized price on contract energy sales was $22.98 per MWh in 2009 compared to $30.23 per MWh in 2008. The decline in contract energy price was driven by a $9 million decrease in fuel cost pass through from the cooperatives. Also contributing to the decline in contract revenue was $18 million due to the expiration of a contract with a regional utility. The expiration of the contract allowed more energy to be sold into the merchant market, but at lower average prices resulting in a $22 million decline in revenue. Megawatt hours sold to the merchant market increased by 43% as increased use of the region s tolled facility provided additional energy to the merchant market while prices fell by 61%.

Risk Management Activities losses of $12 million were recognized during the second quarter 2009 compared to losses of $23 million recognized during the same period in 2008. The $12 million loss included $10 million in unrealized losses and $2 million in realized losses compared to $18 million in unrealized losses and $4 million in realized losses for the same period in 2008. The $10 million unrealized loss was the net effect of a $2 million unrealized mark-to-market gain from trading activity and the reversal of $12 million of mark-to-market gains on trading activity.

Capacity revenues capacity revenue increased by $7 million due to a $9 million increase from a new capacity agreement and a $2 million increase in capacity revenue from the region s Rockford plants which dispatch into the PJM market, offset by a decrease in contract capacity of $4 million.

Cost of Energy

Cost of energy decreased by $24 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Purchased energy Total purchased energy and capacity decreased by $30 million. Purchased energy costs decreased by $29 million even though MWhs purchased increased by 8%, reflecting lower fuel costs associated with energy from the region s tolled facility and lower costs of market purchases.

Transmission expense decreased by $3 million due to outages on transmission lines in neighboring systems limiting their use to move power and incur cost.

These decreases were offset by:

Fuel risk management activities increased by $8 million. In the first quarter 2009, all NPNS coal contracts were discontinued and reclassified into mark-to-market accounting, which resulted in unrealized losses of $10 million on coal commodity hedging activities. Hedging activities related to fuel transportation resulted in $4 million of unrealized gains and $2 million of realized losses.

Other Operating Expenses

Other operating expense decreased by $6 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Operations and Maintenance expense decreased by $4 million because the spring outage in 2009 was performed on a jointly owned unit, while 2008 outages were on NRG-owned units.

General and Administrative expense declined by $2 million due to lower corporate allocations as such costs are spread over a wider base following the Reliant Energy acquisition.

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Year-to-Date Results

Operating income decreased by $42 million for the six months ended June 30, 2009, compared to the same period in 2008, primarily due to:

Operating revenues decreased by $50 million due to decreases in energy revenue, risk management activities, and other revenue. These decreases were offset by an increase in capacity revenue

*Cost of energ*y decreased by $2 million due to lower purchased energy costs reflecting lower fuel and energy prices, lower transmission expense and lower coal cost offset by higher expenses associated with fuel risk management activities.

Other Operating Expenses decreased by $6 million because of lower operations and maintenance and general and administrative costs.

Operating Revenues

Operating revenues decreased by $50 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Energy revenues decreased by $53 million due to a $42 million decline in contract revenue coupled with an $11 million decrease in merchant energy revenues. Contract customer sales volumes were down 11% while the average realized price on contract energy sales was $23.17 per MWh in 2009 compared to $28.72 per MWh in 2008. The decline in contract energy price was driven by a $7 million decrease in fuel cost pass through to the cooperatives. Also contributing to the decline in contract revenue was $31 million due to the expiration of a contract with a regional utility. The expiration of the contract allowed more energy to be sold into the merchant market, but at lower average prices resulting in an $11 million decline in revenue. Megawatt hours sold to the merchant market increased by 51%, while prices fell by 42%. Increased use of the region s tolled facility provided additional energy to the merchant market.

Risk Management Activities losses of $19 million were recognized during the second half of 2009 compared to losses of $10 million recognized during the same period in 2008. The $19 million loss included $30 million in unrealized losses offset by realized gains of $11 million compared to $10 million in unrealized losses for the same period in 2008. The $30 million unrealized loss was the net effect of a $8 million unrealized mark-to-market gain from trading activity and the reversal of $38 million of mark-to-market losses on trading activity.

Other Revenue declined by $6 million due to $3 million in lower physical coal and natural gas sales and $3 million in reduced intercompany emission allowance sales.

These decreases were offset by:

Capacity revenues increased by $18 million due to a $17 million increase from a new capacity agreement with a regional utility and a $5 million increase in capacity revenue from the region s Rockford plants which dispatch into the PJM market, offset by lower contract capacity revenue of $4 million.

Cost of Energy

Cost of energy decreased by $2 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Purchased energy decreased by $16 million while purchased capacity increased by $3 million. The lower purchased energy reflects lower fuel costs associated with the region s tolled facility and lower market energy prices. The energy declines were offset by higher capacity payments of $3 million on tolled facilities.

Transmission expense decreased by $4 million due to outages on transmission lines in neighboring systems limiting their use to move power and incur costs.

Coal costs decreased by $2 million due to a 10% reduction in coal generation and a decrease in fuel transportation surcharges offset by a contractual increase in rail contract base rates and higher coal commodity costs.

These decreases were offset by:

Fuel risk management activities increased by $16 million in the first quarter of 2009, all normal purchase and sale coal contracts were discontinued and reclassified into mark-to-market accounting, which resulted in unrealized losses of $7 million on coal commodity hedging activities. Hedging activities related to fuel transportation resulted in $3 million of unrealized losses and $6 million of realized losses.

Other Operating Expenses

Other operating expense decreased by $6 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Operations and Maintenance expense decreased by $4 million because the spring outage in 2009 was performed on a jointly owned unit, while 2008 outages were on NRG-owned units.

General and Administrative expense declined by $2 million due to lower corporate allocations as such costs are spread over a wider base following the Reliant Energy acquisition.

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West Region

For a discussion of the business profile of the West region, see pages 31-33 of NRG Energy, Inc. s 2008 Annual Report on Form 10-K.

Selected Income Statement Data

(In millions except otherwise noted)	Three months ended June 30, 2009	2008	Change %	Six months ended June 30, 2009	2008	Change %
Operating Revenues						
Energy revenue	$ 5	$ 13	(62)%	$ 7	$ 13	(46)%
Capacity revenue	31	31		60	69	(13)
Risk management activities	6		N/A	3		N/A
Other revenues		5	(100)		5	(100)
Total operating revenues	42	49	(14)	70	87	(20)
Operating Costs and Expenses						
Cost of energy (including risk management activities)	3	12	(75)	7	14	(50)
Other operating expenses	21	20	5	46	38	21
Depreciation and amortization	2	3	(33)	4	4	
Operating Income	$ 16	$ 14	14	$ 13	$ 31	(58)
MWh sold (in thousands)	182	327	(44)	352	468	(25)
MWh generated (in thousands)	182	327	(44)	352	468	(25)
Business Metrics						
Average on-peak market power prices ($/MWh)	33.14	97.54	(66)	36.80	88.92	(59)
Cooling Degree Days, or CDDs[(a)]	144	205	(30)	144	205	(30)
CDD s 30 year average	150	150		157	157	
Heating Degree Days, or HDDs[(a)]	470	576	(18)%	1,880	2,096	(10)
HDD s 30 year average	556	556		1,975	1,990	(1)%

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center A CDD represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. An HDD represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit in each region. The CDDs/HDDs for a

period of time are calculated by adding the CDDs/HDDs for each day during the period.

Quarterly Results

Operating Income

Operating income increased by $2 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Operating revenues decreased by $7 million due to decreases in capacity revenue, energy revenue, and other revenues. These decreases were offset by a gain on risk management activities. Lower demand and lower merchant power prices contributed to the decrease.

*Cost of energ*y decreased by $9 million due to lower generation and lower natural gas prices.

Operating Revenues

Operating revenues decreased by $7 million for the three months ended June 30, 2009, compared to the same period in 2008, due to:

Energy revenues decreased by $8 million primarily due to a 33% decline in merchant energy prices and a 31% decrease in generation in 2009 compared to 2008.

Other revenue decreased by $5 million due to a reduced allocation of emission allowances sales.

Risk Management Activities unrealized mark-to-market gains of $6 million on asset backed hedges were recognized during the second quarter of 2009. There was no asset backed hedging activity in 2008.

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Cost of Energy

Cost of energy decreased by $9 million for the three months ended June 30, 2009, compared to the same period in 2008, due to a 67% decrease in average natural gas prices per MMBtu and an 11% decrease in natural gas consumption.

Year-to-Date Results

Operating income decreased by $18 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Operating revenues decreased by $17 million due to decreases in capacity revenue, energy revenue, and other revenues. These decreases were offset by a gain on risk management activities. Lower demand and lower merchant power prices contributed to the decrease.

Cost of energy and other operating expenses increased by $1 million due to lower generation and lower natural gas prices offset by higher major maintenance expense.

Operating Revenues

Operating revenues decreased by $17 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Capacity revenues decreased by $9 million primarily due to expiration of a two year tolling agreement at the El Segundo facility in April 2008, which was replaced by resource adequacy and capacity contracts at lower prices.

Energy revenues decreased by $6 million primarily due to a 27% decline in merchant energy prices and a 15% decrease in generation in 2009 compared to 2008.

Other revenue decreased by $5 million primarily due to a reduced allocation of emission allowances sales.

Risk Management Activities gain of $3 million was recognized during the first half of 2009 compared to no gain during the same period in 2008. The $3 million gain included $6 million in unrealized mark-to-market gains offset by realized losses of $3 million for natural gas hedges.

Cost of Energy and Other Operating Expenses

Cost of energy and other operating expenses increased by $1 million for the six months ended June 30, 2009, compared to the same period in 2008, due to:

Cost of energy decreased by $7 million due to a 66% decline in average natural gas prices per MMBtu and a 17% decrease in natural gas consumption. This decrease was partially offset by a $3 million increase in fuel oil expense resulting from a write-down to market of fuel oil inventory no longer used in the production of energy.

Other operating expenses increased by $8 million due to higher major maintenance expense associated with an El Segundo major overhaul and major maintenance at Long Beach.

Liquidity and Capital Resources

Liquidity Position

As of June 30, 2009, and December 31, 2008, NRG s liquidity, excluding collateral received, was approximately $4.0 billion and $3.4 billion, respectively, comprised of the following:

(In millions)	June 30, 2009	December 31, 2008
Cash and cash equivalents	$ 2,282	$ 1,494
Funds deposited by counterparties	468	754
Restricted cash	19	16
Total cash	2,769	2,264
Synthetic Letter of Credit Facility availability	784	860
Revolver Credit Facility availability	941	1,000
Total liquidity	4,494	4,124
Less: Funds deposited as collateral by hedge counterparties	(468)	(760)
Total liquidity, excluding collateral received	$ 4,026	$ 3,364

For the six months ended June 30, 2009, total liquidity, excluding collateral received, increased by $662 million due to a higher cash balance of $788 million and reduced funds deposited as collateral by hedged counterparties of $292 million. These increases were partially offset by a lower funds deposited of $286 million, as well as decreased availability of the synthetic letter of credit and the revolving credit facility of $76 million and $59 million, respectively. Changes in cash balances are further discussed below under the heading *Cash Flow Discussion*. Cash and cash equivalents and funds deposited by counterparties at June 30, 2009, were predominantly held in money market funds invested in treasury securities, treasury repurchase agreements or government agency debt.

The line item Funds deposited by counterparties consists of cash collateral received from hedge counterparties in support of energy risk management activities, and it is the Company s intention as of June 30, 2009, to limit the use of these funds. The decrease in these amounts from December 31, 2008 was due to cash collateral moved from NRG to Merrill Lynch in connection with novations under the CSRA (see Note 3 *Business Acquisition*), offset by an increase of in-the-money positions as a result of decreasing forward prices. Depending on market fluctuation and the settlement of the underlying contracts, the Company will refund this collateral to the counterparties pursuant to the terms and conditions of the underlying trades. The Company s balance sheet reflects a liability for cash collateral received within current liabilities.

Management believes that the Company s liquidity position and cash flows from operations will be adequate to finance operating and maintenance capital expenditures, to fund dividends to NRG s preferred shareholders and other liquidity commitments. Management continues to regularly monitor the Company s ability to finance the needs of its operating, financing and investing activity in a manner consistent with its intention to maintain a net debt to capital ratio in the range of 45-60%.

SOURCES OF FUNDS

The principal sources of liquidity for NRG s future operating and capital expenditures are expected to be derived from new and existing financing arrangements, asset sales, existing cash on hand and cash flows from operations.

Financing Arrangements

Senior Credit Facility

As of June 30, 2009, NRG had a Senior Credit Facility which is comprised of a senior first priority secured term loan, or the Term Loan Facility, a $1.0 billion senior first priority secured revolving credit facility, or the Revolving Credit Facility, and a $1.3 billion senior first priority secured synthetic letter of credit facility, or the Synthetic Letter of Credit Facility. The Senior Credit Facility was last amended on June 8, 2007. On July 23, 2009, Moody s upgraded

the Senior Credit Facility to Baa3 due to the underlying value that the capital structure provides to secured creditors. As of June 30, 2009, NRG had issued $516 million of letters of credit under the Synthetic Letter of Credit Facility, leaving $784 million available for future issuances. Under the Revolving Credit Facility, as of June 30, 2009, NRG had issued a letter of credit of $59 million which supports the tax exempt bonds issued by Dunkirk Power LLC as described in Note 7, *Long Term Debt*.

2019 Senior Notes

On June 5, 2009, NRG completed the issuance of $700 million aggregate principal amount of 8.5% Senior Notes due 2019, or 2019 Senior Notes as described in Note 7, *Long Term Debt*. The net proceeds of $678 million are intended to be used to facilitate the early termination of NRG s obligations pursuant to the CSRA, anticipated in the late third or early fourth quarter 2009. Prior to the termination, or in the event NRG does not reach agreement on acceptable terms with either Merrill Lynch or its counterparties, the net proceeds will be available for general corporate purposes.

Merrill Lynch Credit Sleeve Facility

Merrill Lynch, through the CSRA with NRG, has provided the Company as of June 30, 2009, with $630 million in financial support that significantly reduces the liquidity requirements and substantially eliminates collateral postings for Reliant Energy. See discussion in Note 3, *Business Acquisition,* regarding the CSRA as a result of the acquisition of Reliant Energy on May 1, 2009.

TANE Facility

On February 24, 2009, NINA executed an EPC agreement with TANE, which specifies the terms under which STP Units 3 and 4 will be constructed. Concurrent with the execution of the EPC agreement, NINA and TANE entered into the TANE Facility wherein TANE has committed up to $500 million to finance purchases of long-lead materials and equipment for the construction of STP Units 3 and 4. The TANE Facility matures on February 24, 2012, subject to two renewal periods, and provides for customary events of default, which include, among others: nonpayment of principal or interest; default under other indebtedness; the rendering of judgments; and certain events of bankruptcy or insolvency. Outstanding borrowings will accrue interest at LIBOR plus 3%, subject to a ratings grid, and are secured by substantially all of the assets of and membership interests in NINA and its subsidiaries. As of June 30, 2009, no amounts had been borrowed under the TANE Facility. NINA will be required to repay all outstanding amounts associated with its existing $20 million revolving credit facility before borrowing under the TANE Facility.

Dunkirk Power LLC Tax-Exempt Bonds

On April 15, 2009, NRG executed a $59 million tax-exempt bond financing through its wholly owned subsidiary, Dunkirk Power LLC. The bonds were issued by the County of Chautauqua Industrial Development Agency and will be applied towards construction of emission control equipment on the Dunkirk Generating Station in Dunkirk, NY. The bonds initially bear weekly interest based on the SIFMA rate, have a maturity date of April 1, 2042, and are enhanced by a letter of credit under the Company s Revolving Credit Facility covering amounts drawn on the facility. The proceeds received through June 30, 2009, were $34 million with the remaining balance being released over time as construction costs are paid.

GenConn Energy LLC related financings

On April 27, 2009, a wholly owned subsidiary of NRG closed on an equity bridge loan facility, or EBL, in the amount of $121.5 million from a syndicate of banks. The purpose of the EBL is to fund the Company s proportionate share of the project construction costs required to be contributed into GenConn Energy LLC, or GenConn, a 50% equity method investment of the Company. The EBL, which is fully collateralized with a letter of credit issued under the Company s Synthetic Letter of Credit Facility, covering amounts drawn on the facility, will bear interest at a rate of LIBOR plus 2% on drawn amounts. The EBL will mature on the earlier of the commercial operations date of the Middletown project or July 26, 2011. The EBL also requires mandatory prepayment of the portion of the loan utilized to pay costs of the Devon project, of approximately $56 million, on the earlier of Devon s commercial operations date or January 27, 2011. The proceeds of the EBL received through June 30, 2009 were $70 million and the remaining amounts will be drawn as necessary to fund construction costs.

In April 2009, GenConn secured financing for 50% of the Devon and Middletown project construction costs through a 7-year term loan facility, and also entered into a 5-year revolving working capital loan and letter of credit facility, which collectively with the term loan is referred to as the GenConn Facility. The aggregate credit amount secured under the GenConn Facility, which is non-recourse to NRG, is $291 million, including $48 million for the revolving facility.

First and Second Lien Structure

NRG has granted first and second liens to certain counterparties on substantially all of the Company s assets. NRG uses the first and second lien structure to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-money hedge agreements for forward sales of power or MWh equivalents. To the extent that the underlying hedge positions for a counterparty are in-the-money to NRG, the counterparty would have no claim under the lien program. The lien program limits the volume that can be hedged, not the value of underlying out-of-money positions. The first lien program does not require NRG to post collateral above any threshold amount of exposure. Within the first and second lien structure, the Company can hedge up to 80% of its baseload capacity and 10% of its non-baseload assets with these counterparties for the first 60 months and then declining thereafter. Net exposure to a counterparty on all trades must be positively correlated to the price of the relevant commodity for the first lien to be available to that counterparty. The first and second lien structure is not subject to unwind or termination upon a ratings downgrade of a counterparty or NRG and has no stated maturity date.

The Company s lien counterparties may have a claim on its assets to the extent market prices exceed the hedged price. As of June 30, 2009, and July 23, 2009, all hedges under the first and second liens were in-the-money on a counterparty aggregate basis.

The following table summarizes the amount of MWs hedged against the Company s baseload assets and as a percentage relative to the Company s forecasted baseload capacity under the first and second lien structure as of July 23, 2009:

Equivalent Net Sales Secured by First and Second Lien Structure (a)	2009	2010	2011	2012	2013
In MW (b)	4,851	5,029	3,711	2,066	801
As a percentage of total forecasted baseload capacity (c)	70%	74%	55%	31%	12%

(a) Equivalent Net Sales include natural gas swaps converted using a weighted average heat rate by region.

(b) 2009 MW value consists of August through December positions only.

(c) Forecasted baseload capacity under the first and second lien structure represents 80% of the total Company s baseload assets.

Asset Sales ***Disposition of MIBRAG Investment***

MIBRAG On June 10, 2009, NRG completed the sale of its 50% ownership interest in Mibrag B.V. to a consortium of Severočeské doly Chomutov, a member of the CEZ Group, and J&T Group. Mibrag B.V. s principal holding is MIBRAG, which is jointly owned by NRG and URS Corporation. As part of the transaction, URS Corporation also entered into an agreement to sell its 50% stake in MIBRAG.

For its share, NRG received EUR 203 million ($284 million at an exchange rate of 1.40 US$/EUR), net of transaction costs. During the three and six months ended June 30, 2009, NRG recognized a pre-tax gain of $128 million. Prior to completion of the sale, NRG continued to record its share of MIBRAG s operations to Equity in earnings of unconsolidated affiliates.

In connection with the transaction, NRG entered into a foreign currency forward contract to hedge the impact of exchange rate fluctuations on the sale proceeds. The foreign currency forward contract had a fixed exchange rate of 1.277 and required NRG to deliver EUR 200 million in exchange for $255 million on June 15, 2009. For the three and six months ended June 30, 2009, NRG recorded an exchange loss of $15 million and $24 million, respectively, on the contract within Other (loss)/income, net.

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USES OF FUNDS

The Company s requirements for liquidity and capital resources, other than for operating its facilities, can generally be categorized by the following: (i) commercial operations activities; (ii) debt service obligations; (iii) capital expenditures including RepoweringNRG and environmental; and (iv) corporate financial transactions including return of capital to shareholders.

Commercial Operations

NRG s commercial operations activities require a significant amount of liquidity and capital resources. These liquidity requirements are primarily driven by: (i) margin and collateral posted with counterparties; (ii) initial collateral required to establish trading relationships; (iii) timing of disbursements and receipts (i.e., buying fuel before receiving energy revenues); and (iv) initial collateral for large structured transactions. As of June 30, 2009, commercial operations had total cash collateral outstanding of $214 million, and $292 million outstanding in letters of credit to third parties primarily to support its economic hedging activities. As of June 30, 2009, total collateral held from counterparties was $468 million and $11 million of letters of credit. These collateral amounts do not include collateral postings by Merrill Lynch under the CSRA.

Debt Service Obligations

NRG must annually offer a portion of its excess cash flow (as defined in the Senior Credit Facility) to its first lien lenders under the Term Loan Facility. The percentage of excess cash flow offered to these lenders is dependent upon the Company s consolidated leverage ratio (as defined in the Senior Credit Facility) at the end of the preceding year. Of the amount offered, the first lien lenders must accept 50% while the remaining 50% may either be accepted or rejected at the lenders option. In March 2009, NRG made and the lenders accepted a repayment of approximately $197 million for the mandatory annual offer relating to 2008.

As of June 30, 2009, NRG had issued approximately $5.4 billion in aggregate principal amount of unsecured high yield notes or Senior Notes, had approximately $2.4 billion in principal amount outstanding under the Term Loan Facility, and had issued $516 million of letters of credit under the Company s $1.3 billion Synthetic Letter of Credit Facility and $59 million of letters of credit under the Company s Revolving Credit Facility. The Revolving Credit Facility matures on February 2, 2011, and the Synthetic Letter of Credit Facility matures on February 1, 2013.

Capital Expenditures

For the six months ended June 30, 2009, the Company s capital expenditures, including accruals, were approximately $366 million, of which $173 million was related to *Repowering*NRG projects. The following table summarizes the Company s capital expenditures for the six months ended June 30, 2009, and the estimated capital expenditure and repowering investments forecast for the remainder of 2009.

(In millions)	**Maintenance**	**Environmental**	**Repowering**	**Total**
Northeast	$ 17	$ 86	$ 5	$ 108
Texas	78		89	167
South Central	2			2
West	3		1	4
Reliant Energy	2			2
Nuclear development			78	78
Other	5			5
Total	$ 107	$ 86	$ 173	$ 366
Estimated capital expenditures for the remainder of 2009	$ 184	$ 149	$ 178	$ 511

*Repowering*NRG *capital expenditures and investments* *Repowering*NRG project capital expenditures consisted of approximately $62 million related to the Company s Langford wind farm project which is currently under construction.

In addition, the Company s *Repowering*NRG capital expenditures included $27 million for the construction of Cedar Bayou Unit 4 in Texas and $78 million for the development of STP Units 3 and 4 in Texas.

The Company s estimated repowering capital expenditures for the remainder of 2009 are expected to be approximately $178 million. Of this amount, $115 million is estimated for STP Units 3 and 4 without giving effect to any partner contributions or potential equity sell down and approximately $47 million to complete the construction of the Langford wind farm.

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Major maintenance and environmental capital expenditures The Company s baghouse projects at western New York facilities resulted in environmental capital expenditures of $79 million for the six months ended June 30, 2009. In addition, the Company s maintenance capital expenditures were $107 million of which $78 million was primarily related to the Texas region s baseload assets which included approximately $25 million in nuclear fuel expenditures related STP units 1 and 2.

NRG anticipates funding its maintenance capital projects primarily with funds generated from operating activities. In addition, on April 15, 2009, the Company executed a $59 million tax-exempt bond financing through its wholly owned subsidiary, Dunkirk Power LLC, with the bonds issued by the County of Chautauqua Industrial Development Agency. These funds are expected to fund environmental capital expenditures at the Dunkirk Generating facility.

Loans to affiliates The Company had funded approximately $48 million in interest bearing loans to GenConn Energy LLC, a 50/50 joint venture vehicle of NRG and the United Illuminating Company as part of the Devon and Middletown plant repowering projects prior to the closing of the EBL and GenConn Facility. At the time of closing, $39 million was repaid with proceeds from the EBL financing. Except for a balance of less than $1 million that will be repaid during the third quarter of 2009, this loan was repaid during the second quarter 2009. Subsequent to the financing, the equity portion of construction costs for GenConn are funded through the EBL of NRG Connecticut Peaking and United Illuminating. These funds are made available to GenConn through convertible interest bearing promissory notes that convert upon repayment of the EBL loans by NRG and UI. As of June 30, 2009, there was $70 million outstanding under the loan from NRG.

Environmental Capital Expenditures

Based on current rules, technology and plans, NRG has estimated that environmental capital expenditures to be incurred during the remainder of 2009 through 2013 to meet NRG s environmental commitments will be approximately $1.1 billion and are primarily associated with controls on the Company s Big Cajun and Indian River facilities. These capital expenditures, in general, are related to installation of particulate, SO_2, NO_x, and mercury controls to comply with federal and state air quality rules and consent orders, as well as installation of Best Technology Available under the Phase II 316(b) Rule. NRG continues to explore cost effective alternatives that can achieve desired results. This estimate reflects anticipated schedules and controls related to CAIR, MACT for mercury, and the Phase II 316(b) rule which are under remand to the U.S. EPA and, as such, the full impact on the scope and timing of environmental retrofits from any new or revised regulations cannot be determined at this time.

Capital Allocation

In addition to the aforementioned planned investments in maintenance and environmental capital expenditures and *Repowering*NRG in 2009, and the 2009 repayment of Term Loan Facility debt to the first lien lenders, the Company s Capital Allocation Plan includes the completion of the 2008 Capital Allocation Plan with the planned purchase of $30 million of common stock as well as the purchase of an additional $300 million in common stock under the previously announced 2009 Capital Allocation Plan, with such purchases to be made from time to time and subject to market conditions and other factors, including as permitted by U.S. securities laws. On July 8, 2009, the Company announced an increase in planned purchases of $170 million under the 2009 Capital Allocation plan. NRG intends to complete the $500 million of share repurchases by the end of 2009, subject to market prices and as permitted by securities laws and other requirements.

Preferred Stock Dividend Payments

For the six months ended June 30, 2009, NRG paid approximately $6 million, $9 million, and $6 million in dividend payments to holders of the Company s 5.75%, 4%, and 3.625% Preferred Stock, respectively. On March 16, 2009, the outstanding shares of the 5.75% Preferred Stock converted into common stock and, as a result, there will be no further dividends paid with respect to this series of preferred stock.

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CSF Share Lending Arrangement

On February 20, 2009, CSF I and CSF II, wholly-owned unrestricted subsidiaries of the Company, entered into Share Lending Agreements with affiliates of Credit Suisse Group, or CS, relating to the shares of NRG common stock currently held by CSF I and II in connection with the CSF I and CSF II issued notes and preferred interests agreements, or CSF Debt, originally entered into during the third quarter 2006, by and between CSF I and II and affiliates of CS. The Company entered into Share Lending Agreements due to the current lack of liquidity in the stock borrow market for NRG shares and in order to maintain the intended economic benefits of the CSF Debt agreements. As of June 30, 2009, CSF I and II have lent affiliates of CS 12,000,000 shares of the 21,970,903 shares of NRG common stock held by CSF I and II. The Share Lending Agreements permit affiliates of CS to borrow up to the total number of shares of NRG common stock held by CSF I and II.

Benefit Plans Obligations

As of June 30, 2009, NRG contributed $14 million towards its three defined benefit pension plans to meet the Company s 2009 benefit obligation. The Company s expected contribution to the plans is $16 million during the remainder of 2009. The total 2009 planned contribution of $30 million is a decrease of $30 million from the expected contributions as disclosed in Part II, Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources*, in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. This decrease in the 2009 expected contributions is due to the adoption by the Company in March 2009 of the new funding method options now available. The new methods were made allowable under new IRS guidance on the application of recent Congressional legislation on funding requirements.

Reliant Energy Customer Deposits

Changes in the Texas law will require customer deposits and advance payments to be held in a segregated cash account on or before May 21, 2010. The amount of deposits subject to segregation at June 30, 2009, was approximately $58 million.

Cash Flow Discussion

The following table reflects the changes in cash flows for the comparative years; all cash flow categories include the cash flows from both continuing operations and discontinued operations:

(In millions) **Six months ended June 30,**	**2009**	**2008**	**Change**
Net cash provided by operating activities	$ 722	$ 436	$ 286
Net cash used by investing activities	(500)	(122)	(378)
Net cash provided by/(used by) financing activities	565	(233)	798

Net Cash Provided By Operating Activities

For the six months ended June 30, 2009, net cash provided by operating activities increased by $286 million compared to the same period in 2008. The difference was due to:

- *Collateral deposits and option premiums* In 2009, the changes in both collateral deposits and option premiums paid and collected increased cash from operations by $232 million due to close out of commercial trade positions and lower commodity prices.
- *Working capital* In 2009, the cash from working capital items increased by $54 million due to various changes in assets and liabilities.

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Net Cash Used By Investing Activities

For the six months ended June 30, 2009, net cash used in investing activities was $378 million higher than the same period in 2008. This was due to:

Acquisition of Reliant Energy During the six months ended June 30, 2009, the Company paid $345 million, net of cash acquired of $6 million, towards its acquisition of Reliant Energy. This amount was comprised of approximately $288 million paid at closing, and $63 million paid on June 11, 2009 as an initial remittance of the approximately $82 million of acquired working capital to be remitted to RRI over the 8 months following the closing.

Trading of emission allowances Net purchases and sales of emission allowances resulted in a decrease in cash of $94 million for 2009 as compared to 2008.

Proceeds from sale of equity method investment and discontinued operations Net proceeds from investing activities increased by $55 million in 2009 as compared to 2008 due to the sale of MIBRAG in June 2009 for net proceeds of $284 and the sale of ITISA for proceeds, net of divested cash, of $229 million in the first half of 2008.

Net Cash Used By Financing Activities

For the six months ended June 30, 2009, net cash provided by financing activities increased by $798 million compared to 2008, due to:

Issuance of debt During 2009, the Company received $25 million from the initial draw under the Reliant Energy working capital facility, $34 million from the Dunkirk bonds, $70 million in GenConn financings and $688 million in gross proceeds from the 2019 Senior Notes. During 2008, the Company received $10 million in proceeds from borrowings.

Deferred financing costs During 2009, the Company paid deferred financing costs of $15 million related to the Reliant Energy CSRA, $10 million related to the 2019 Senior Notes, and $2 million related to the Dunkirk bonds and the Reliant Energy working capital facility.

Term Loan Facility debt payment In 2009, the Company paid down $213 million of its Term Loan Facility, including the payment of excess cash flow, as discussed above under *Debt Service Obligations*. The Company paid down $158 million of its Term Loan Facility during 2008 which resulted in a net cash decrease of $55 million for the six months ended 2009 as compared to the same period in 2008.

Share repurchase During 2009, the Company did not repurchase any common stock during the first half in 2009, compared to $55 million for 2008.

Payment of financing element of acquired derivatives In 2009, the Company paid a net of $22 million for the settlement of gas swaps related to Reliant Energy and Texas Genco compared to a payment of $28 million for 2008 related to Texas Genco for an increase in cash of $6 million.

Exercise of stock options The Company received proceeds of $8 million from the exercise of stock options for the first half of 2008.

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NOL s, Deferred Tax Assets and FIN 48 Implications

As of June 30, 2009, the Company had generated total domestic pre-tax book income of $936 million and foreign continuing pre-tax book income of $142 million. In addition, NRG has cumulative foreign NOL carryforwards of $276 million, of which $78 million will expire starting in 2011 through 2018 and of which $198 million do not have an expiration date.

In addition to these amounts, the Company has net operating losses for tax return purposes but have been classified as capital loss carryforwards for financial statements purposes and for which a full valuation allowance has been established. As a result of the Company s tax position, and based on current forecasts, the Company anticipates income tax payments of up to $100 million during 2009.

However, as the position remains uncertain, the Company has recorded a non-current tax liability of $463 million and may accrue the remaining balance as an increase to non-current liabilities until final resolution with the related taxing authority. The $463 million non-current tax liability for unrecognized tax benefits is due to taxable earnings for which there are no NOLs available to offset for financial statement purposes.

The Company continues to be under examination by the Internal Revenue Service.

New and On-going Company Initiatives

***FOR*NRG Update**

Beginning in January 2009, the Company transitioned to *FOR*NRG 2.0 to target an incremental 100 basis point improvement to the Company s ROIC by 2012. The initial targets for *FOR*NRG 2.0 were based upon improvements in the Company s ROIC as measured by increased cash flow. The economic goals of *FOR*NRG 2.0 will focus on: (i) revenue enhancement; (ii) cost savings; and (iii) asset optimization, including reducing excess working capital and other assets. The *FOR*NRG 2.0 program will measure its progress towards the *FOR*NRG 2.0 goals by using the Company s 2008 financial results as a baseline, while plant performance calculations will be based upon the appropriate historic baselines.

The 2009 *FOR*NRG goal is a 20 basis point improvement in ROIC which corresponds to approximately $30 million in cash flow. As of June 30, 2009, the Company has exceeded its 2009 goal with a 22.9 basis point improvement in ROIC, which is equivalent to approximately $34 million in cash flows. The performance of the plants coupled with strategic projects undertaken by corporate functions is evidenced in the overall corporate performance.

Nuclear Innovation North America

NINA is an NRG subsidiary focused on marketing, siting, developing, financing and investing in new advanced design nuclear projects in select markets across North America, including the planned STP Units 3 and 4 that NRG is developing on a 50/50 basis with City of San Antonio s agent City Public Service Board of San Antonio, or CPS Energy, at the STP nuclear power station site. TANE, a wholly owned subsidiary of Toshiba Corporation, owns a non-controlling interest in NINA. On May 1, 2009, TANE made the second of its scheduled $50 million contributions to NINA.

The Department of Energy, or DOE, has confirmed that the South Texas Project expansion, or STP Units 3 and 4, is one of four projects selected for further due diligence and negotiation leading to a conditional commitment under the DOE loan guarantee program. NINA will now begin discussions with the DOE on the specific terms and amount to be loaned for the project. NRG believes DOE loan guarantee support is critical to new nuclear development projects. In addition to U.S. loan guarantees, NINA is seeking to diversify financing by actively pursuing additional loan guarantees through the Japanese government. Due diligence by Japanese financing agencies is in progress and represents an important step in Japanese loan support.

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On February 24, 2009, NINA executed an EPC agreement with TANE to build the STP expansion. The EPC agreement is structured so as to assure that the new plant is constructed on time, on budget and to exacting standards. In accordance with the EPC agreement, TANE will provide engineering and development services prior to Full Notice to Proceed, or FNTP, on a time and materials basis. Upon the New Source Review s, or NRC approval of the STP Units 3 and 4 combined license and the owners decision to issue the FNTP, the EPC converts to a lump-sum turnkey contract with customary warranties, performance and schedule guarantees, and liquidated damage provisions. TANE s obligations are backed by a guaranty from its ultimate parent, the Toshiba Corporation. Concurrent with the execution of the EPC agreement, NINA entered into a $500 million credit facility with TANE to finance the cost of material and equipment commitments prior to FNTP for STP Units 3 and 4.

In light of the progress made by the project in terms of regulatory schedule, DOE loan guarantee process, and the conclusion of the EPC agreement, NINA has initiated a partial sell down process in the STP expansion. NINA has Memorandums of Understanding with a mix of investment grade rated load serving entities and industrial customers for all offtake from NINA s anticipated 40% ownership interest in STP Units 3 and 4 s generation. Currently, NINA and CPS Energy each own 50% of the 2,700 megawatt planned expansion of the South Texas Project nuclear facility. After the sell down, it is expected that each would own 40% and a new owner(s) would have a 20% equity interest although other ownership outcomes may arise. The ownership interests of STP Units 1 and 2, (NRG 44%, CPS Energy 40% and Austin Energy 16%) are not affected by this proposed sale.

A request to intervene in the Combined License, or COL, proceeding was submitted by several individuals and public interest groups on April 21, 2009. An Atomic Safety and Licensing Board, or ASLB, panel heard oral arguments on a request for a hearing in the South Texas Project COL proceeding on June 23 and 24, 2009 in Bay City, Texas. The ASLB is the NRC s quasi-judicial arm dealing with licensing matters. The oral argument addressed the admissibility of the issues raised by Petitioners in their filing. The ASLB is expected to issue its findings as to whether or not a hearing should be granted during the month of August.

Agreement with eSolar

On June 1, 2009, NRG completed an agreement with eSolar, a leading provider of modular, scalable solar thermal power technology, to acquire the development rights for up to 465 MW of solar thermal power plants at sites in California and the Southwest. The first plant is anticipated to begin producing electricity as early as 2011, subject to certain technology demonstration milestones being pursued by eSolar. At closing, NRG invested approximately $5 million for an equity interest in eSolar and $5 million for deposits and land purchase options associated with development rights for three projects on sites in south central California and the Southwest U.S. as well as a portfolio of PPAs to develop, build, own and operate up to 11 eSolar modular solar generating units at these sites. These development assets will use eSolar s concentrating solar power, or CSP, technology to sell renewable electricity under contracted PPAs with local utilities.

NRG New Mexico SunTower On June 11, 2009, NRG announced the execution of a 20-year solar power purchase agreement with El Paso Electric for the full capacity of a 92 MW solar power plant to be built on a 450 acre site located about 10 miles from El Paso, Texas near the City of Sunland Park, New Mexico. The Company anticipates the plant to be in commercial operation by the second quarter 2011.

Alpine SunTower On June 25, 2009, NRG, through its wholly owned subsidiary, Alpine Sun Tower, LLC, announced the execution of a solar power purchase agreement with Pacific Gas and Electric Company for the full capacity of a 92 MW solar power plant to be built in Lancaster, California. The Company anticipates the plant to be in commercial operation by 2012.

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***Repowering*NRG Update**

Currently, NRG has several projects in varying stages of development that include a biomass project at the Montville Generating Station, a new generating unit at the Limestone power station and the repowering of Big Cajun I and El Segundo sites. The following is a summary of repowering projects that are under construction. In addition, NRG continues to participate in active bids in response to requests for proposals in markets in which it operates.

Plants Completed and Operating

Cedar Bayou Generating Station On June 24, 2009, NRG and Optim Energy, LLC, or Optim Energy, completed construction and began commercial operation of a new natural gas-fueled combined cycle generating plant at NRG s Cedar Bayou Generating Station in Chambers County, Texas. NRG and Optim Energy have a 50/50 undivided interest basis in the 550 MW generating plant. NRG is the operator of the plant and Optim Energy is acting as energy manager for Cedar Bayou unit 4. Cedar Bayou unit 4 is providing the Company a net capacity of 275 MW given NRG s 50% ownership.

Plants under Construction

GenConn Energy LLC In a procurement process conducted by the Department of Public Utility Control, or DPUC, and finalized in 2008, GenConn Energy, a 50/50 joint venture of NRG and The United Illuminating Company, secured contracts in 2008 with Connecticut Light & Power, or CL&P, for the construction and operation of two 200 MW peaking facilities, at NRG s Devon and Middletown sites in Connecticut. The contracts, which are structured as contracts for differences for the operation of the new power plants, have a 30-year term and call for commercial operation of the Devon project by June 1, 2010, and the Middletown project by June 1, 2011. GenConn has secured all state permits required for the projects and has entered into contracts for engineering, construction and procurement of the eight GE LM6000 combustion turbines required for the projects. Construction has begun at the Devon site while construction at Middletown is expected to commence in the first quarter of 2010.

On April 27, 2009, GenConn Energy closed on $534 million of project financing related to these projects. The project financing includes a seven-year project backed term loan and a five year working capital facility which together total $291 million. In addition, NRG and United Illuminating have each closed an equity bridge loan of $121.5 million, which together total $243 million. NRG is funding its share of costs related to these projects via year to date draw downs on the equity bridge loan of $70 million as of June 30, 2009.

Langford Wind Project On March 16, 2009, NRG, through its wholly owned subsidiary, Padoma Wind Power LLC, began construction on a 150 MW wind farm located in Tom Green, Irion, and Schleicher Counties, Texas. The Langford Wind Project will utilize 100 General Electric 1.5 MW wind turbines. The project is scheduled to reach commercial operation by the end of 2009.

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Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

NRG and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include financial and performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. See Note 17, *Guarantees,* to this Form 10-Q for additional discussion.

See discussion in Note 3, *Business Acquisition,* regarding the CSRA as a result of the acquisition of Reliant Energy on May 1, 2009.

Retained or Contingent Interests

NRG does not have any material retained or contingent interests in assets transferred to an unconsolidated entity.

Derivative Instrument Obligations

The Company s 3.625% Preferred Stock includes a feature which is considered an embedded derivative per SFAS 133. Although it is considered an embedded derivative, it is exempt from derivative accounting as it is excluded from the scope pursuant to paragraph 11(a) of SFAS 133. As of June 30, 2009, based on the Company s stock price, the embedded derivative was out-of-the-money and had no redemption value.

The Company s unrestricted wholly-owned subsidiary, CSF II, has outstanding notes and preferred interests that contain a feature considered an embedded derivative per SFAS 133. Although it is considered a derivative, it is exempt from derivative accounting as it is excluded from the scope pursuant to paragraph 11(a) of SFAS 133. As of June 30, 2009, based on the Company s stock price, the CSF II embedded derivative was out-of-the-money and had no redemption value.

Obligations Arising Out of a Variable Interest in an Unconsolidated Entity

Variable Interest in Equity Investments As of June 30, 2009, NRG has several investments with an ownership interest percentage of 50% or less in energy and energy-related entities that are accounted for under the equity method of accounting. One of these investments, GenConn, is a variable interest entity for which NRG is not the primary beneficiary.

NRG s pro-rata share of non-recourse debt held by unconsolidated affiliates was approximately $68 million as of June 30, 2009. This indebtedness may restrict the ability of these subsidiaries to issue dividends or distributions to NRG.

Letter of Credit Facilities The Company s $1.3 billion Synthetic Letter of Credit Facility is unfunded by NRG and is secured by a $1.3 billion cash deposit at Deutsche Bank AG, New York Branch that was funded using proceeds from the Term Loan Facility investors who participated in the facility syndication. Under the Synthetic Letter of Credit Facility, NRG is allowed to issue letters of credit for general corporate purposes including posting collateral to support the Company s commercial operations activities.

Contractual Obligations and Commercial Commitments

NRG has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to the Company s capital expenditure programs, as disclosed in the Company s Form 10-K. Also see Note 14, *Commitments and Contingencies*, to the condensed consolidated financial statements of this Form 10-Q for a discussion of new commitments and contingencies that also include contractual obligations and commercial commitments that occurred during the first half of 2009.

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Critical Accounting Policies and Estimates

NRG s discussion and analysis of the financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements and related disclosures in compliance with generally accepted accounting principles, or GAAP, requires the application of appropriate technical accounting rules and guidance as well as the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges. These judgments, in and of themselves, could materially affect the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may also have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies have not changed.

On an ongoing basis, NRG evaluates these estimates, utilizing historic experience, consultation with experts and other methods the Company considers reasonable. In any event, actual results may differ substantially from the Company s estimates. Effects on the Company s business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Critical accounting policies and estimates are the accounting policies that are most important to the portrayal of NRG s financial condition and results of operations and require management s most difficult, subjective or complex judgment. NRG s critical accounting policies include revenue recognition and derivative accounting, income taxes and valuation allowance for deferred taxes, evaluation of assets for impairment and other than temporary decline in value, goodwill and other intangible assets, and contingencies.

In connection with the Reliant Energy acquisition, the Company will record additional intangible assets. See Note 3 *Business Acquisition.*

The following represents new critical estimates of revenues and cost of energy related to the Company s Reliant Energy segment that would have a material impact on the segment s financial condition or results of operations:

Accrued Unbilled Revenues Accrued unbilled revenues are critical accounting estimates as volumes are not precisely known at the end of each reporting period and the revenue amounts are material. Accrued unbilled revenues of $433 million as of June 30, 2009 which represents 11% of the Company s consolidated revenues for the six months ended June 30, 2009 and 37% of Reliant Energy s revenues for the two months ended June 30, 2009.

Estimated Energy Supply Costs Reliant Energy record energy supply costs for electricity sales and services to retail customers based on estimated supply volumes for the applicable reporting period. This is a critical accounting estimate as volumes are not known at the end of each reporting period and the purchased power amounts are material. Reliant Energy s energy supply costs of $93 million as of June 30, 2009 consist of estimated transmission and distribution charges not yet billed by the transmission and distribution utilities. In estimating supply volumes, the Company considers the effects of historical customer volumes, weather factors and usage by customer class. The Company estimates transmission and distribution delivery fees using the same method that is used for electricity sales and services to retail customers. In addition, NRG estimates ERCOT ISO fees based on historical trends, estimated supply volumes and initial ERCOT ISO settlements. Volume estimates are then multiplied by the supply rate and recorded as purchased power in the applicable reporting period. Changes in the Company s volume usage would result in a similar offsetting change in billed volumes, thus partially mitigating the Company energy supply costs.

Dependence on ERCOT ISO Settlement Procedures Preliminary settlement information is due from the ERCOT ISO within two months after electricity is delivered. Final settlement information is due from the ERCOT ISO within six months after electricity is delivered. The six month settlement received from ERCOT is considered final as ERCOT will only resettle if there are data errors greater than 2% of that day s transaction dollars or if alternate dispute resolutions are granted. The Company records estimated supply costs and related fees using estimated supply volumes, as discussed above, and adjust those costs upon receipt of the ERCOT

ISO information. Delays in settlements could materially affect the accuracy of NRG s recorded energy supply costs and related fees.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NRG is exposed to several market risks in the Company s normal business activities. Market risk is the potential loss that may result from market changes associated with the Company s merchant power generation or with an existing or forecasted financial or commodity transaction. The types of market risks the Company is exposed to are commodity price risk, interest rate risk, liquidity risk, credit risk, and currency exchange risk. In order to manage these risks, the Company uses various fixed-price forward purchase and sales contracts, futures and option contracts traded on the New York Mercantile Exchange, 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 Company s 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 emissions credits. A number of factors influence the level and volatility of prices for energy commodities and related derivative products. These factors include:

- Seasonal, daily and hourly changes in demand;
- Extreme peak demands due to weather conditions;
- Available supply resources;
- Transportation availability and reliability within and between regions; and
- Changes in the nature and extent of federal and state regulations.

As a result of the acquisition of Reliant Energy, NRG s portfolio consists of generation assets and full requirement load serving obligations. NRG manages the commodity price risk of the Company s merchant generation operations and load serving obligations 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 New York Mercantile Exchange, or NYMEX, Intercontinental Exchange, or ICE, and Chicago Climate Exchange, or CCX, as well as over-the-counter financial markets. The portion of forecasted transactions hedged may vary based upon management s assessment of market, weather, operations and other factors.

While some of the contracts the Company uses 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. NRG uses the Company s best estimates to determine the fair value of commodity and derivative contracts held and sold. These estimates consider various factors, including closing exchange and over-the-counter price quotations, time value, volatility factors and credit exposure. 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.

NRG measures the risk of the Company s portfolio using several analytical methods, including sensitivity tests, scenario tests, stress tests, position reports, and Value at Risk, or VaR. VaR is a statistical concept that defines risk of loss, at a certain confidence level, over a designated horizon due to changes in market prices over that horizon. Currently, the company estimates VaR using a Monte Carlo simulation of prices. NRG s total portfolio includes mark-to-market and non-mark-to-market energy assets and liabilities.

NRG uses a diversified VaR model to calculate an estimate of the potential loss in the fair value of the Company s energy assets and liabilities, which includes generation assets, load obligations, and bilateral physical and financial transactions. The key assumptions for the Company s diversified model include: (i) a lognormal distribution of prices; (ii) one-day holding period; (iii) a 95% confidence interval; (iv) a rolling 36-month forward looking period; and (v) market implied volatilities and historical price correlations.

As of June 30, 2009, the VaR for NRG s commodity portfolio, including generation assets, load obligations and bilateral physical and financial transactions calculated using the diversified VaR model was $49 million. The inclusion of the Reliant Energy retail portfolio, comprised of contracted load and related supply, did not materially affect the VaR measure as the portfolio is currently hedged.

The following table summarizes average, maximum and minimum VaR for NRG for the three and six months ended June 30, 2009, and 2008:

(In millions) VAR	2009	2008
Three months ended June 30:	$ 49	$ 58
Average	35	50
Maximum	54	63
Minimum	28	39
Six months ended June 30:	$ 49	$ 58
Average	38	52
Maximum	54	65
Minimum	28	35

Due to the inherent limitations of statistical measures such as VaR, the evolving nature of the competitive markets for electricity and related derivatives, and the seasonality of changes in market prices, the VaR calculation may not capture the full extent of commodity price exposure. As a result, actual changes in the fair value of mark-to-market energy assets and liabilities could differ from the calculated VaR, and such changes could have a material impact on the Company s financial results.

In order to provide additional information for comparative purposes to NRG s peers, the Company also uses VaR to estimate the potential loss of derivative financial instruments that are subject to mark-to-market accounting. These derivative instruments include transactions that were entered into for both asset management and trading purposes. The VaR for the derivative financial instruments calculated using the diversified VaR model as of June 30, 2009, for the entire term of these instruments entered into for both asset management and trading, was approximately $42 million primarily driven by asset-backed transactions.

Interest Rate Risk

NRG is exposed to fluctuations in interest rates through the Company s issuance of fixed rate and variable rate debt. Exposures to interest rate fluctuations may be mitigated by entering into derivative instruments known as interest rate swaps, caps, collars and put or call options. These contracts reduce exposure to interest rate volatility and result in primarily fixed rate debt obligations when taking into account the combination of the variable rate debt and the interest rate derivative instrument. NRG s risk management policies allow the Company to reduce interest rate exposure from variable rate debt obligations.

In May 2009, NRG entered into a series of forward-starting interest rate swaps. These interest rate swaps become effective on April 1, 2011 and are intended to hedge the risks associated with floating interest rates. For each of the interest rate swaps, the Company will pay its counterparty the equivalent of a fixed interest payment on a predetermined notional value, and NRG receives the monthly equivalent of a floating interest payment based on a 1-month LIBOR calculated on the same notional value. All interest rate swap payments by NRG and its counterparties are made monthly and the LIBOR is determined in advance of each interest period. The total notional amount of these swaps is $900 million. The swaps mature on February 1, 2013.

As of June 30, 2009, the Company had various interest rate swap agreements with notional amounts totaling approximately $3.3 billion. If the swaps had been discontinued on June 30, 2009, the Company would have owed the counterparties approximately $120 million. Based on the investment grade rating of the counterparties, NRG believes its exposure to credit risk due to nonperformance by counterparties to its hedge contracts to be insignificant.

NRG has both long and short-term debt instruments that subject the Company to the risk of loss associated with movements in market interest rates. As of June 30, 2009, a 1% change in interest rates would result in a $13 million change in interest expense on a rolling twelve month basis.

As of June 30, 2009, the Company s long-term debt fair value was $8.3 billion and the carrying amount was $8.6 billion. NRG estimates that a 1% decrease in market interest rates would have increased the fair value of the Company s long-term debt by $456 million.

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Liquidity Risk

Liquidity risk arises from the general funding needs of NRG s activities and in the management of the Company s assets and liabilities. NRG s liquidity management framework is intended to maximize liquidity access and minimize funding costs. Through active liquidity management, the Company seeks to preserve stable, reliable and cost-effective sources of funding. This enables the Company to replace maturing obligations when due and fund assets at appropriate maturities and rates. To accomplish this task, management uses a variety of liquidity risk measures that take into consideration market conditions, prevailing interest rates, liquidity needs, and the desired maturity profile of liabilities.

Based on a sensitivity analysis for power and gas positions under marginable contracts excluding all non-affiliate third party positions under the CSRA, a $1 per MMBtu increase or decrease in natural gas prices across the term of the marginable contracts would cause a change in margin collateral outstanding of approximately $65 million as of June 30, 2009, and a 0.25 MMBtu/MWh change in heat rates for heat rate positions would result in a change in margin collateral of approximately $63 million as of June 30, 2009. This analysis uses simplified assumptions and is calculated based on portfolio composition and margin-related contract provisions as of June 30, 2009.

Under the second lien, NRG is required to post certain letter of credits as credit support for changes in commodity prices. As of June 30, 2009, no letters of credit are outstanding to second lien counterparties. With changes in commodity prices, the letters of credit could grow to $87 million, the cap under the agreements.

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 Company monitors and manages 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, credit derivatives or prepayment arrangements; (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 Company seeks to mitigate counterparty risk with a diversified portfolio of counterparties, including ten participants under its first and second lien structure. The Company also has credit protection within various agreements to call on additional collateral support if and when necessary. Cash margin is collected and held at NRG to cover the credit risk of the counterparty until positions settle.

Under the current economic downturn in the U.S. and overseas, the Company has heightened its management and mitigation of counterparty credit risk by using credit limits, netting agreements, collateral thresholds, volumetric limits and other mitigation measures, where available. NRG avoids concentration of counterparties whenever possible and applies credit policies that include an evaluation of counterparties financial condition, collateral requirements and the use of standard agreements that allow for netting and other security.

As of June 30, 2009, total credit exposure to substantially all counterparties was $2.1 billion and NRG held collateral (cash and letters of credit) against those positions of $469 million resulting in a net exposure of $1.7 billion compared with a net exposure of $1.3 billion as of March 31, 2009. This increase is due to Merrill Lynch s position as credit provider to Reliant Energy and the exposure resulting from novated trades that were completed as part of the acquisition of Reliant Energy, as discussed Note 3 *Business Acquistion*. Total credit exposure is discounted at the risk free rate.

The following table highlights 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 NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and normal purchase and sale, and non-derivative transactions. The exposure is shown net of collateral held, includes amounts net of receivables or payables and excludes non-affiliate third party exposure under the CSRA.

Category	**Net Exposure[(a)] [(b)] as of June 30, 2009 (% of Total)**
Financial institutions	82%
Utilities, energy, merchants, marketers and other	14
Coal suppliers	2
ISOs	2
Total	100%

Category	**Net Exposure[(a)] [(b)] as of June 30, 2009 (% of Total)**
Investment grade	94%
Non-Investment grade	
Non-rated	6
Total	100%

(a) *Credit exposure excludes California tolling, uranium, coal transportation, New England Reliability Must-Run, cooperative load contracts, and Texas Westmoreland coal contracts. The aforementioned exposures were excluded for*

various reasons including regulatory support or liens held against the contracts which serve to reduce the risk of loss, or credit risks for certain contracts are not readily measurable due to a lack of market reference prices.

(b) *The exposure amounts presented in the above table do not include non-affiliate third party exposure under the CSRA. The gross credit exposure to third parties under the CSRA is $410 million, and the cash collateral held by Merrill Lynch against this exposure is $312 million.*

NRG has credit risk exposure to certain counterparties representing more than 10% of total net exposure and the aggregate of such counterparties was $707 million. NRG has significant credit risk concentration with Merrill Lynch primarily due to cash collateral held by Merrill Lynch for positions under the CSRA. NRG expects this risk to be significantly reduced when the Company unwinds the CSRA. Approximately 85% of NRG s positions relating to credit risk roll-off by the end of 2011. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, NRG does not anticipate a material impact on the Company s financial results from nonperformance by a counterparty.

NRG is exposed to retail credit risk through our competitive electricity supply business, which serves commercial and industrial customers and the mass market in Texas. Retail credit risk results when a customer fails to pay for services rendered. The losses could be incurred from nonpayment of customer accounts receivable and any in the money forward value. NRG manages retail credit risk through the use of established credit policies that include monitoring of the portfolio, and the use of credit mitigation measures such as deposits or prepayment arrangement. Retail credit risk is dependent on the overall economy, but is minimized due to the fact that NRG s portfolio of retail

customers is largely diversified, with no significant single name concentration.

Fair Value of Derivative Instruments

NRG may enter into long-term power purchase and sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices, to hedge fuel requirements at generation facilities, hedge supplies for retail operations and protect fuel inventories. In addition, in order to mitigate interest rate risk associated with the issuance of the Company s variable rate and fixed rate debt, NRG enters into interest rate swap agreements.

NRG s trading activities include contracts to profit from market price changes as opposed to hedging an exposure, and are subject to limits in accordance with the Company s 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. These trading activities are a complement to NRG s energy marketing portfolio.

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The tables below disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value. Specifically, these tables disaggregate realized and unrealized changes in fair value; identify changes in fair value attributable to changes in valuation techniques; disaggregate estimated fair values at June 30, 2009, based on whether fair values are determined by quoted market prices or more subjective means; and indicate the maturities of contracts at June 30, 2009. Also, in connection with the Company s acquisition of Reliant Energy, NRG acquired retail load and supply contracts. The table below also includes the fair value of supply contracts under mark-to-market accounting treatment as of May 1, 2009.

Derivative Activity Gains/(Losses)	**(In millions)**
Fair value of contracts as of December 31, 2008	$ 996
Contracts realized or otherwise settled during the period	(322)
Contracts acquired in conjunction with Reliant Energy	(1,054)
Changes in fair value	860
Fair value of contracts as of June 30, 2009	$ 480

	Fair Value of Contracts as of June 30, 2009				
(In millions) **Sources of Fair Value Gains/(Losses)**	**Maturity Less Than 1 Year**	**Maturity 1-3 Years**	**Maturity 4-5 Years**	**Maturity in Excess 4-5 Years**	**Total Fair Value**
Prices actively quoted	$ 11	$ 9	$	$	$ 20
Prices provided by other external sources	130	131	179	(30)	410
Prices provided by models and other valuation methods	57	(7)			50
Total	$ 198	$ 133	$ 179	$ (30)	$ 480

A small portion of NRG s contracts are exchange-traded contracts with readily available quoted market prices. The majority of NRG s contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. For the majority of NRG markets, the Company receives quotes from multiple sources. To the extent that NRG receives multiple quotes, the Company s prices reflect the average of the bid-ask mid-point prices obtained from all sources that NRG believes provide the most liquid market for the commodity. If the Company receives one quote then the mid-point of the bid-ask spread for that quote is used. The terms for which such price information is available vary by commodity, region and product. The remainder of the assets and liabilities represents contracts for which external sources or observable market quotes are not available. These contracts are valued based on various valuation techniques including but not limited to internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Contracts valued with prices provided by models and other valuation techniques make up 10% of the total fair value of all derivative contracts. The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that NRG s net exposure under a specific master agreement is an asset, the Company is using the counterparty s default swap rate. If the exposure under a specific master agreement is a liability, the Company is using NRG s default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume NRG s liabilities or that a market participant would be willing to pay for NRG s assets. As of June 30, 2009, the credit reserve

resulted in a $23 million increase in fair value which is composed of a $1 million loss in OCI and a $24 million gain in derivative revenue and cost of operations.

The fair values in each category reflect the level of forward prices and volatility factors as of June 30, 2009, and may change as a result of changes in these factors. Management uses its best estimates to determine the fair value of commodity and derivative contracts NRG holds and sells. These estimates consider various factors including closing exchange and over-the-counter price quotations, time value, volatility factors and credit exposure. It is possible however, that future market prices could vary from those used in recording assets and liabilities from energy marketing and trading activities and such variations could be material.

The Company has elected to disclose derivative activity on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company s portfolio. As discussed in Item 7A *Commodity Price Risk* in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, NRG measures the sensitivity of the Company s portfolio to potential changes in market prices using Value at Risk, or VAR, a statistical model which attempts to predict risk of loss based on market price and volatility. NRG s risk management policy places a limit on one-day holding period VAR, which limits the Company s net open position. As the Company s trade-by-trade derivative accounting results in a gross-up of the Company s derivative assets and liabilities, the net derivative assets and liability position is a better indicator of NRG s hedging activity. As of June 30, 2009, NRG s net derivative asset was $480 million, a decrease to total fair value of $516 million as compared to December 31, 2008. This decrease was primarily driven by the acquisition of Reliant Energy s retail portfolio offset by increase in fair value due to the decreases in gas and power prices and the roll-off of trades that settled during the period.

Currency Exchange Risk

NRG may be subject to foreign currency risk as a result of the Company entering into purchase commitments with foreign vendors for the purchase of major equipment associated with *Repowering*NRG initiatives. To reduce the risks to such foreign currency exposure, the Company may enter into transactions to hedge its foreign currency exposure using currency options and forward contracts. As of June 30, 2009, there were no foreign currency options and forward contracts outstanding for purchase commitments.

In connection with the MIBRAG sale transaction, NRG entered into a foreign currency forward contract to hedge the impact of exchange rate fluctuations on the sale proceeds. The foreign currency forward contract had a fixed exchange rate of 1.277 and required NRG to deliver EUR 200 million in exchange for $255 million on June 15, 2009. For the three and six months ended June 30, 2009, NRG recorded an exchange loss of $15 million and $24 million, respectively, on the contract within Other income/(expense).

As a result of the Company s limited foreign currency exposure to date, the effect of foreign currency fluctuations has not been material to the Company s results of operations, financial position and cash flows as of and for the three months ended June 30, 2009.

ITEM 4 CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of NRG s management, including its principal executive officer, principal financial officer and principal accounting officer, NRG conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, the Company s 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 report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in the Company s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) that occurred in the second quarter of 2009 that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Inherent Limitations over Internal Controls

NRG s 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 generally accepted accounting principles. However, 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.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

For a discussion of material legal proceedings in which NRG was involved through June 30, 2009, see Note 14, *Commitments and Contingencies*, to the condensed consolidated financial statements of this Form 10-Q.

ITEM 1A RISK FACTORS

In addition to the revised risk factors below, information regarding risk factors appears in Part I, Item 1A, *Risk Factors* in NRG s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Part II, Item 1A, *Risk Factors* in NRG s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.

Risks Related to the Reliant Energy Retail Business

NRG may have to post significant amounts of collateral, which could adversely affect its liquidity, financial position and business.

In connection with any unwind of the Company s credit-enhanced retail structure with Merrill Lynch, NRG will have to post collateral for new retail supply and hedging transactions in connection with Reliant Energy s retail business. The Company s levels of collateral postings would be determined and impacted by the terms and timing of the unwind, the nature and volume of the Company s commodity hedging agreements, commodity prices and other strategic alternatives that NRG may undertake. While NRG intends to (i) become the primary provider of Reliant Energy s supply requirements; and (ii) use a portion of the net proceeds of the 8.50% Senior Notes to the cash collateralize Reliant Energy s obligations under the credit sleeve arrangements (assuming NRG can reach an agreement with Merrill Lynch on terms acceptable to the Company), depending on the specific timing and the movement in underlying commodity prices, NRG could incur significant collateral posting obligations that may require the Company to seek additional sources of liquidity, including additional debt. The covenants in NRG s senior secured credit facility and credit sleeve arrangements with Merrill Lynch restrict the Company s ability to, among other things, obtain additional financing. If NRG were unable to generate sufficient cash flows from operations or raise cash from other sources, NRG may not be able to meet the Company s collateral posting obligations. These situations could result from further adverse developments in the energy, fuel or capital markets, a disruption in NRG s operations or those of third parties or other events adversely affecting NRG s cash flows and financial performance. NRG cannot make any assurances that it would be able to obtain such additional liquidity on commercially reasonable terms or at all.

Volatile power supply costs and demand for power could adversely affect the financial performance of NRG s retail business.

Although NRG has begun the process of becoming the primary provider of Reliant Energy s supply requirements, Reliant Energy presently purchases a substantial portion of its supply requirements from third parties. As a result, Reliant Energy s financial performance depends on its ability to obtain adequate supplies of electric generation from third parties at prices below the prices it charges its customers. Consequently, the Company s earnings and cash flows could be adversely affected in any period in which Reliant Energy s power supply costs rise at a greater rate than the rates it charges to customers. The price of power supply purchases associated with Reliant Energy s energy commitments can be different than that reflected in the rates charged to customers due to, among other factors:

- varying supply procurement contracts used and the timing of entering into related contracts;
- subsequent changes in the overall price of natural gas;
- daily, monthly or seasonal fluctuations in the price of natural gas relative to the 12-month forward prices;
- transmission constraints and the Company s ability to move power to its customers; and
- changes in market heat rate (i.e., the relationship between power and natural gas prices).

The Company s earnings and cash flows could also be adversely affected in any period in which the demand for power significantly varies from the forecasted supply, which could occur due to, among other factors, weather events, competition and economic conditions.

NRG depends on the Electric Reliability Council of Texas, or ERCOT, to communicate operating and system information in a timely and accurate manner. Information that is not timely or accurate can have an impact on the Company s current and future reported financial results.

ERCOT communicates information relating to a customer s choice of retail electric provider and other data needed for servicing the customer accounts of the Company s retail electric providers. Any failure to perform these tasks will result in delays and other problems in enrolling, switching and billing customers. Information that is not timely or accurate may adversely impact the Company s ability to serve load in the optimum manner.

NRG could be liable for a share of the payment defaults of other market participants.

If a market participant defaults on its payment obligations to an independent system operator, or ISO, the Company, together with other market participants, are liable for a portion of the default obligation that is not otherwise covered by the defaulting market participant. Each ISO establishes credit requirements applicable to market participants and the basis for allocating payment default amounts to market participants. In ERCOT, the allocation is based on share of the total load.

Significant events beyond the Company s control, such as hurricanes and other weather-related problems or acts of terrorism, could cause a loss of load and customers and thus have a material adverse effect on the Company s business.

The uncertainty associated with events beyond the Company s control, such as significant weather events and the risk of future terrorist activity, could cause a loss of load and customers and may affect the Company s results of operations and financial condition in unpredictable ways. In addition, significant weather events or terrorist actions could damage or shut down the power transmission and distribution facilities upon which the retail business is dependent. Power supply may be sold at a loss if these events cause a significant loss of retail customer load.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 OTHER INFORMATION

None.

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ITEM 6 EXHIBITS

Exhibits

4.1	Sixteenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York. (1)
4.2	Seventeenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York. (1)
4.3	Eighteenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York. (1)
4.4	Nineteenth Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York.(2)
4.5	Twentieth Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York.(2)
4.6	Twenty-First Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York.(2)
4.7	Twenty-Second Supplemental Indenture, dated June 5, 2009, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York.(3)
4.8	Twenty-Third Supplemental Indenture, dated July 14, 2009, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York.(4)
10.1A	Amended and Restated Credit Sleeve and Reimbursement Agreement, dated May 1, 2009, among Reliant Energy Power Supply, LLC, RERH Holdings, LLC, Reliant Energy Retail Holdings, LLC, Reliant Energy Retail Services, LLC, RE Retail Receivables, LLC, Merrill Lynch Commodities, Inc. and Merrill Lynch & Co., Inc. (5)
10.1B	Schedules and Exhibits to the Amended and Restated Credit Sleeve and Reimbursement Agreement, dated May 1, 2009 (Portions of this Exhibit have been omitted pursuant to a request for confidential treatment). (5)
10.2	Contingent Contribution Agreement, dated May 1, 2009, among NRG Energy, Inc., NRG Retail LLC, RERH Holdings, LLC, Reliant Energy Retail Holdings, LLC and Merrill Lynch Commodities, Inc. (5)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.3 Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32 Certification of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, filed herewith.

(1) Incorporated herein by reference to NRG Energy, Inc s current report on Form 8-K filed on May 4, 2009

(2) Incorporated herein by reference to NRG Energy, Inc s current report on Form 8-K filed on May 14, 2009

(3) Incorporated herein by reference to NRG Energy, Inc s current report on Form 8-K filed on June 5, 2009

(4) Incorporated herein by reference to NRG Energy, Inc s current report on Form 8-K filed on July 15, 2009

(5) Incorporated herein by reference to NRG Energy, Inc s current report on Form

8-K filed on
May 7, 2009

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NRG ENERGY, INC.
(Registrant)

/s/ DAVID W. CRANE

David W. Crane
Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT C. FLEXON

Robert C. Flexon
Chief Financial Officer
(Principal Financial Officer)

/s/ JAMES J. INGOLDSBY

Date: July 30, 2009

James J. Ingoldsby
Chief Accounting Officer
(Principal Accounting Officer)

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(5) Incorporated herein by reference to NRG Energy, Inc s current report on Form

8-K filed on
May 7, 2009