

GenOn Energy, Inc.  
Form 10-Q  
May 15, 2018

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: March 31, 2018

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)  
76-0655566 (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

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

804 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

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

Edgar Filing: GenOn Energy, Inc. - Form 10-Q

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

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

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the Registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

GenOn Energy, Inc.   
 GenOn Americas Generation, LLC

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

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.

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

TABLE OF CONTENTS	
<u>CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION</u>	<u>2</u>
<u>GLOSSARY OF TERMS</u>	<u>4</u>
<u>PART I — FINANCIAL INFORMATION</u>	<u>7</u>
<u>Item 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES</u>	<u>7</u>
<u>Item 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>47</u>
<u>Item 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>70</u>
<u>Item 4 — CONTROLS AND PROCEDURES</u>	<u>71</u>
<u>PART II — OTHER INFORMATION</u>	<u>72</u>
<u>Item 1 — LEGAL PROCEEDINGS</u>	<u>72</u>
<u>Item 1A — RISK FACTORS</u>	<u>72</u>
<u>Item 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>72</u>
<u>Item 3 — DEFAULTS UPON SENIOR SECURITIES</u>	<u>72</u>
<u>Item 4 — MINE SAFETY DISCLOSURES</u>	<u>72</u>
<u>Item 5 — OTHER INFORMATION</u>	<u>72</u>
<u>Item 6 — EXHIBITS</u>	<u>73</u>
<u>SIGNATURES</u>	<u>74</u>

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

(GenOn and GenOn Americas Generation)

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believe," "project," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Registrants' actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A - Risk Factors, in Part I of the Registrants' Annual Report on Form 10-K for the year ended December 31, 2017, under Item 1A - Risk Factors, in Part II, Item 1A herein, and the following:

The ability of GenOn, GenOn Americas Generation and certain of their directly and indirectly-owned subsidiaries to consummate one or more plans of reorganization with respect to the Chapter 11 Cases, and to consummate the transactions contemplated by the Restructuring Support Agreement, including the ability of GenOn to successfully operate following any reorganization;

• The existence and duration of the Chapter 11 Cases, and the impact of orders and decisions of the Bankruptcy Court;

• The willingness of counterparties to transact with the Registrants during the Chapter 11 cases;

• The Registrants' ability to successfully engage in disposition activities;

• GenOn's and certain of its subsidiaries' ability to continue as a going concern;

• The Registrants' ability to attract and retain skilled people, with the necessary applicable experience, particularly during the pendency of the Chapter 11 Cases;

• General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;

• Volatile power supply costs and demand for power;

• Changes in law, including judicial decisions;

• Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that the Registrants may not have adequate insurance to cover losses as a result of such hazards;

• The effectiveness of the Registrants' risk management policies and procedures, and the ability of the Registrants' counterparties to satisfy their financial commitments;

• Counterparties' collateral demands and other factors affecting the Registrants' liquidity position and financial condition;

• The Registrants' ability to 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;

• The Registrants' ability to find market participants that are willing to act as hedging counterparties;

• 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;

• Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate the Registrants' generation units for all of their costs;

• The Registrants' ability to mitigate forced outage risk for units subject to capacity performance requirements in PJM and performance incentives in ISO-NE;

• Operating and financial restrictions placed on the Registrants and their subsidiaries that are contained in the indentures governing GenOn's outstanding notes, and in debt and other agreements of certain of the Registrants'

subsidiaries and project affiliates generally;

• The Registrants' ability to implement their strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources while taking advantage of business opportunities;

2

---

The Registrants' ability to implement their strategy of increasing the return on invested capital through operational performance improvements and a range of initiatives at plants and corporate offices to reduce costs or generate revenues; and

•The Registrants' ability to develop and maintain successful partnering relationships.

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

GLOSSARY OF TERMS

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

2017 Form 10-K	The Registrants' Annual Report on Form 10-K for the year ended December 31, 2017
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASU	Accounting Standards Updates, which reflect updates to the ASC
Average realized power prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
Bankruptcy Code	Chapter 11 of Title 11 of the United States Bankruptcy Code
Bankruptcy Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
BRA	Base Residual Auction
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
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
CES	Clean Energy Standard
CFTC	U.S. Commodity Futures Trading Commission
Chapter 11 Cases	Voluntary cases commenced by the GenOn Entities under the Bankruptcy Code in the Bankruptcy Court
CSAPR	Cross-State Air Pollution Rule
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Debt Documents	GenOn's Intercompany Revolver with NRG; the indenture governing the GenOn 7.875% Senior Notes due 2017 (as amended or supplemented from time to time); the indenture governing the GenOn 9.500% Notes due 2018 (as amended or supplemented from time to time); the indenture governing the GenOn 9.875% Notes due 2020 (as amended or supplemented from time to time); the indenture governing the GenOn Americas Generation 8.50% Senior Notes due 2021 (as amended or supplemented from time to time); and the indenture governing the GenOn Americas Generation 9.125% Senior Notes due 2031 (as amended or supplemented from time to time)
Economic gross margin	Sum of energy revenue, capacity revenue and other revenue, less cost of fuels and other cost of sales
EPA	United States Environmental Protection Agency
EPSA	Electric Power Supply Association
ESPS	Existing Source Performance Standards
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
FTRs	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the U.S.
GenMA Settlement	The settlement terms finalized and effective as of April 27, 2018 among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders as part of the Bankruptcy Court approval of the Plan
GenOn	GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Americas	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries

Generation

GenOn

Americas

Generation

Senior Notes

GenOn Energy

Holdings

GenOn Americas Generation's \$395 million outstanding unsecured senior notes consisting of \$208 million of 8.50% senior notes due 2021 and \$187 million of 9.125% senior notes due 2031 as of 3/31/2018

GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries

4

---



Edgar Filing: GenOn Energy, Inc. - Form 10-Q

GenOn Energy Management	GenOn Energy Management, LLC, a wholly owned subsidiary of GenOn Americas Generation, LLC
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, including GenOn Americas Generation, that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court on June 14, 2017
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generation stations under operating leases
GenOn Senior Notes	GenOn's \$1.8 billion outstanding unsecured senior notes consisting of \$691 million of 7.875% senior notes due 2017, \$649 million of 9.5% senior notes due 2018, and \$490 million of 9.875% senior notes due 2020
GHG	Greenhouse Gases
ICE	Intercontinental Exchange
IPA	Illinois Power Agency
ISO	Independent System Operator, also referred to as RTO
ISO-NE	ISO New England Inc.
MC Asset Recovery	MC Asset Recovery, LLC
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
MOPR	Minimum Offer Price Rule
Mothballed	The unit has been removed from service and is unavailable for service, but has been laid up in a manner such that it can be brought back into service with an appropriate amount of notification, typically weeks or months
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
Natixis	Natixis Funding Corp.
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to GenOn and GenOn Americas Generation, as applicable, net of collateral
NOL	Net Operating Loss
NO <sub>x</sub>	Nitrogen Oxides
NPDES	National Pollution Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRG	NRG Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
NRG Americas	NRG Americas, Inc. (formerly known as GenOn Americas Generation, Inc.)
NRG Merger	The merger completed on December 14, 2012, whereby GenOn became a wholly owned subsidiary of NRG
NSPS	New Source Performance Standards
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
NYSPSC	New York State Public Service Commission
Petition Date	June 14, 2017

PJM  
Plan

PJM Interconnection, LLC

Joint Chapter 11 Plan of Reorganization of the GenOn Entities filed on June 29, 2017 and as amended on September 18, 2017, October 2, 2017 and December 12, 2017

5

---

RCRA	Resource Conservation and Recovery Act of 1976
Registrants	GenOn and GenOn Americas Generation, collectively
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)
Restructuring Support Agreement	Restructuring Support and Lock-Up Agreement, dated as of June 12, 2017 and as amended by the first amendment thereto on October 2, 2017, by and among GenOn Energy, Inc., GenOn Americas Generation, LLC, the subsidiaries signatory thereto, NRG Energy, Inc. and the noteholders signatory thereto
RGGI	Regional Greenhouse Gas Initiative
RPM	Reliability Pricing Model
RTO	Regional Transmission Organization
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Services Agreement	NRG provides GenOn with various management, personnel and other services, which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management, as set forth in the transition services agreement, formerly the services agreement, with GenOn
Settlement Agreement	A settlement agreement and any other documents necessary to effectuate the settlement among NRG, GenOn, and certain holders of senior unsecured notes of GenOn Americas Generation and GenOn, and certain of GenOn's direct and indirect subsidiaries
SO <sub>2</sub>	Sulfur Dioxide
U.S.	United States of America

## PART I - FINANCIAL INFORMATION

## ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31, 2018 2017 (In millions)	
Operating Revenues		
Operating revenues	\$573	\$329
Operating revenues — affiliate	—	52
Total operating revenues	573	381
Operating Costs and Expenses		
Cost of operations	246	202
Cost of operations — affiliate	90	71
Depreciation and amortization	37	43
General and administrative	12	13
General and administrative — affiliate	19	46
Restructuring and transition-related costs	23	—
Total operating costs and expenses	427	375
Operating Income	146	6
Other Income/(Expense)		
Other income, net	6	5
Interest expense	(3 )	(44 )
Interest expense — affiliate	(3 )	(3 )
Total other expense	—	(42 )
Income/(Loss) Before Reorganization Items and Income Taxes	146	(36 )
Reorganization items	(33 )	—
Income/(Loss) Before Income Taxes	113	(36 )
Income tax expense	—	1
Net Income/(Loss)	\$113	\$(37 )

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

	Three months ended March 31, 2018 2017 (In millions)	
Net Income/(Loss)	\$113	\$(37)
Other Comprehensive Income, net of tax of \$0:		
Defined benefit plans	3	1
Other comprehensive income	3	1
Comprehensive Income/(Loss)	\$116	\$(36)

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES  
(Debtor-In-Possession)  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (unaudited) (In millions)	December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$687	\$ 837
Restricted cash	1	1
Accounts receivable	86	122
Inventory	259	338
Derivative instruments	22	14
Derivative instruments — affiliate	1	1
Cash collateral posted in support of energy risk management activities	63	57
Cash collateral posted in support of energy risk management activities — affiliate	28	32
Current assets held-for-sale	29	—
Prepaid rent and other current assets	148	152
<b>Total current assets</b>	<b>1,324</b>	<b>1,554</b>
Property, plant and equipment, net	1,626	2,217
<b>Other Assets</b>		
Intangible assets, net	17	23
Derivative instruments	4	3
Derivative instruments — affiliate	—	1
Long-term deposits	130	130
Prepaid rent — non-current	324	341
Non-current assets held-for-sale	559	—
Other non-current assets	133	135
<b>Total other assets</b>	<b>1,167</b>	<b>633</b>
<b>Total Assets</b>	<b>\$4,117</b>	<b>\$ 4,404</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt and capital leases	\$1	\$ 1
Current portion of long-term debt — affiliate	125	125
Accounts payable	95	105
Accounts payable — affiliate	10	36
Derivative instruments	16	22
Derivative instruments — affiliate	5	7
Current liabilities held-for-sale	6	—
Accrued expenses and other current liabilities	104	133
<b>Total current liabilities</b>	<b>362</b>	<b>429</b>
Liabilities Subject to Compromise	2,479	2,840
<b>Other Liabilities</b>		
Long-term debt and capital leases	39	39
Derivative instruments — affiliate	3	3
Out-of-market contracts	603	734
Non-current liabilities held-for-sale	166	—

Edgar Filing: GenOn Energy, Inc. - Form 10-Q

Other non-current liabilities	274	284
Total non-current liabilities	1,085	1,060
Total Liabilities	3,926	4,329
Commitments and Contingencies		
Stockholder's Equity		
Common stock: \$0.001 par value, 1 share authorized and issued at March 31, 2018 and December 31, 2017	—	—
Additional paid-in capital	338	338
Accumulated deficit	(138)	