

GenOn Energy, Inc.
Form 10-Q
November 05, 2014

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

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2014

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

GenOn Energy, Inc.
(Exact name of registrant as specified in its charter)
75-0655566 (I.R.S. Employer Identification No.)
Commission File Number: 001-16455

GenOn Americas Generation, LLC
(Exact name of registrant as specified in its charter)
51-0390520 (I.R.S. Employer Identification No.)
Commission File Number: 333-63240

GenOn Mid-Atlantic, LLC
(Exact name of registrant as specified in its charter)
58-2574140 (I.R.S. Employer Identification No.)
Commission File Number: 333-61668

Delaware
(State or other jurisdiction of incorporation or organization) (609) 524-4500
(Registrants' telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (As a voluntary filer not subject to filing requirements, the registrant nevertheless filed all reports which would have been required to be filed by Section 15(d) of the Exchange Act during the preceding 12 months had the registrant been required to file reports pursuant to Section 15(d) of the Exchange Act solely as a result of having registered debt securities under the Securities Act of 1933.)

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

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

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

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

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

(Do not check if a smaller reporting company)

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

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

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

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

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Registrants' actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A - Risk Factors, in Part I, Item 1A of the Registrants' Annual Report on Form 10-K for the year ended December 31, 2013, including, but not limited to, the following:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that the Registrants may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of the Registrants' risk management policies and procedures, and the ability of the Registrants' counterparties to satisfy their financial commitments;
- The collateral demands of counterparties and other factors affecting the Registrants' liquidity position and financial condition;
- The Registrants' ability to operate their businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from their asset-based businesses in relation to their debt and other obligations;
- The Registrants' ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
 - Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate NRG's generation units for all of its costs;
- The Registrants' ability to borrow additional funds and access capital markets, as well as GenOn's substantial indebtedness and the possibility that the Registrants may incur additional indebtedness going forward; and
- Operating and financial restrictions placed on the Registrants and their subsidiaries that are contained in the indentures governing GenOn's outstanding notes, and in debt and other agreements of certain of the Registrants' subsidiaries and project affiliates generally.

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

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:
2013 Form 10-K

Ancillary Services	The Registrants' Annual Report on Form 10-K for the year ended December 31, 2013 Services that ensure reliability and support the transmission of electricity from generation sites to customer loads. Such services include regulation service, reserves and voltage support
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
ASU	Accounting Standards Updates which reflect updates to the ASC
Bankruptcy Court	United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division
CAIR	Clean Air Interstate Rule
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries prior to August 31, 2002
CO ₂	Carbon dioxide
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
EPA	United States Environmental Protection Agency
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GenOn	GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Americas Generation	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries
GenOn Energy Holdings	GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generating facilities under operating leases
ISO	Independent System Operator, also referred to as RTO
LIBOR	London Inter-Bank Offered Rate
MC Asset Recovery	MC Asset Recovery, LLC
MDE	Maryland Department of the Environment
Mirant	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries
Mirant/RRI Merger	The merger completed on December 3, 2010 of Mirant Corporation and RRI Energy Inc. to form GenOn Energy, Inc.
Mirant Debtors	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and certain of its subsidiaries
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MW	Megawatt
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
Net Exposure	Counterparty credit exposure to GenOn, GenOn Americas Generation or GenOn Mid-Atlantic, as applicable, net of collateral
NERC	North American Electric Reliability Corporation
NOL	Net Operating Loss
NOV	Notice of violation
NO _x	Nitrogen oxide

NPNS
NRC

Normal Purchase Normal Sale
U.S. Nuclear Regulatory Commission

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NRG	NRG Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
NRG Americas	NRG Americas, Inc. (formerly known as GenOn Americas, Inc.)
NRG Merger	The merger completed on December 14, 2012, whereby GenOn became a wholly owned subsidiary of NRG
NYISO	New York Independent System Operator
NYSPSC	New York State Public Service Commission
OCI	Other comprehensive income
PADEP	Pennsylvania Department of Environmental Protection
PJM	PJM Interconnection, LLC
PJM market	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia
Registrants	GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, collectively
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)
RTO	Regional Transmission Organization
Securities Act	The Securities Act of 1933, as amended
SO ₂	Sulfur dioxide
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States

PART I - FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

GENON ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30, 2014		2013		Nine months ended September 30, 2014		2013	
	(In millions)							
Operating Revenues								
Operating revenues	\$713		\$794		\$2,300		\$1,934	
Operating revenues — affiliate	(4	)	17		17		32	
Total operating revenues	709		811		2,317		1,966	
Operating Costs and Expenses								
Cost of operations	385		445		1,388		1,317	
Cost of operations — affiliate	67		66		358		139	
Depreciation and amortization	52		70		172		207	
Impairment loss	60		—		60		—	
Selling, general and administrative	19		30		60		83	
Selling, general and administrative — affiliate	33		37		99		74	
Acquisition-related transaction and integration costs	1		13		3		54	
Total operating costs and expenses	617		661		2,140		1,874	
Loss on sale of assets	—		—		(6)	—	
Operating Income	92		150		171		92	
Other Expense								
Other income, net	2		2		4		4	
Interest expense	(46	)	(48	)	(140	)	(145)
Interest expense - affiliate	(2	)	(3	)	(9	)	(9)
Loss on debt extinguishment	—		—		—		(11)
Total other expense	(46	)	(49	)	(145	)	(161)
Income/(Loss) Before Income Taxes	46		101		26		(69)
Income tax expense/(benefit)	—		—		2		(6)
Net Income/(Loss)	\$46		\$101		\$24		\$(63)

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(In millions)			
Net Income/(Loss)	\$46	\$101	\$24	\$(63)
Other comprehensive (loss)/income net of reclassifications, net of tax of \$0:				
Unrealized loss on derivatives	—	(18)	—	(1)
Defined benefit plans	(5)	—	3	30
Other comprehensive (loss)/income	(5)	(18)	3	29
Comprehensive Income/(Loss)	\$41	\$83	\$27	\$(34)

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited) (In millions)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$968	\$760
Funds deposited by counterparties	—	56
Accounts receivable — trade	105	178
Inventory	424	443
Derivative instruments	447	464
Derivative instruments — affiliate	4	5
Cash collateral paid in support of energy risk management activities	135	62
Current assets held-for-sale	17	17
Prepayments and other current assets	154	177
Total current assets	2,254	2,162
Property, plant and equipment, net of accumulated depreciation of \$417 and \$248	3,053	3,176
Other Assets		
Intangible assets, net of accumulated amortization of \$65 and \$34	73	65
Derivative instruments	161	181
Derivative instruments — affiliate	2	1
Assets held-for-sale	18	—
Other non-current assets	179	149
Total other assets	433	396
Total Assets	\$5,740	\$5,734
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$8	\$5
Accounts payable	125	187
Accounts payable — affiliate	19	72
Derivative instruments	405	160
Derivative instruments — affiliate	14	3
Cash collateral received in support of energy risk management activities	—	56
Accrued expenses and other current liabilities	295	266
Total current liabilities	866	749
Other Liabilities		
Long-term debt and capital leases	3,117	3,128
Derivative instruments	48	18
Out-of-market contracts	988	1,045
Other non-current liabilities	380	481
Total non-current liabilities	4,533	4,672
Total Liabilities	5,399	5,421
Commitments and Contingencies		
Stockholder's Equity		
Common stock: \$0.001 par value, 1 share authorized and issued at September 30, 2014 and December 31, 2013	—	—
Additional paid-in capital	325	325

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Accumulated deficit	(90) (114)
Accumulated other comprehensive income	106	102	
Total Stockholder's Equity	341	313	
Total Liabilities and Stockholder's Equity	\$5,740	\$5,734	

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,		
	2014	2013	
	(In millions)		
Cash Flows from Operating Activities			
Net income/(loss)	\$24	\$(63))
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	172	207	
Amortization of financing costs and debt discount/premiums	(43)	) (57))
Amortization of out-of-market contracts and emission allowances	(17)	) (33))
Amortization of unearned equity compensation	—	8	
Adjustment to loss on debt extinguishment	—	(28))
Loss on sale of asset	6	—	
Impairment loss	60	—	
Changes in derivative instruments	323	200	
Changes in collateral deposits supporting energy risk management activities	(73)	) 113	
Changes in other working capital	(173)	) 136	
Net Cash Provided by Operating Activities	279	483	
Cash Flows from Investing Activities			
Net proceeds from sale of NRG Marsh Landing	—	175	
Capital expenditures	(125)	) (241))
Decrease in restricted cash, net	—	18	
Purchase of emission allowances, net of proceeds	—	(14))
Proceeds from sale of assets, net of cash disposed of	50	—	
Other	5	—	
Net Cash Used by Investing Activities	(70)	) (62))
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	—	110	
Payments for short and long-term debt	(1)	) (578))
Net Cash Used by Financing Activities	(1)	) (468))
Net Increase/(Decrease) in Cash and Cash Equivalents	208	(47))
Cash and Cash Equivalents at Beginning of Period	760	825	
Cash and Cash Equivalents at End of Period	\$968	\$778	

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Operating Revenues				
Operating revenues	\$667	\$769	\$2,123	\$1,834
Operating revenues — affiliate	(25	) —	110	105
Total operating revenues	642	769	2,233	1,939
Operating Costs and Expenses				
Cost of operations	198	300	753	679
Cost of operations — affiliate	335	333	1,181	1,037
Depreciation and amortization	21	26	70	79
Selling, general and administrative	2	6	7	8
Selling, general and administrative — affiliate	20	15	62	57
Total operating costs and expenses	576	680	2,073	1,860
Loss on sale of assets	—	—	(6) —
Operating Income	66	89	154	79
Other Expense				
Interest expense	(17	) (16	) (50	) (49
Interest expense — affiliate	(2	) (2	) (6	) (5
Total other expense	(19	) (18	) (56	) (54
Income Before Income Taxes	47	71	98	25
Income tax	—	—	—	—
Net Income	\$47	\$71	\$98	\$25

See accompanying notes to condensed consolidated financial statements.

GENON AMERICAS GENERATION, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited) (In millions)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$126	\$63
Accounts receivable — trade	95	151
Note receivable — affiliate	331	299
Inventory	240	270
Derivative instruments	447	462
Derivative instruments — affiliate	300	84
Cash collateral paid in support of energy risk management activities	125	50
Prepayments and other current assets	99	105
Total current assets	1,763	1,484
Property, plant and equipment, net of accumulated depreciation of \$162 and \$96	1,095	1,194
Other Assets		
Intangible assets, net of accumulated amortization of \$63 and \$34	72	64
Derivative instruments	161	181
Derivative instruments — affiliate	32	8
Other non-current assets	85	32
Total other assets	350	285
Total Assets	\$3,208	\$2,963
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$5	\$5
Accounts payable	44	90
Accounts payable — affiliate	104	86
Derivative instruments	405	160
Derivative instruments — affiliate	273	107
Cash collateral received in support of energy risk management activities	—	56
Accrued expenses and other current liabilities	122	93
Total current liabilities	953	597
Other Liabilities		
Long-term debt and capital leases	932	943
Derivative instruments	48	18
Derivative instruments — affiliate	45	23
Out-of-market contracts	554	575
Other non-current liabilities	105	116
Total non-current liabilities	1,684	1,675
Total Liabilities	2,637	2,272
Commitments and Contingencies		
Member's Equity		
Member's interest	571	691
Total Member's Equity	571	691
Total Liabilities and Member's Equity	\$3,208	\$2,963
See accompanying notes to condensed consolidated financial statements.		

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

	Nine months ended September 30,	
	2014	2013
	(In millions)	
Cash Flows from Operating Activities		
Net income	\$98	\$25
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70	79
Amortization of debt premiums	(7	) (6
Amortization of out-of-market contracts and emission allowances	10	(6
Loss on disposals and sales of assets	6	5
Changes in derivative instruments	258	183
Changes in collateral deposits supporting energy risk management activities	(131	) 49
Changes in other working capital	49	(68
Net Cash Provided by Operating Activities	353	261
Cash Flows from Investing Activities		
Capital expenditures	(25	) (44
Decrease in note receivable — affiliate	(32	) (101
Purchase of emission allowances, net of proceeds	—	(14
Proceeds from sale of assets, net of cash disposed of	50	—
Net Cash Used by Investing Activities	(7	) (159
Cash Flows from Financing Activities		
Payments for short and long-term debt	—	(3
Capital contributions	37	37
Distributions to member	(320	) (160
Net Cash Used by Financing Activities	(283	) (126
Net Increase/(Decrease) in Cash and Cash Equivalents	63	(24
Cash and Cash Equivalents at Beginning of Period	63	148
Cash and Cash Equivalents at End of Period	\$126	\$124

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30, 2014		2013		Nine months ended September 30, 2014		2013	
	(In millions)							
Operating Revenues								
Operating revenues	\$46	\$19			\$(110)	)	\$25	
Operating revenues — affiliate	199	278			878		613	
Total operating revenues	245	297			768		638	
Operating Costs and Expenses								
Cost of operations	141	64			535		216	
Cost of operations — affiliate	25	112			26		245	
Depreciation and amortization	18	22			61		60	
Selling, general and administrative — affiliate	16	15			51		48	
Total operating costs and expenses	200	213			673		569	
Operating Income	45	84			95		69	
Other Expense								
Interest expense	—	(1	)	(1	)	(1))
Interest expense — affiliate	(1	)	(1	)	(3	)	(3)
Total other expense	(1	)	(2	)	(4	)	(4)
Income Before Income Taxes	44	82			91		65	
Income tax	—	—			—		—	
Net Income	\$44	\$82			\$91		\$65	

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2014 (unaudited) (In millions)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$129	\$64
Accounts receivable — trade	5	4
Accounts receivable — affiliate	—	35
Inventory	145	158
Derivative instruments	126	298
Derivative instruments — affiliate	59	53
Prepayments and other current assets	76	81
Total current assets	540	693
Property, plant and equipment, net of accumulated depreciation of \$138 and \$77	934	987
Other Assets		
Intangible assets, net of accumulated amortization of \$1 and \$0	10	11
Derivative instruments	16	60
Derivative instruments — affiliate	101	96
Other non-current assets	78	25
Total other assets	205	192
Total Assets	\$1,679	\$1,872
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$5	\$5
Accounts payable	17	16
Accounts payable — affiliate	8	—
Derivative instruments	5	—
Derivative instruments — affiliate	104	64
Accrued expenses and other current liabilities	60	49
Total current liabilities	199	134
Other Liabilities		
Long-term debt and capital leases	1	5
Derivative instruments — affiliate	18	9
Out-of-market contracts	553	575
Other non-current liabilities	59	71
Total non-current liabilities	631	660
Total Liabilities	830	794
Commitments and Contingencies		
Member's Equity		
Member's interest	849	1,078
Total Member's Equity	849	1,078
Total Liabilities and Member's Equity	\$1,679	\$1,872

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2014	2013
	(In millions)	
Cash Flows from Operating Activities		
Net income	\$91	\$65
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61	60
Amortization of out-of-market contracts and emission allowances	(12)	(8)
Loss on disposals and sales of assets	—	5
Changes in derivative instruments	259	181
Changes in collateral deposits supporting energy risk management activities	—	(14)
Changes in other working capital	(3)	(97)
Net Cash Provided by Operating Activities	396	192
Cash Flows from Investing Activities		
Capital expenditures	(11)	(38)
Net Cash Used by Investing Activities	(11)	(38)
Cash Flows from Financing Activities		
Payments for short and long-term debt	—	(3)
Distributions to member	(320)	(160)
Net Cash Used by Financing Activities	(320)	(163)
Net Increase/(Decrease) in Cash and Cash Equivalents	65	(9)
Cash and Cash Equivalents at Beginning of Period	64	135
Cash and Cash Equivalents at End of Period	\$129	\$126

See accompanying notes to condensed consolidated financial statements.

COMBINED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

GenOn Energy, Inc., a wholly owned subsidiary of NRG, is a wholesale power generator engaged in the ownership and operation of power generation facilities, with approximately 19,583 MW of net electric generating capacity located in the U.S.

GenOn Americas Generation is a wholesale power generator with approximately 7,596 MW of net electric generating capacity located, in many cases, near major metropolitan areas. GenOn Americas Generation's electric generating capacity is part of the 19,583 MW of net electric generating capacity of GenOn.

GenOn Mid-Atlantic operates and owns or leases 4,683 MW of net electric generating capacity in Maryland near Washington, D.C. GenOn Mid-Atlantic's electric generating capacity is part of the 7,596 MW of net electric generating capacity of GenOn Americas Generation. GenOn Mid-Atlantic's generating facilities serve the Eastern PJM markets.

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

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

On December 14, 2012, NRG completed the acquisition of GenOn, referred to herein as the NRG Merger.

This is a combined quarterly report of the Registrants for the quarter ended September 30, 2014. The notes to the condensed consolidated financial statements apply to the Registrants as indicated parenthetically next to each corresponding disclosure. The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Registrants' financial statements set forth in the Registrants' 2013 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Registrants' consolidated financial positions as of September 30, 2014, cash flows for the nine months ended September 30, 2014 and 2013 and the results of operations and comprehensive income/(loss) for the three and nine months ended September 30, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain prior year depreciation amounts have been recast to revise provisional purchase accounting estimates for the NRG Merger.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassification did not affect results from operations.

Note 2 — Summary of Significant Accounting Policies (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)
Impairment losses

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

Assets Held for Sale

During the three months ended September 30, 2014, GenOn entered into a separate agreement to sell its 50% interest in the Sabine Cogen, L.P. This transaction is expected to close in the fourth quarter of 2014. As a result, GenOn has classified the related assets as "held-for-sale" in the consolidated balance sheet as of September 30, 2014.

Recent Accounting Developments

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

ASU 2013-11 - In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, or ASU No. 2013-11. The amendments of ASU No. 2013-11, which were adopted on January 1, 2014, require an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction of a deferred tax asset for a net operating loss, or NOL, a similar tax loss or tax credit carryforward rather than a liability when the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and the entity intends to use the deferred tax asset for that purpose. The adoption of this standard did not impact the Registrants' results of operations or cash flows.

Note 3 — Fair Value of Financial Instruments (GenOn, GenOn Americas Generation and GenOn Mid-Atlantic)

This footnote should be read in conjunction with the complete description under Note 4, Fair Value of Financial Instruments, to the Registrants' 2013 Form 10-K.

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

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

As of September 30, 2014		As of December 31, 2013	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In millions)			

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Long and short-term debt	\$3,117	\$2,828	\$3,120	\$3,058
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The fair value of long and short-term debt that is estimated using reported market prices for instruments that are publicly traded is classified as Level 2 within the fair value hierarchy.

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GenOn Americas Generation

	As of September 30, 2014		As of December 31, 2013	
	Carrying Amount (In millions)	Fair Value	Carrying Amount	Fair Value
Long and short-term debt	\$931	\$786	\$938	\$883

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

Recurring Fair Value Measurements

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

GenOn

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

	As of September 30, 2014			
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$116	\$482	\$16	\$614
Derivative liabilities:				
Commodity contracts	\$23	\$408	\$36	\$467
Other assets ^(b)	\$21	\$—	\$—	\$21

(a) There were no transfers during the three and nine months ended September 30, 2014 between Levels 1 and 2.

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

	As of December 31, 2013			
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	\$141	\$507	\$3	\$651
Derivative liabilities:				
Commodity contracts	\$25	\$149	\$7	\$181
Other assets ^(b)	\$37	\$—	\$—	\$37

(a) There were no transfers during the year ended December 31, 2013 between Levels 1 and 2.

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

The following tables reconcile, for the three and nine months ended September 30, 2014 and 2013, the beginning and ending balances for derivatives that are recognized at fair value in GenOn's consolidated financial statements at least annually using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Derivatives ^(a)		Derivatives ^(a)	
	(In millions)			
Beginning balance	\$ (44	) \$ 3	\$ (4	) \$ 17
Total gains/(losses) included in earnings — realized/unrealized	1	1	3	(15)
Purchases	22	1	(19	) 3
Transfers into Level 3 ^(b)	1	—	—	—
Ending balance	\$ (20	) \$ 5	\$ (20	) \$ 5
(Losses)/gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of September 30	\$ —	\$ —	\$ (1	) \$ 1

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

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

GenOn Americas Generation

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

	As of September 30, 2014			Total
	Fair Value			
	Level 1 ^(a)	Level 2 ^(a)	Level 3	
	(In millions)			
Derivative assets:				
Commodity contracts	\$ 123	\$ 786	\$ 31	\$ 940
Derivative liabilities:				