

GenOn Energy, Inc.  
Form 10-K  
March 30, 2018

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
x For the Fiscal Year ended December 31, 2017.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
o OF 1934

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

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)

804 Carnegie Center, Princeton, New Jersey 08540  
(Address of principal executive offices) (Zip Code)  
(609) 524-4500

(Registrants' telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:  
None  
Securities registered pursuant to Section 12(g) of the Act:  
None

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

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

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

GenOn Energy, Inc.  Yes  No  
GenOn Americas Generation, LLC  Yes  No

GenOn Mid-Atlantic, LLC

Yes  No

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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="checkbox"/> | <input type="radio"/>     | <input type="radio"/>   |
| GenOn Americas Generation, LLC | <input type="radio"/>   | <input type="radio"/> | <input checked="" type="checkbox"/> | <input type="radio"/>     | <input type="radio"/>   |
| GenOn Mid-Atlantic, LLC        | <input type="radio"/>   | <input type="radio"/> | <input checked="" type="checkbox"/> | <input type="radio"/>     | <input type="radio"/>   |

If an emerging growth company, indicate by check mark if the registrant has 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.

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

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

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

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

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

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

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

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TABLE OF CONTENTS

|  |            |
|--|------------|
| <u>Glossary of Terms</u>   | <u>2</u>   |
| <u>PART I</u>  | <u>6</u>   |
| <u>Item 1 — Business</u>   | <u>6</u>   |
| <u>Item 1A — Risk Factors Related to the Registrants</u>   | <u>14</u>  |
| <u>Item 1B — Unresolved Staff Comments</u>   | <u>28</u>  |
| <u>Item 2 — Properties</u>   | <u>29</u>  |
| <u>Item 3 — Legal Proceedings</u>  | <u>30</u>  |
| <u>Item 4 — Mine Safety Disclosures</u>  | <u>30</u>  |
| <u>PART II</u>   | <u>31</u>  |
| <u>Item 5 — Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>31</u>  |
| <u>Item 6 — Selected Financial Data</u>  | <u>32</u>  |
| <u>Item 7 — Management's Narrative Analysis of the Results of Operations and Financial Condition</u>                         | <u>34</u>  |
| <u>Item 7A — Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>76</u>  |
| <u>Item 8 — Financial Statements and Supplementary Data</u>  | <u>77</u>  |
| <u>Item 9 — Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>                         | <u>78</u>  |
| <u>Item 9A — Controls and Procedures</u>   | <u>78</u>  |
| <u>Item 9B — Other Information</u>   | <u>78</u>  |
| <u>PART III</u>  | <u>79</u>  |
| <u>Item 10 — Directors, Executive Officers and Corporate Governance</u>  | <u>79</u>  |
| <u>Item 11 — Executive Compensation</u>  | <u>84</u>  |
| <u>Item 12 — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | <u>93</u>  |
| <u>Item 13 — Certain Relationships and Related Transactions, and Director Independence</u>                                   | <u>94</u>  |
| <u>Item 14 — Principal Accounting Fees and Services</u>  | <u>96</u>  |
| <u>PART IV</u>   | <u>97</u>  |
| <u>Item 15 — Exhibits, Financial Statement Schedules</u>   | <u>97</u>  |
| <u>EXHIBIT INDEX</u>   | <u>194</u> |

Glossary of Terms

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

|                         |  |
|-------------------------|--|
| ARO                     | Asset Retirement Obligation  |
| ASC                     | The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP   |
| ASU                     | Accounting Standards Updates, which reflects updates to the ASC  |
| Average realized 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  |
| Baseload                | Units expected to satisfy minimum baseload requirements of the system and produce electricity at an essentially constant rate and run continuously   |
| CAIR                    | Clean Air Interstate Rule  |
| CAISO                   | California Independent System Operator   |
| CCGT                    | Combined Cycle Gas Turbine   |
| CenterPoint             | CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries, prior to August 31, 2002   |
| 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  |
| CO <sub>2</sub>         | Carbon Dioxide   |
| CPP                     | Clean Power Plan   |
| CPUC                    | California Public Utilities Commission   |
| CSAPR                   | Cross-State Air Pollution Rule   |
| CWA                     | Clean Water Act  |
| D.C. Circuit            | U.S. Court of Appeals for the District of Columbia Circuit   |
| Deactivation            | Includes retirement, mothballing and long-term protective layup. In each instance, the deactivated unit cannot be currently called upon to generate electricity.   |
| 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) |
| Dodd-Frank Act          | Dodd-Frank Wall Street Reform and Consumer Protection Act  |
| Economic gross margin   | Sum of energy revenue, capacity revenue and other revenue, less cost of sales and other cost of sales  |
| EGU                     | Electric Generating Unit   |
| ELG                     | Effluent Limitations Guidelines  |
| EMAAC                   | Eastern Mid-Atlantic Area Council  |
| EPA                     | United States Environmental Protection Agency  |
| EPC                     | Engineering, Procurement and Construction  |

EPSA The Electric Power Supply Association  
ERISA The Employee Retirement Income Security Act of 1974  
ESPS Existing Source Performance Standards  
Exchange Act The Securities Exchange Act of 1934, as amended  
FASB Financial Accounting Standards Board  
FCM Forward Capacity Market

2

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|--|--|
| FERC                                   | Federal Energy Regulatory Commission   |
| FGD                                    | Flue gas desulfurization   |
| FTRs                                   | Financial Transmission Rights  |
| FPA                                    | Federal Power Act  |
| GAAP                                   | Accounting principles generally accepted in the U.S.   |
| GenMA Settlement                       | The settlement terms agreed to 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 Generation              | GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries   |
| GenOn Americas Generation Senior Notes | GenOn Americas Generation's \$695 million outstanding unsecured senior notes consisting of \$366 million of 8.50% senior notes due 2021 and \$329 million of 9.125% senior notes due 2031 as of December 31, 2017      |
| GenOn Energy Holdings                  | GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries  |
| 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 Plans                            | Collectively, the NRG GenOn LTIP, The GenOn Energy, Inc. 2002 Long-Term Incentive Plan, the GenOn Energy, Inc. 2002 Stock Plan and the Mirant Corporation 2005 Omnibus Incentive Compensation Plan                     |
| 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 9.500% senior notes due 2018, and \$490 million of 9.875% senior notes due 2020 |
| GHG                                    | Greenhouse Gas   |
| Governance Committee                   | The Governance Committee of the board of directors of GenOn  |
| GW                                     | Gigawatt   |
| HAPs                                   | Hazardous Air Pollutant  |
| IASB                                   | International Accounting Standards Board   |
| ICAP                                   | New York Installed Capacity  |
| ICE                                    | Intercontinental Exchange  |
| IFRS                                   | International Financial Reporting Standards  |
| IPA                                    | Illinois Power Authority   |
| IRC                                    | Internal Revenue Code of 1986, as amended  |
| IRC §                                  | IRC Section  |
| ISO                                    | Independent System Operator, also referred to as RTO   |
| ISO-NE                                 | ISO New England Inc.   |
| kWh                                    | Kilowatt-hour  |
| LIBOR                                  | London Inter-bank Offered Rate   |
| LTSA                                   | Long Term Service Agreement  |
| MAAC                                   | Mid-Atlantic Area Council  |
| MATS                                   | Mercury and Air Toxics Standards promulgated by the EPA  |
| MC Asset Recovery                      | MC Asset Recovery, LLC   |



MDE  
Merit Order  
Mirant

Maryland Department of the Environment  
A term used for the ranking of power stations in order of ascending marginal cost  
GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where  
the context indicates otherwise, its subsidiaries

3

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|                   |   |
|-------------------|---|
| 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 hour net of internal/parasitic load megawatt-hour   |
| NAAQS             | National Ambient Air Quality Standards  |
| Natixis           | Natixis Funding Corp.   |
| NEPGA             | New England Power Generators Association  |
| NAAQS             | National Ambient Air Quality Standards  |
| Net Exposure      | Counterparty credit exposure to GenOn, GenOn Americas Generation or GenOn Mid-Atlantic, as applicable, net of collateral  |
| Net Generation    | The net amount of electricity produced, expressed in kWhs or MWhs, that is the total amount of electricity generated (gross) minus the amount of electricity used during generation.  |
| NERC              | North American Electric Reliability Corporation   |
| NOL               | Net Operating Loss  |
| NOV               | Notice of Violation   |
| 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, Inc.)   |
| NRG GenOn LTIP    | NRG 2010 Stock Plan for GenOn employees   |
| 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  |
| OCI               | Other Comprehensive Income/(Loss)   |
| Peaking           | Units expected to satisfy demand requirements during the periods of greatest or peak load on the system   |
| PER               | Peak Energy Rate  |
| Petition Date     | June 14, 2017   |
| PJM               | PJM Interconnection, LLC  |
| Plan              | 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  |
| PPM               | Parts Per Million   |
| PUCO              | Public Utility Commission of Ohio   |
| PUHCA             | Public Utility Holding Company Act of 2005  |
| PURPA             | Public Utility Regulatory Policies Act of 1978  |

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RCRA Resource Conservation and Recovery Act of 1976  
Registrants GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, collectively  
REMA NRG REMA LLC (formerly known as GenOn REMA, LLC)

4

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|                                 |   |
|---------------------------------|---|
| Repowering                      | Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emission reduction, but also to increase facility capacity, and improve system efficiency   |
| 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  |
| RMR                             | Reliability Must-Run  |
| RRI Energy                      | RRI Energy, Inc.  |
| RTO                             | Regional Transmission Organization  |
| SCR                             | Selective Catalytic Reduction   |
| 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   |
| Seward                          | The Seward generation station, a 525 MW coal-fired facility in Pennsylvania   |
| Shelby                          | The Shelby County generation station, a 352 MW natural gas-fired facility in Illinois   |
| SO <sub>2</sub>                 | Sulfur Dioxide  |
| Tax Act                         | The Tax Cut and Jobs Act of 2017  |
| U.S.                            | United States of America  |

## PART I

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

## General

The Registrants are wholesale power generation subsidiaries of NRG, which is a competitive power company that produces, sells and delivers electricity and related services, primarily in major competitive power markets in the U.S. GenOn is an indirect wholly owned subsidiary of NRG. GenOn was incorporated as a Delaware corporation on August 9, 2000, under the name Reliant Energy Unregco, Inc. GenOn Americas Generation and GenOn Mid-Atlantic are indirect wholly owned subsidiaries of GenOn. GenOn Americas Generation was formed as a Delaware limited liability company on November 1, 2001, under the name Mirant Americas Generation, LLC. GenOn Mid-Atlantic was formed as a Delaware limited liability company on July 12, 2000, under the name Southern Energy Mid-Atlantic, LLC. GenOn Mid-Atlantic is a wholly-owned subsidiary of NRG North America and an indirect wholly owned subsidiary of GenOn Americas Generation. The Registrants are engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services.

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

The following table summarizes the generation portfolio as of December 31, 2017, by Registrant:

| Generation Type                     | (In MW) <sup>(a)</sup> |                           |                    |
|-------------------------------------|------------------------|---------------------------|--------------------|
|                                     | GenOn                  | GenOn Americas Generation | GenOn Mid-Atlantic |
| Natural gas <sup>(b)(c)(d)(e)</sup> | 9,348                  | 3,011                     | 1,864              |
| Coal                                | 4,199                  | 2,433                     | 2,433              |
| Oil                                 | 1,847                  | 1,434                     | 308                |
| Total generation capacity           | 15,394                 | 6,878                     | 4,605              |

MW figures provided represent nominal summer net MW capacity of power generated as adjusted for the Registrants' owned or leased interest excluding capacity from inactive/mothballed units. MW for GenOn Americas Generation are included within GenOn and MW for GenOn Mid-Atlantic are included within GenOn Americas Generation.

GenOn's natural gas generation portfolio excludes 1,029 MW related to Pittsburg generation station, a natural gas-fired facility located in California, which was deactivated by GenOn Americas Generation on January 1, 2017, as a result of notification received during 2016 that its bid for a resource adequacy contract for 2017 with Pacific Gas & Electric was not accepted.

GenOn's natural gas generation portfolio includes 275 MW related to Choctaw Unit 1 which was in forced outage but returned to service on November 30, 2017.

On February 28, 2018, GenOn notified the CPUC and CAISO of its intent to retire Etiwanda by June 1, 2018, Ormond Beach by October 1, 2018 and Ellwood by January 1, 2019, collectively 2,210 MW.

GenOn retired Mandalay in February 2018, representing 560 MW.

## GenOn Chapter 11 Cases

On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, or the Chapter 11 Cases. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA, and certain other subsidiaries, did not file for relief under Chapter 11.

The GenOn Entities remain in possession of their property and continue their business operations in the ordinary course uninterrupted as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. See Item 15 — Note 3, Chapter

11 Cases for more information on the Chapter 11 Cases.

On June 29, 2017, the GenOn Entities filed the Plan and the Disclosure Statement with the Bankruptcy Court consistent with the Restructuring Support Agreement. On September 18, 2017 and October 2, 2017, the GenOn Entities filed amendments to the Plan and the Disclosure Statement, which primarily provided the GenOn Entities with the flexibility to complete sales of certain assets pursuant to the Plan, as amended, and removed the GenOn Entities' requirement to conduct a rights offering in connection with the GenOn Entities' exit financing. On or about October 6, 2017, the Debtors commenced solicitation of the Plan.

6

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On October 31, 2017, the GenOn Entities announced that they entered into a Consent Agreement with certain holders of GenOn's Senior Notes and GenOn Americas Generation's Senior Notes, collectively, the Consenting Holders, whereby the GenOn Entities and the Consenting Holders agreed to extend the milestones in the Restructuring Support Agreement, by which the Plan must become effective, or the Effective Date. Specifically, the Consent Agreement extends the Effective Date milestone to June 30, 2018 or September 30, 2018, if regulatory approvals are still pending, or the Extended Effective Dates.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan, and effective December 12, 2017, GenOn and NRG entered into agreements concerning (i) timeline and transition, (ii) cooperation and co-development matters, (iii) post-employment and retiree health and welfare benefits and pension benefits, (iv) tax matters, and (v) intercompany balances and releases, consistent with the Restructuring Support Agreement, which among other things, provide for the transition of GenOn to a standalone enterprise, the resolution of substantial intercompany claims between GenOn and NRG, and the allocation of certain costs and liabilities between GenOn and NRG. On December 12, 2017, the Bankruptcy Court also entered an order giving effect to the Consent Agreement.

The Bankruptcy Court order confirming the Plan also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The GenMA Settlement remains subject to definitive documentation.

Certain terms of the compromise as reached by the GenMA Settlement parties are as follows, as qualified by the full settlement framework on file with the Bankruptcy Court:

- settlement of all pending litigation and objections to the Plan (including with respect to releases and feasibility);
- GenOn will provide a \$55.0 million one-year 15% senior secured bridge facility;
- cash redemption or purchase of certain outstanding lessor notes/pass-through certificates, funded by (i) GenOn Mid-Atlantic cash on hand; (ii) proceeds from a J.P. Morgan letter of credit draw; (iii) the \$55.0 million bridge facility provided by GenOn; (iv) a \$20.0 million cash contribution by GenOn; and (v) proceeds from the Natixis letter of credit facility;
- the option to defer certain equity rent and shared services to support GenOn Mid-Atlantic's liquidity;
- GenOn and NRG will provide \$57.5 million of new qualifying credit support to GenOn Mid-Atlantic, consisting of:
  - \$20.0 million cash contribution by GenOn; and
  - \$37.5 million in letters of credit from NRG.

- GenOn will retain \$125.0 million from the pre-petition transfer from GenOn Mid-Atlantic and all proceeds of NRG's settlement payment of approximately \$261.3 million to GenOn to fully settle the disputes existing between such parties and their respective affiliates (subject to setoff of approximately \$125.0 million in NRG claims against GenOn under the parties' Intercompany Revolver), or the NRG Settlement Payment;
- debt and lien covenants will permit a secured working capital facility in an amount not to exceed \$75.0 million, which GenOn Mid-Atlantic will use commercially reasonable efforts to obtain; and
- GenOn Mid-Atlantic will have one independent director appointed by the Owner Lessor Plaintiffs (as defined in the Plan).

The terms of the GenMA Settlement are subject to further negotiations between the parties and the consummation of the GenMA Settlement on any terms is subject to certain conditions and may not be consummated on the terms as currently contemplated or at all. To the extent the GenMA Settlement is not consummated, GenOn Mid-Atlantic will retain the right to opt out of the releases given to each other releasing party prior to the Effective Date.

#### Liquidity and Ability to Continue as a Going Concern

As described above, GenOn and GenOn Americas Generation submitted the Plan in connection with the Chapter 11 Cases and the Bankruptcy Court entered an order confirming the Plan. There is no assurance that all conditions precedent to the effectiveness of the Plan will be satisfied. GenOn's and GenOn Americas Generation's ability to continue as going concerns is dependent on many factors, including the consummation of the Plan in a timely manner, and GenOn's and GenOn Americas Generation's ability to achieve profitability following emergence from bankruptcy.

Given the uncertainty as to the outcome of these factors, there is substantial doubt about GenOn's and GenOn Americas Generation's ability to continue as going concerns.

With respect to GenOn Mid-Atlantic, a consolidated subsidiary of GenOn, management has determined that while it has sufficient cash on hand to fund current obligations including operating lease payments due under the GenOn Mid-Atlantic operating leases as of December 31, 2017, the potential significant adverse impact of financial stresses at GenOn Mid-Atlantic's parent companies and, to a lesser extent, any adverse impact resulting from the notification by GenOn Mid-Atlantic's lessors alleging the existence of certain lease events of default as further described in Item 15 — Note 10, Debt and Capital Leases has caused there to be substantial doubt about GenOn Mid-Atlantic's ability to continue as a going concern.

7

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### Seasonality and Price Volatility

Annual and quarterly operating results of the Registrants' wholesale power generation segments can be significantly affected by weather and energy commodity price volatility. Significant other events, such as the demand for natural gas, interruptions in fuel supply infrastructure and relative levels of hydroelectric capacity, can increase seasonal fuel and power price volatility. The preceding factors related to seasonality and price volatility are fairly uniform across the Registrants' wholesale generation business.

### Significant Events

#### GenOn Chapter 11 Bankruptcy Filing

On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, as discussed in more detail including related matters in Item 15 — Note 1, Nature of Business, Note 3, Chapter 11 Cases, and Note 14, Related Party Transactions.

#### Tax Act

As of December 31, 2017, as a result of the Tax Act, GenOn, GenOn Americas Generation and GenOn Mid-Atlantic reduced their deferred tax assets by \$766 million, \$314 million and \$266 million, respectively. The impact of the reduction in deferred tax assets is fully offset by valuation allowances for corresponding amounts, resulting in no net impact to the tax expense for 2017. While the Registrants have not yet completed their assessment of the effects of the Tax Act, reasonable estimates for the impact of the items specified above were able to be determined.

#### Impairments and Asset Sales

During 2017, GenOn recorded impairment losses of \$274 million related to various facilities, which included \$220 million within both GenOn Americas Generation and GenOn Mid-Atlantic. The impairment losses are discussed in more detail in Item 15 — Note 9, Impairments.

On February 22, 2018, subsidiaries of GenOn entered into an agreement to sell the Hunterstown generation station, an 810 MW natural gas facility in Gettysburg, Pennsylvania, for cash consideration of \$498 million, subject to working capital adjustments which are expected to be approximately \$22 million. The transaction is expected to close in the second quarter of 2018 and is subject to various customary closing conditions, approvals and consents.

On March 22, 2018, subsidiaries of GenOn entered into an agreement to sell the Canal Units 1 and 2 electricity generating facilities with a combined 1,112 MW capacity in Sandwich, Massachusetts, for cash consideration of \$320 million. The closing purchase price is subject to working capital adjustments (including a downward adjustment for distributions or dividends made after June 30, 2018) and upward adjustment of \$13.5 million if a concurrent transaction for the sale of the Canal 3 project does not close between those parties due to a debt financing failure. The transaction is expected to close early in the third quarter of 2018 and is subject to various customary closing conditions, approvals and consents.

In December 2017, GenOn made a one-time payment to NRG of \$15 million as compensation for being granted a purchase option and a rejection option with respect to the Canal 3 project. NRG is expected to reimburse GenOn \$13.5 million when and if NRG closes the agreed upon sale of the Canal 3 project to an affiliate of the third party purchaser in the Canal Units 1 and 2 transaction. On March 22, 2018, an affiliate of the Canal Units 1 and 2 purchaser entered into an agreement to purchase Canal 3 directly from an affiliate of NRG. GenOn elected to allow the rejection option to expire unexercised and has agreed to not exercise the purchase option.

#### Financing Activities

On February 1, 2018, pursuant to the confirmation of the Plan, the GenOn Entities elected to make a partial payment in the amount of \$300 million, consisting of \$158 million and \$142 million to be applied to the outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively.

#### Operational Matters

GenOn Americas Generation deactivated the Pittsburg generation station, a 1,029 MW natural gas-fired facility located in California, on January 1, 2017.



GenOn, through its subsidiary, NRG California South LP, owns and operates the Mandalay generation station, Units 1, 2 and 3 (“Mandalay”) located in Oxnard, California. On October 19, 2017, NRG California South LP provided notice to the CPUC and the CAISO of its intent to shut down and retire Mandalay by December 31, 2017. Mandalay was retired in February 2018.

On February 28, 2018, GenOn, through its subsidiary, NRG California South LP, provided additional notices to the CPUC and the CAISO of its intent to shut down and retire the Etiwanda generation station by June 1, 2018, the Ormond Beach generation station by October 1, 2018, and the Ellwood generation station by January 1, 2019.

#### Competition

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

#### Competitive Strengths

The Registrants’ power generation assets are diversified by fuel-type, dispatch level and region, which helps mitigate the risks associated with fuel price volatility and market demand cycles. The Registrants’ baseload and intermediate facilities provide each with a significant source of cash flow, while the peaking facilities provide the Registrants with opportunities to capture significant upside potential that can arise from time to time during periods of high demand. Many of the Registrants’ generation assets are located within densely populated areas, which tend to have higher wholesale pricing as a result of relatively favorable local supply-demand balance. The Registrants have generation assets located in or near major metropolitan areas. These facilities, some of which are aging, are often ideally situated for repowering or the addition of new capacity because their location and existing infrastructure provide significant advantages over undeveloped sites.

#### Regulatory Matters

As owners of power plants and participants in wholesale energy markets, certain of the Registrants’ subsidiaries are subject to regulation by various federal and state government agencies. These include the CFTC and FERC, as well as other public utility commissions in certain states where the Registrants’ generating assets are located. In addition, the Registrants are subject to the market rules, procedures and protocols of the various ISO markets in which they participate. The Registrants must also comply with the mandatory reliability requirements imposed by NERC and the regional reliability entities in the regions where they operate.

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

**Minimum Offer Price Rule Exemption Appeal** — On July 7, 2017, the D.C. Circuit vacated a FERC order from 2013 related to an exemption to the Minimum Offer Price Rule, or MOPR, and remanded the issue back to FERC. On October 23, 2017, PJM re-filed its initial 2012 MOPR. On December 8, 2017, FERC rejected PJM’s filing and directed PJM to submit a compliance filing reinstating the MOPR in effect prior to PJM’s December 2012 filing. PJM submitted a compliance filing modifying certain PJM tariff sections, retaining the unit-specific exception, which FERC has accepted.

**2020/2021 PJM Auction Results** — On May 23, 2017, PJM announced the results of its 2020/2021 base residual auction.

The tables below provide a detailed description of the Registrants' base residual auction results:

GenOn:

Capacity Performance Product

| Zone  | Cleared Capacity (MW) | Price (\$/MW-day) | Expected capacity revenues |
|-------|-----------------------|-------------------|----------------------------|
| EMAAC | 496                   | \$ 187.87         |                            |
| MAAC  | 6,040                 | 86.04             |                            |
| RTO   | 537                   | 76.53             |                            |
| Total | 7,073                 |                   | \$ 239                     |

GenOn Americas Generation & GenOn Mid-Atlantic:

Capacity Performance Product

| Zone                | Cleared Capacity (MW) | Price (\$/MW-day) | Expected capacity revenues |
|---------------------|-----------------------|-------------------|----------------------------|
| MAAC <sup>(1)</sup> | 3,824                 | \$ 86.04          |                            |
| Total               | 3,824                 |                   | \$ 120                     |

(1) Plants that participate in the PJM auctions for GenOn Americas Generation are solely those operated by GenOn Mid-Atlantic.

**Complaints Related to Extension of Base Capacity** — In 2015, FERC approved changes to PJM's capacity market, which included moving from the Base Capacity product to the higher performance Capacity Performance product over the course of a five year transition. Under this transition, as of the May 2017 BRA, the Base Capacity product will no longer be available. Several parties have filed complaints at FERC seeking to maintain the RPM Base Capacity product for at least one more delivery year or until such time as PJM develops a model for seasonal resources to participate. If the transition is delayed, capacity prices could be materially impacted. The matters are pending at FERC.

**Complaints Regarding Pseudo-Ties for Capacity** — On April 6, 2017, Potomac Economics, the market monitor for MISO and NYISO, filed a complaint against PJM regarding the participation of external capacity resources in PJM's auction. Currently, external resources must enter into a pseudo-tie agreement in order to sell capacity into PJM. The complaint alleges that the pseudo-tie requirements is causing market inefficiencies in PJM, New York and MISO and suggests a new protocol for incorporating external resources into PJM's markets. In addition, other market participants have filed separate complaints at FERC against MISO or PJM, respectively, for issues resulting from pseudo-tied generators. The complainants argue that the generation owners with pseudo-ties from MISO to PJM are receiving double-charges for congestion. The outcome could impact the PJM, NYISO and MISO capacity markets.

**New England (GenOn and GenOn Americas Generation)**

**2021/2022 ISO-NE Auction Results** — On February 6, 2018, ISO-NE announced the results of its 2021/2022 forward capacity auction. GenOn cleared 1,135 MW at \$4.631 kW-month providing expected annualized capacity revenues of \$63 million.

**Peak Energy Rent Adjustment Complaint&**