INTERIM FINANCIAL REPORT

of

GenOn Energy, Inc.

As of September 30, 2018 and for the three and nine months then ended

Date of Report: November 20, 2018

IMPORTANT EXPLANATORY NOTE

GenOn Energy, Inc. (the "Company") is furnishing certain aspects of the reports that would be required to be filed with the Securities and Exchange Commission (the "SEC") if the Company was required to file such reports with the SEC. This Report has been prepared for informational purposes only. The Company does not file reports with the SEC and the preparation of this report and the posting of this information to the Company's website shall in no way be interpreted as an undertaking on the part of the Company to otherwise comply with all of the rules and regulations that are applicable to a company subject to the reporting requirements of the Securities Exchange Act of 1934, as amended.

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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	GenOn's 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
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	Chapter 11 of Title 11 of the United States Bankruptcy Code
Chapter 11 Cases	Voluntary cases commenced by the GenOn Entities under the Bankruptcy Code in the Bankruptcy Court
CPUC	California Public Utilities Commission
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	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
GenMA Settlement	The settlement terms finalized and effective as of April 27, 2018 among the GenOn Entities, NRG, the Consenting Holders, GenMA, and certain of GenMA'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 $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	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 Energy, Inc.
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court on June 14, 2017
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
ISO	Independent System Operator, also referred to as RTO
ISO-NE	ISO New England Inc.
LTSA	Long-Term Service Agreement
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, net of collateral
NOL	Net Operating Loss
NO_x	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 Merger	The merger completed on December 14, 2012, whereby GenOn became a wholly owned subsidiary of NRG
NRG Settlement	The settlement terms finalized and effective as of July 13, 2018 entered into by the GenOn Entities and NRG to settle the disputes existing between such parties.
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	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

PSEG RSA	Restructuring Support Agreement dated as of September 28, 2018, by and among NRG REMA LLC and its wholly owned subsidiaries and Keystone Lessor Genco LLC, Conemaugh Lessor Genco LLC, and Shawville Lessor Genco LLC and their respective successors and permitted assigns, PSEGR Keystone Generation, LLC, PSEGR Conemaugh Generation, LLC and PSEGR Shawville Generation, LLC and their respective successors and permitted assigns, PSEGR Keystone LLC, PSEGR Conemaugh, LLC and PSEGR Shawville, LLC and their respective successors and permitted assigns, PSEGR PJM, LLC and its respective successors and permitted assigns, and PSEG Resources L.L.C. and its respective successors and permitted assigns
PSEG	Public Service Electric and Gas, Creditors of REMA represented in the PSEG RSA
PTC RSA	Restructuring Support Agreement dated as of September 28, 2018, by and among NRG REMA LLC and its wholly owned subsidiaries and holders of those certain Series C pass-through certificates due 2016
RCRA	Resource Conservation and Recovery Act of 1976
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., the subsidiaries signatory thereto, NRG Energy, Inc. and the noteholders signatory thereto
Restructuring Transactions	Relate to the implementation of restructuring and related transactions with respect to REMA's indebtedness, including the PSEG RSA, which relates to its obligations under REMA's leveraged lease agreements, and the PTC RSA, which relates to Tax Indemnity Agreements relating to certain Series C pass-through certificates due 2026
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
U.S.	United States of America
USDC SDNY	U.S District Court, Southern District of New York

FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

A nationally recognized public accounting firm has performed certain review procedures over these financial statements in accordance with auditing standards generally accepted in the United States of American applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. According no such opinion was issued. Based on the review procedures performed, the nationally recognized public accounting firm was not aware of any material modifications that should be made to the condensed consolidated financial information for it to be in accordance with U.S. generally accepted accounting principles. The information presented in the glossary and Items 2 through 3 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the review procedures applied in the review of the basic financial statements, and accordingly, no assurance was provided on it.

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GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In millions)			
Operating Revenues				
Operating revenues	$ 362	$ 483	$ 1,322	$ 1,161
Operating revenues — affiliate	—	1	—	70
Total operating revenues	362	484	1,322	1,231
Operating Costs and Expenses				
Cost of operations	195	224	678	650
Cost of operations — affiliate	57	90	202	226
Depreciation and amortization	29	43	95	128
Impairment losses	17	—	17	—
General and administrative	22	11	80	26
General and administrative — affiliate	9	14	48	100
Restructuring and transition-related costs	134	—	183	—
Total operating costs and expenses	463	382	1,303	1,130
Gain/(loss) on sale of assets	(2)	—	431	—
Operating Income/(Loss)	(103)	102	450	101
Other Income/(Expense)				
Other income, net	6	3	19	9
Interest expense	(3)	(2)	(9)	(83)
Interest expense — affiliate	—	(2)	(5)	(8)
Other expense	(2)	—	(2)	(18)
Total other expense	1	(1)	3	(100)
Income/(Loss) Before Reorganization Items and Income Taxes	(102)	101	453	1
Reorganization items, net	243	(29)	220	48
Income Before Income Taxes	141	72	673	49
Income tax expense/(benefit)	(2)	—	14	7
Net Income	$ 143	$ 72	$ 659	$ 42

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In millions)			
Net Income	$ 143	$ 72	$ 659	$ 42
Other Comprehensive Income/(Loss), net of tax of $0:				
Defined benefit plans	(1)	—	2	—
Other comprehensive income/(loss)	(1)	—	2	—
Comprehensive Income	$ 142	$ 72	$ 661	$ 42

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (unaudited)	December 31, 2017
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 444	$ 837
Restricted cash	1	1
Accounts receivable	109	122
Inventory	224	338
Derivative instruments	11	14
Derivative instruments — affiliate	2	1
Cash collateral paid	38	57
Cash collateral paid — affiliate	5	32
Prepaid rent and other current assets	153	152
Total current assets	987	1,554
Property, plant and equipment, net	1,569	2,217
Other Assets		
Intangible assets, net	22	23
Derivative instruments	1	3
Derivative instruments — affiliate	—	1
Long-term deposits	93	130
Prepaid rent — non-current	628	341
Other non-current assets	77	135
Total other assets	821	633
Total Assets	$ 3,377	$ 4,404
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 2	$ 1
Current portion of long-term debt — affiliate	—	125
Accounts payable	79	105
Accounts payable — affiliate	27	36
Derivative instruments	6	22
Derivative instruments — affiliate	7	7
Accrued expenses and other current liabilities	211	133
Total current liabilities	332	429
Liabilities Subject to Compromise	1,445	2,840
Other Liabilities		
Long-term debt and capital leases	21	39
Derivative instruments — affiliate	1	3
Out-of-market contracts	580	734
Other non-current liabilities	263	284
Total non-current liabilities	865	1,060
Total Liabilities	2,642	4,329
Commitments and Contingencies		
Stockholder's Equity		
Common stock: $0.001 par value, 1 share authorized and issued at September 30, 2018 and December 31, 2017	—	—
Additional paid-in capital	338	338
Retained earnings / (accumulated deficit)	408	(251)
Accumulated other comprehensive loss	(11)	(12)
Total Stockholder's Equity	735	75
Total Liabilities and Stockholder's Equity	$ 3,377	$ 4,404

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES

(Debtor-In-Possession)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30,	
	2018	2017
	(In millions)	
Cash Flows from Operating Activities		
Net Income	$ 659	$ 42
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	95	128
Amortization of debt premiums	—	(24)
Loss on financing arrangement for 2022 Notes	—	18
Non-cash adjustment to write-off unamortized debt premiums	—	(107)
Gain on GAG Administrative Claim	(42)	—
Amortization of out-of-market contracts and emission allowances	(41)	(59)
Bad debt expense	2	—
Excess and obsolete reserve	4	—
Gain on sale of assets	(431)	—
Impairment losses	17	—
Changes in derivative instruments	(13)	(13)
Changes in collateral deposits supporting energy risk management activities	46	60
Lower of cost or market inventory adjustments	—	2
Cash used by changes in other working capital:		
Prepaid rent — non-current	(162)	—
Accounts payable — affiliate	(9)	(9)
Changes in other assets and liabilities	137	(91)
Net Cash Provided/(Used) by Operating Activities	262	(53)
Cash Flows from Investing Activities		
Capital expenditures	(33)	(69)
Proceeds from sale of assets, net	814	—
Refund for purchase option paid in 2017	14	—
Net Cash Provided/(Used) by Investing Activities	795	(69)
Cash Flows from Financing Activities		
Increase in long-term deposits	(26)	—
Payment for credit support	—	(130)
Payments for deferred financing costs	—	(94)
(Payments)/proceeds from draw on intercompany secured revolving credit facility	(125)	125
Payments for current and long-term debt	(1,299)	(2)
Net Cash Used by Financing Activities	(1,450)	(101)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(393)	(223)
Cash and Cash Equivalents and Restricted Cash at Beginning of Period	838	1,034
Cash and Cash Equivalents and Restricted Cash at End of Period	$ 445	$ 811

See accompanying notes to condensed consolidated financial statements.

Note 1 — *Basis of Presentation*

General

GenOn Energy, Inc., or the Company, a wholly owned subsidiary of NRG, is a wholesale generator engaged in the ownership and operation of power generation facilities, with approximately 12,261 MW of net electric generating capacity located in the U.S.

GenOn sells power from its generation portfolio and offers capacity or similar products to retail electric providers and others, and provides ancillary services to support system reliability.

On October 9, 2018 the Company filed with the SEC to suspend its duty to file reports under section 15(d) of the Exchange Act related to the GenOn Senior Notes due 2017, 2018 and 2020. As a result, the Company is no longer required to follow the SEC's regulations for interim financial information. However, the Company has elected to prepare an Interim Financial Report that includes all of the relevant SEC disclosures and Management's Discussion and Analysis of Financial Conditions and Results of Operations. The Company's previously filed Form 10-Ks and 10-Qs for periods through June 30, 2018 are publicly available information and are referred to throughout this Interim Financial Report.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. Accordingly, they do not include all of the information and notes required by 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 financial statements in the Company's 2017 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 Company's consolidated financial position as of September 30, 2018, and the results of operations, comprehensive income and cash flows for the three and nine months ended September 30, 2018 and 2017.

Chapter 11 Cases

As further described in Note 3, *Chapter 11 Cases*, on June 14, 2017, GenOn, along with GenOn Americas Generation and certain of their directly and indirectly-owned subsidiaries, or collectively the GenOn Entities, filed voluntary petitions for relief under Chapter 11, or the Chapter 11 Cases, of the United States Bankruptcy Code, or the Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, or the Bankruptcy Court. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA and certain other subsidiaries, did not file for relief under Chapter 11. As described below, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection under the aforementioned Chapter 11 Cases on October 16, 2018.

The GenOn Entities remain in possession of their property and continue their business operations in the ordinary course uninterrupted as "debtors-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The condensed consolidated financial statements for GenOn were prepared in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*, for debtors-in-possession.

On June 29, 2017, the GenOn Entities filed a Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code (as may be amended, modified or supplemented from time to time), or the Plan, and a related Disclosure Statement, or the Disclosure Statement, with the Bankruptcy Court consistent with the restructuring support and lock-up agreement, or Restructuring Support Agreement, by and among the GenOn Entities, NRG, certain holders representing greater than 93% in aggregate principal amount of GenOn's Senior Notes and certain holders representing greater than 93% in aggregate principal amount of GenOn Americas Generation's Senior Notes, as further described in Note 3, *Chapter 11 Cases*.

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.

REMA Restructuring Support Agreements and Chapter 11 Proceedings

On September 28, 2018, REMA entered into the PSEG RSA and the PTC RSA, effective October 1, 2018. These restructuring support agreements relate to the implementation of Restructuring Transactions with respect to REMA's indebtedness. Restructuring transactions contemplated by the PSEG RSA and PTC RSA will be implemented by REMA on an in-court basis pursuant to REMA commencing voluntary cases under Chapter 11 of the Bankruptcy Code, or Chapter 11.

The Restructuring Transactions represent a global resolution of REMA's obligations under its leveraged lease agreements, and are supported by REMA's key third-party and affiliate stakeholders, including PSEG and more than 90% of PTC holders, the disinterested directors of GenOn, and the Steering Committee of GenOn noteholders, which noteholders were restricted, participated in settlement negotiations directly and through their advisors, and support the Restructuring Transactions on the terms outlined herein. The Restructuring Transactions are expected to utilize $109 million of REMA's cash-on-hand to settle third-party Keystone and Conemaugh lease rejection and tax indemnity claims and as consideration for amendments to the Shawville facility lease. GenOn will retain a 100% ownership of REMA, comprising a total of 1,733 megawatts of gas and oil-fired generating capacity located in the PJM Interconnection, LLC market. Other creditors will be unimpaired. The REMA portfolio continues to include existing non-leased assets and Shawville leasehold interest. Additionally, the Restructuring Transactions implement amendments to the Shawville facility lease, which amendments management believes will enhance the lessee's flexibility to monetize some or all of the portfolio and/or renew the lease upon expiration in 2026, without modifications to the cash rent obligations. The Restructuring Transactions are expected to be implemented prior to the outside date of December 1, 2018, subject to extension for regulatory purposes.

On October 16, 2018, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection in the Bankruptcy Court in an effort to implement the previously announced prepackaged Chapter 11 plan of reorganization.

The prepackaged Chapter 11 plan of reorganization is supported by REMA, the independent directors of GenOn (who are advised by independent advisors), the independent directors of REMA (who are advised by independent advisors), more than 90% of holders of those certain Series C Pass-Through Trust Certificates due 2026, Public Service Enterprise Group and the steering committee of GenOn noteholders. REMA's plan of reorganization was confirmed by the Court on November 1, 2018. REMA intends to complete its restructuring during the fourth quarter of 2018.

Refer to Note 3, *Chapter 11 Cases*, for further information on REMA's restructuring services agreements and Chapter 11 petitions.

Liquidity and Ability to Continue as a Going Concern

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming GenOn will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business. As such, the accompanying unaudited interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should GenOn be unable to continue as a going concern. Such adjustments could have a material adverse impact on GenOn's results of operations, cash flows and financial position.

As described above and in Note 3, *Chapter 11 Cases*, the GenOn Entities 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 ability to continue as a going concern is dependent on many factors, including the consummation of the Plan in a timely manner and GenOn'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 ability to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

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

Note 2 — *Summary of Significant Accounting Policies*

Other Balance Sheet Information

The following table presents the accumulated depreciation included in property, plant and equipment, net, and accumulated amortization included in intangible assets, net, as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
	(In millions)	
Property, plant and equipment accumulated depreciation	$ 535	$ 634
Intangible assets accumulated amortization	29	70

Business Interruption Insurance Proceeds

During the first quarter of 2018, the Company received $16 million in business interruption insurance proceeds as a result of insurance claims from 2016 and 2014 forced outages at Bowline and Avon Lake. The proceeds from business interruption insurance are included in cost of operations on the statement of operations and in cash flows from operating activities in the statement of cash flows for the Company for the nine months ended September 30, 2018.

Restructuring and Transition Related Costs

The Company has incurred costs related primarily to readying the Company to independently perform the functions originally covered under the transition services agreement with NRG. During the three and nine months ended September 30, 2018, restructuring and transition costs were $134 million and $183 million, respectively, and included professional fees and termination fees associated with the PTC RSA. See Note 3, *Chapter 11 Cases,* for further discussion of the PTC RSA.

Recent Accounting Developments — Guidance Adopted in 2018

ASU 2017-07 — In March 2017, the FASB issued ASU No. 2017-07, *Compensation — Retirement Benefits* (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, or ASU No. 2017-07. Current GAAP does not indicate where the amount of net benefit cost should be presented in an entity's income statement and does not require entities to disclose the amount of net benefit cost that is included in the income statement. The amendments of ASU No. 2017-07 require an entity to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the related employees during the applicable service period. The other components of net benefit cost are required to be presented separately from the service cost component and outside the subtotal of income from operations. Further, ASU No. 2017-07 prescribes that only the service cost component of net benefit cost is eligible for capitalization. The Company adopted the amendments of ASU No. 2017-07 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance retrospectively, which resulted in an increase in cost of operations of $3 million and $8 million with a corresponding increase in other income, net on the statement of operations for the three and nine months ended September 30, 2017, respectively.

Revenue Recognition

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the guidance in ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to contracts which were not completed as of the adoption date, with no adjustment required to the financial statements upon adoption. Following the adoption of the new standard, the Company's revenue recognition of its contracts with customers remains materially consistent with its historical practice. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Energy Revenue

Both physical and financial transactions are entered into to optimize the financial performance of the Company's generating facilities. Electric energy revenue is recognized upon transmission to the customer over time, using output method for measuring progress of satisfaction of performance obligations. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in the Company's consolidated statements of operations. The Company applies the invoicing practical expedient, where applicable, in recognizing energy revenue. Under the practical expedient, revenue is recognized based on the invoiced amount, which is equal to the value to the customer of GenOn's performance obligation completed to date. Financial transactions, or the buying and selling of energy for trading purposes, are recorded net within operating revenues in the consolidated statements of operations in accordance with ASC 815, *Derivatives and Hedging*.

Capacity Revenue

Capacity revenues consist of revenues billed to a third party at either the market or a negotiated contract price for making installed generation capacity available in order to satisfy system integrity and reliability requirements. Capacity revenues are recognized over time, using output method for measuring progress of satisfaction of performance obligations. The Company applies the invoicing practical expedient, where applicable, in recognizing capacity revenue. Under the practical expedient, revenue is recognized based on the invoiced amount, which is equal to the value to the customer of GenOn's performance obligation completed to date.

Capacity revenue contracts mainly consist of:

Capacity auctions — The Company's largest sources of capacity revenues are capacity auctions in PJM, ISO-NE, and NYISO. Capacity auction delivery periods span from June through May. Both ISO-NE and PJM operate a pay-for-performance model where capacity payments are modified based on real-time performance, where GenOn's actual revenues will be the combination of revenues based on the cleared auction MWs plus the net of any over- and under-performance of GenOn's fleet. Estimated revenues for cleared auction MWs in the various PJM capacity auctions are as follows:

Auction Planning Year (a)	Cleared MW	Estimated Revenues		Weighted Average price/mwd
		(in millions)		
2018/2019	7,626	$	450	$161.67
2019/2020	7,168	$	246	$93.87
2020/2021	6,787	$	222	$89.59
2021/2022	7,706	$	410	$145.68

(a) Auction planning years run June 1 through May 31

Resource adequacy and bilateral contracts — In California, there is a resource adequacy requirement that is primarily satisfied through bilateral contracts. Such bilateral contracts are typically short-term resource adequacy contracts. When bilateral contracting does not satisfy the resource adequacy need, such shortfalls can be addressed through procurement tools administered by the CAISO, including the capacity procurement mechanism or reliability must-run contracts. Demand payments from the current long-term contracts are tied to summer peak demand and provide a mechanism for recovering a portion of the costs associated with new or changed environmental laws or regulations.

Sale of Emission Allowances

The Company records its inventory of emission allowances as part of intangible assets. From time to time, management may authorize the transfer of emission allowances in excess of usage from the Company's emission bank to intangible assets held-for-sale for trading purposes. The Company records the sale of emission allowances on a net basis within operating revenue in the consolidated statements of operations.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the three months and nine months ended September 30, 2018:

	Three months ended September 30, 2018	Nine months ended September 30, 2018
	(In millions)	
Energy revenue[(a)]	$ 196	$ 800
Capacity revenue	165	490
Mark-to-market for economic hedging activities[(b)]	(1)	13
Other revenues	2	19
Operating revenue	362	1,322
Less: Derivative revenue	23	44
Total revenue from contracts with customers	**$ 339**	**$ 1,278**
(a) The following amounts of energy revenue relate to derivative instruments and are accounted for under ASC 815:		
Energy revenue	$ (2)	$ (27)

(b) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.

Contract Balances

The following table reflects the contract assets included in the Company's balance sheet as of September 30, 2018:

(In millions)	**September 30, 2018**
Accounts receivable - Contracts with customers	$ 106
Accounts receivable - Derivative instruments	1
Total accounts receivable	$ 107

Recent Accounting Developments — Guidance Not Yet Adopted

ASU 2016-02 — In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, or Topic 842, with the objective to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and to improve financial reporting by expanding the related disclosures. The guidance in Topic 842 provides that a lessee that may have previously accounted for a lease as an operating lease under current GAAP should recognize the assets and liabilities that arise from a lease on the balance sheet. In addition, Topic 842 expands the required quantitative and qualitative disclosures with regards to lease arrangements. The Company will adopt the standard effective January 1, 2020 and expect to elect certain of the practical expedients permitted, including the expedient that permits the Company to retain its existing lease assessment and classification. The Company is currently working through an adoption plan which includes the evaluation of lease contracts compared to the new standard. While the Company is currently evaluating the impact that the new guidance will have on its financial position and results of operations, the Company expects to recognize lease liabilities and right of use assets. The extent of the increase to assets and liabilities associated with these amounts remains to be determined pending the Company's review of its existing lease contracts and service contracts which may contain embedded leases. While this review is still in process, the Company believes the adoption of Topic 842 will have a material impact on its financial statements. The Company is also monitoring recent changes to Topic 842 and the related impact on the implementation process.

Note 3 — *Chapter 11 Cases*

Chapter 11 Cases - GenOn Entities

On June 14, 2017, or the Petition Date, the GenOn Entities filed 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. As described below, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection under the aforementioned Chapter 11 Cases on October 16, 2018.

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.

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 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.

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.

REMA Restructuring Support Agreements and Chapter 11 Proceedings

PSEG RSA

On September 28, 2018, REMA entered into the PSEG RSA, effective as of October 1, 2018, with PSEG. The PSEG RSA relates to the implementation of the Restructuring Transactions.

Pursuant to the PSEG RSA, PSEG and REMA have agreed to, among other things, support the Restructuring Transactions and take all commercially reasonable actions necessary or appropriate to consummate the Restructuring Transactions and other transactions contemplated by REMA’s Chapter 11 plan of reorganization, including the transfer of ownership of the Keystone and Conemaugh interests from REMA to the holders of PTCs. The PSEG RSA will terminate automatically upon the consummation of the Restructuring Transactions or the effective date of REMA's plan of reorganization. The PSEG RSA can also be terminated by PSEG or REMA under certain conditions including if the bankruptcy court enters an order denying confirmation of the REMA's Plan.

PSEG RSA Term Sheet

The material terms regarding the implementation of the Restructuring Transactions that are contained in the term sheet to the PSEG RSA are summarized below:

- PSEG will receive $31,500,000 in cash in exchange for (a) full satisfaction of all respective claims asserted against REMA and (b) Shawville lease amendments.
- With respect to the Shawville lease amendments:
  - REMA will be allowed to incur secured and unsecured indebtedness with respect to the Shawville leasehold interest;
  - REMA will be permitted to sell any and all non-leased assets subject to amended qualified credit support terms;
  - REMA will be permitted to assign the Shawville lease to a non-affiliate assignee that meets either the credit rating and net worth requirements under the Shawville lease or agrees to pre-fund qualified credit support in the amount of remaining rent at the time of assignment;
  - REMA will be permitted to assign the Shawville lease to any affiliate subject to an incurrence covenant measured for the succeeding eight fiscal quarters and subject to the amended qualified credit support terms described below;
  - With respect to renewals of the Shawville lease: (i) REMA will be permitted to express tentative interest in a renewal on or after November 24, 2019; (ii) the appraisal procedure in connection with any such renewal to occur on or after May 24, 2020; and (iii) REMA may exercise an irrevocable election to enter into a renewal on or after November 24, 2021; and
  - REMA and PSEG agree that the Shawville lease modifications will not result in (i) a termination event (from a tax perspective) under the Shawville lease and (ii) will not result in a substantial modification for tax purposes.
- The tax indemnity agreement relating to the Shawville lease will be amended to provide for and/or clarify (i) REMA’s indemnification of PSEG for inclusion with respect to state taxes, and (ii) that future savings shall be calculated at the prevailing tax rate.

- PSEG will be assigned REMA's interest in a Shawville plant's natural gas pipeline upon termination of the Shawville lease, and will receive a senior security interest in the pipeline documentation in order to secure REMA's assignment obligation.
- Upon consummation of the Restructuring Transactions, qualifying credit support in the amount of $2,000,000 will be provided by REMA and put into an escrow account. The escrow shall increase an incremental $3,000,000 per annum on January 1st of each year thereafter, beginning in 2019 and ending in 2026 (but not thereafter) based on the occurrence of such events. This amount will be increased by $5,000,000 in the event of each of the following, subject to a maximum aggregate increase of $10,000,000 based on the occurrence of such events: (i) a sale, transfer or other disposition of the Gilbert facility to a third party or a qualified assignment of such facility to an affiliate; (ii) a sale, transfer or other disposition of the Sayreville facility to a third party or a qualified assignment of such facility to an affiliate; or (iii) secured debt is incurred against the lessee position of the Shawville lease. In the event a qualified assignment to an affiliate involves a transfer to an affiliate that does not own both the Gilbert facility nor the Sayreville facility, the qualifying credit support will be increased by (a) $10,000,000 (if the assignee affiliate owns neither the Gilbert facility nor the Sayreville facility) or (b) $5,000,000 (if the assignee affiliate owns one, but not both, of the Gilbert facility or the Sayreville facility), in cash or other forms of credit support (including letters of credit) acceptable to PSEG, subject to the overall cap.
- Qualifying credit support shall be utilized to pay rent pursuant to existing periodic lease rent schedule.
- To the extent the qualified credit support balance exceeds the remaining periodic lease rent, REMA will have no obligation to fund incremental qualified credit support.
- REMA will reject its 16.67% leasehold interest in the Keystone plant and 16.45% leasehold interest the Conemaugh plant.
- GenOn claims are, at REMA's election, either (i) canceled or (ii) reinstated (provided that such reinstated claims shall be subordinate to the Shawville lease obligations).
- GenOn shall be entitled to 100% equity interest in reorganized REMA.
- General unsecured claims shall be either (a) paid in full in cash on the later of the (i) effective date of the Plan, or (ii) date due in the ordinary course of business, or (b) such other treatment to render the claim as unimpaired.

PTC RSA

On September 28, 2018, REMA entered into the PTC RSA, effective October 1, 2018 with holders of more than 90% of the aggregate principal amount of PTCs. The PTC RSA relates to the implementation of the Restructuring Transactions. In connection with the PTC RSA, the PTC holders delivered a direction letter to the trustee with respect to the PTCs and the trustees under the Keystone and Conemaugh lease indentures to not take any action inconsistent with the PTC RSA or interfere with the Restructuring Transactions. The PTC RSA can also be terminated by the PTCs or REMA under certain conditions including if the bankruptcy court enters an order denying confirmation of the REMA's Plan.

Term Sheet to the PTC RSA

The material terms regarding the implementation of the Restructuring Transactions that are contained in the term sheet are summarized below:

- One or more newly created entities owned by the PTC holders will receive, either directly or indirectly via the trustees, $77,500,000 in cash and the beneficial ownership of the rights, titles, and interests under the indentures governing the Keystone and Conemaugh power plants.
- PTC holders shall be entitled to the proceeds of certain letters of credit in favor of the relevant Lease Indenture Trustees, totaling approximately $26,425,600, which were drawn in June 2018 and paid to all PTC holders in July 2018.
- GenOn claims are, at REMA's election, either (i) canceled or (ii) reinstated (provided that such reinstated claims shall be subordinate to the Shawville lease obligations).
- GenOn shall be entitled to 100% equity interest in reorganized REMA.
- General unsecured claims shall be either (a) paid in full in cash on the later of the (i) effective date of REMA's plan of reorganization, or (ii) due in the ordinary course of business, or (b) such other treatment to render the claim unimpaired.

GenMA Settlement

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 definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenOn Mid-Atlantic, the Owner Lessor Plaintiffs and certain of their respective related parties;
- 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; and (iii) a $20.0 million subordinated loan by GenOn to GenOn Mid-Atlantic;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenOn Mid-Atlantic, in respect of GenOn Mid-Atlantic's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenOn Mid-Atlantic on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- 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.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. NRG will have no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid in full, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

Restructuring Support Agreement

Prior to filing the Chapter 11 Cases, the GenOn Entities entered into the Restructuring Support Agreement on June 12, 2017 that provided for a restructuring and recapitalization of the GenOn Entities through a prearranged plan of reorganization. Certain principal terms of the Restructuring Support Agreement were documented in various support agreements, including a transition services agreement, entered into by GenOn and NRG and approved by the Bankruptcy Court pursuant to an order of confirmation, and are detailed below:

1) The dismissal of certain pre-petition litigation and full releases from GenOn and each of its debtor and non-debtor subsidiaries in favor of NRG, excluding REMA.
2) GenOn received cash consideration from NRG of $261.3 million pursuant to the NRG Settlement executed in connection with the Plan, which was received in cash less any amounts owed to NRG under the intercompany secured revolving credit facility, or the Intercompany Revolver, as further described above. As of September 30, 2018, GenOn owed NRG approximately $151 million under the Intercompany Revolver. See Note 9, *Related Party Transactions*, for further discussion of the Intercompany Revolver.
3) NRG will consent to the cancellation of its interests in the equity of GenOn and be entitled to a worthless stock deduction, as further described in the tax matters agreement. The equity interests in the reorganized GenOn will be issued to the holders of the GenOn Senior Notes along with a cash payment from NRG equal to approximately $75 million, which is included in the $261.3 million mentioned above, and, subject to certain eligibility restrictions, rights to participate pro rata in a new secured notes offering, as further described below.
4) NRG will retain the pension liability, including payment of approximately $13 million of 2018 pension contributions, for GenOn employees for service provided prior to the completion of the reorganization. GenOn’s pension liability as of September 30, 2018 was approximately $90 million. NRG will also retain the liability for GenOn's post-employment and retiree health and welfare benefits, in an amount up to $25 million.
5) The shared services agreement between GenOn and NRG was terminated and replaced as of the plan confirmation date with a transition services agreement at an annualized rate of $84 million, subject to certain credits and adjustments. See Note 9, *Related Party Transactions*, for further discussion of the Services Agreement.
6) GenOn received a credit of approximately $28 million from NRG to apply against amounts owed under the Services Agreement. The credit was specifically equal to the amount of the 4% aggregate principal amount of the new senior secured first lien notes due 2022, or the 2022 Notes, plus accrued interest from the date of entry into the escrow agreement entered into in connection with the 2022 Notes and is intended to reimburse GenOn for its payment of such amount, as described below.
7) NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. GenOn can no longer utilize the Intercompany Revolver and, on July 27, 2017, the letter of credit facility was terminated, as GenOn had obtained a separate letter of credit facility with Citibank N.A., or Citibank. See Note 9, *Related Party Transactions*, for further discussion of the Intercompany Revolver and the letter of credit facility with NRG and Note 7, *Debt and Capital Leases*, for the letter of credit facility obtained with Citibank in July 2017.
8) Certain holders of the Senior Notes, known as the Backstop Parties, have executed a letter of commitment, or the Backstop Commitment Letter, pursuant to which the Backstop Parties committed to backstop the exit financing obtained by GenOn to facilitate the payment of the obligations under the Plan and other working capital needs of the GenOn Entities upon their emergence from Chapter 11. The Backstop Commitment Letter expired in accordance with its terms on November 17, 2017.
9) GenOn and NRG have agreed to cooperate in good faith to maximize the value of certain development projects. Pursuant to this, GenOn made a one-time payment in the amount of $15 million to NRG in December 2017 as compensation for a purchase option with respect to the Canal Unit 3 project. On March 22, 2018, NRG agreed to sell Canal Unit 3 to a third party, in conjunction with GenOn's sale of Canal Units 1 and 2 to the same third party. On June 29, 2018, in connection with the closing of the Canal Unit 3 sale, NRG refunded GenOn $13.5 million related to the prepayment of the purchase option.

In addition to the Restructuring Support Agreement, GenOn entered into additional support and other agreements including a transition services agreement, a cooperation agreement and a tax matters agreement, which were approved by the Bankruptcy Court pursuant to an order of confirmation.

The filing of the Chapter 11 Cases automatically stayed most actions against the GenOn Entities pursuant to Section 362(a) of the Bankruptcy Code. Absent an order from the Bankruptcy Court, the GenOn Entities' pre-petition liabilities are subject to discharge under the Plan.

The GenOn Entities have filed certain motions with the Bankruptcy Court that have been approved in connection with the confirmation of the Plan. The GenOn Entities expect to operate in the normal course of business throughout the reorganization process. The GenOn Entities have continued to make payments to certain vendors with respect to pre-petition liabilities as permitted by the Bankruptcy Court order, and vendors have been paid for goods and services provided after the Petition Date in the ordinary course of business.

GenOn Debt

As of September 30, 2018, the Intercompany Revolver and GenOn Senior Notes totaled approximately $1.2 billion. The filing of the Chapter 11 Cases constitutes an event of default under the following debt instruments, or collectively, the Debt Documents:

1) The Intercompany Revolver with NRG;
2) The indenture governing the GenOn 7.875% Senior Notes due 2017 (as amended or supplemented from time to time);
3) The indenture governing the GenOn 9.500% Notes due 2018 (as amended or supplemented from time to time);
4) The indenture governing the GenOn 9.875% Notes due 2020 (as amended or supplemented from time to time);
5) The indenture governing the GenOn Americas Generation 8.50% Senior Notes due 2021 (as amended or supplemented from time to time); and
6) The indenture governing the GenOn Americas Generation 9.125% Senior Notes due 2031 (as amended or supplemented from time to time).

The Debt Documents set forth in 1-4 above provide that as a result of the commencement of the Chapter 11 Cases the principal and accrued interest due thereunder was immediately due and payable. The Debt Documents set forth in 5-6 above provide that as a result of the commencement of the Chapter 11 Cases the applicable indenture trustee or certain holders of the notes may declare the principal and accrued interest due thereunder to be immediately due and payable. Any efforts to enforce such payment obligations under the Debt Documents were automatically stayed as a result of the commencement of the Chapter 11 Cases, and the holders' rights of enforcement in respect of the Debt Documents are subject to the applicable provisions of the Bankruptcy Code. The Chapter 11 Cases could also potentially give rise to counterparty rights and remedies under other documents. For further discussion, see Note 7, *Debt and Capital Leases*, and Note 10, *Commitments and Contingencies*.

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan granting an allowed claim plus certain accrued interest, or the GAG Administrative Claim, estimated to be $663 million, to the holders of the GenOn Americas Generation Senior Notes, due 2021 and GenOn Americas Generation Senior Notes, due 2031. On February 1, 2018, pursuant to a January 30, 2018 order of the Bankruptcy Court, or the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, 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.

On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes. In connection with the payment, GenOn recognized $42 million as a gain in reorganization items, net.

On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

On July 16, 2018, all borrowings and related interest under the Intercompany Revolver were settled against amounts owed to the Company by NRG under the NRG Settlement.

2022 Notes

On May 8, 2017, a remote special purpose limited liability company issued $550 million in principal amount of notes that bore interest at a rate of 10.5% with a maturity date of June 1, 2022. The proceeds were deposited into a separate and independently maintained escrow account along with 4% of the principal amount and accrued interest from May 8, 2017 through June 15, 2017 totaling $28 million. If certain conditions were satisfied, GenOn was expected to merge with the remote special purpose limited liability company and assume the obligation for the 2022 Notes, which were to be secured by certain of GenOn's and its subsidiaries' assets. Based on the terms of the underlying transaction documents governing the 2022 Notes, on June 14, 2017, when GenOn filed the Chapter 11 Cases, the funds held in the escrow account were released to the holders of the 2022 Notes, which were simultaneously redeemed. In connection with the escrow release, GenOn expensed $18 million in fees incurred in connection with the 2022 Notes offering in other expense during the second quarter of 2017. These fees, along with the $28 million that was reimbursed by NRG, as further described in Note 9, *Related Party Transactions*, for a total of $46 million, were reflected as financing costs in the statement of cash flows for the nine months ended September 30, 2017.

Backstop Fee

The Restructuring Support Agreement also contemplates $900 million in aggregate principal amount of exit financing sought by GenOn primarily to refinance existing indebtedness and pay distributions under the Plan. Consistent with the terms of the Backstop Commitment Letter, GenOn paid $45 million in total (5% of the principal amount of the exit financing), or the Backstop Fee, to certain holders of notes issued by GenOn and GenOn Americas Generation, or the Backstop Parties, in exchange for the Backstop Parties' joint commitment to fully subscribe the exit financing in the event that certain other parties do not fund the full commitments of the exit financing. On October 2, 2017, the GenOn Entities amended the backstop commitment letter to, among other things, remove the requirement to conduct a rights offering. The Backstop Commitment Letter expired in accordance with its terms on November 17, 2017.

The Backstop Fee was considered earned by the Backstop Parties and was paid on June 13, 2017. This payment is effectively a discount (a reduction of the proceeds to be received by GenOn from the noteholders) and is reported in long-term deposits on GenOn's condensed consolidated balance sheet as of September 30, 2018. When the financing is in effect, it will be reported as a direct reduction from the carrying amount of the debt and amortized over the five-year term as interest expense. The Backstop Fee was reflected as financing costs in the statement of cash flows for the nine months ended September 30, 2017.

Accounting for Reorganization

As a result of the Chapter 11 Cases, realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. The condensed consolidated financial statements for GenOn are prepared in accordance with Accounting Standards Codification (ASC) 852, *Reorganizations*, for debtors-in-possession.

Liabilities Subject to Compromise

GenOn's condensed consolidated balance sheets as of September 30, 2018 include amounts classified as liabilities subject to compromise which include prepetition liabilities that were allowed or that are estimated would be allowed as claims in its Chapter 11 proceedings. If there is uncertainty about whether a claim will be impaired under the Plan, the entire amount of the claim is included in liabilities subject to compromise. The following table summarizes the components of liabilities subject to compromise included on the condensed consolidated balance sheets:

	As of September 30, 2018	As of December 31, 2017
	(In millions)	
Accounts payable and accrued expenses	$ 21	$ 41
Long-term debt, including current portion	1,250	2,615
Accrued interest	45	56
Pension and postretirement liabilities	115	117
Other	14	11
	$ 1,445	$ 2,840

Interest Expense

GenOn will not pay interest expense on the GenOn Senior Notes or the GenOn Americas Senior Notes during bankruptcy and it is not expected to be an allowable claim. Therefore, GenOn did not record interest on the GenOn Senior Notes or the GenOn Americas Generation Senior Notes in the amount of $29 million and $0 million, respectively, for the three months ended September 30, 2018, and $112 million and $17 million, respectively, for the nine months ended September 30, 2018. GenOn also did not record interest on the GenOn Senior Notes or the GenOn Americas Senior Notes in the amount of $5 million and $3 million, respectively, for the period from June 14, 2017 to September 30, 2017.

Reorganization Items

Reorganization items represent costs directly associated with the Chapter 11 proceedings, which excludes costs incurred in readying the Company to independently perform the functions originally covered under the transition services agreement with NRG. The below table represents the significant items in reorganization items for GenOn:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In millions)			
Legal and other professional advisory fees	$ (22)	$ (29)	$ (67)	$ (55)
Write-off of debt premiums and credit reserves	—	—	—	103
NRG Settlement payment	261	—	261	—
Fees paid to GenOn Americas Generation's senior unsecured noteholders	—	—	(18)	—
Gain on GAG Administrative Claim	—	—	42	—
Other	4	—	2	—
	$ 243	$ (29)	$ 220	$ 48

During the three and nine months ended September 30, 2018, $33 million and $120 million, respectively, of cash payments were made by GenOn for reorganization items, which include reorganization items that were incurred during 2017. During the period from June 14, 2017 to September 30, 2017, $32 million of cash payments were made by GenOn for reorganization items.

Note 4 — *Dispositions and Impairments*

2018 Dispositions

Sale of Hunterstown

On June 1, 2018, the Company completed the sale of the Hunterstown generation station, or Hunterstown, and certain third party gas interconnection contracts, pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn and Kestrel Acquisition, LLC for cash consideration of $498 million, subject to post-closing working capital adjustments. Hunterstown is an 810 MW natural gas facility located in Gettysburg, Pennsylvania. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018. During the three-months ended September 30, 2018, the Company reduced the amount of final expected working capital adjustments related to the sale of Hunterstown by $1 million, which was recorded as a reduction to the gain on sale.

Prior to the sale, income before income taxes for Hunterstown and the associated contracts being sold was $16 million and $43 million for the three and nine months ended September 30, 2018, respectively, and $14 million and $20 million for the three and nine months ended September 30, 2017, respectively.

Sale of Canal Units 1 and 2

On June 29, 2018, the Company completed the sale of the Canal Units 1 and 2 electricity generating facilities with a combined 1,112 MW capacity in Sandwich, Massachusetts, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn and Stonepeak Kestrel Holdings LLC for total consideration of $320 million, consisting of $318 million of cash received and $2 million held in escrow to cover post-closing obligations, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018. In addition, Stonepeak committed to future purchases of excess inventory from GenOn within two years after closing, which was valued at $24 million as of June 30, 2018. During the three months ended September 30, 2018, $1 million in excess inventory was purchased by Stonepeak and the Company also reduced the amount of expected working capital adjustments related to the sale of Canal Units 1 and 2 by $1 million, which was recorded as a reduction to the gain on sale.

Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal Unit 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal Unit 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal Unit 3 project upon completion of the Canal Unit 3 transaction.

Prior to the sale, income before income taxes for Canal Units 1 and 2 was $23 million and $52 million for the three and nine months ended September 30, 2018, respectively, and $6 million and $17 million for the three and nine months ended September 30, 2017, respectively.

Sale of Choctaw

On August 21, 2018, the Company entered into the asset purchase agreement for the sale of the Choctaw Facility, between subsidiaries of GenOn and Entergy Mississippi, Inc. for cash consideration of $314 million, subject to working capital adjustments. Choctaw is an 810 MW combined cycle, natural gas-fueled electrical generation plant located in Mississippi. Subject to closing conditions described in the purchase agreement, the transaction is expected to close during the third quarter of 2019. In connection with the purchase agreement, the existing LTSA between the seller and GE International, Inc. with respect to Choctaw was amended and the Company paid $35.6 million in September 2018, to reduce amounts owed under the existing LTSA in respect of certain upgrades and conversions.

2017 Dispositions

Sale of Emission Allowances

During the first quarter of 2017, GenOn Energy Management, through its existing agreement with NRG Power Marketing, LLC, sold 1.3 million of excess California Air Resource Board emission credit allowances for proceeds of $18 million resulting in a gain on the sale of approximately $1 million.

2018 Impairments

Under the Term Sheet to the PSEG RSA, REMA plans to reject its 16.67% leasehold interest in the Keystone plant and its 16.45% leasehold interest in the Conemaugh plant upon confirmation of the REMA Chapter 11 plan of reorganization. This was considered to be an indicator of impairment and as a result, the Company performed an impairment test for the Keystone and Conemaugh assets. Based on the results of the impairment test, the Company determined that the carrying amount of these assets was higher than the estimated future net cash flows expected to be generated by the assets and the Keystone and Conemaugh assets were impaired. The fair value of the operating units were determined using the income approach which utilized estimates of discounted future cash flows, which were assumed to be zero as of the REMA Chapter 11 confirmation date. The Company measured the impairment loss as the difference between the carrying amount of the Keystone and Conemaugh operating units and the present value of the estimated future net cash flows for those operating units. The Company recorded an impairment loss of $9 million at Keystone and $8 million at Conemaugh for the three and nine months ended September 30, 2018.

Note 5 — *Fair Value of Financial Instruments*

This footnote should be read in conjunction with the complete description under Note 5, *Fair Value of Financial Instruments*, to the Company's 2017 Form 10-K.

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

As a result of the GenOn Entities filing for relief under Chapter 11 as further discussed in Note 3, *Chapter 11 Cases*, GenOn's long-term debt, including current portion, obtained prior to the Petition Date is classified as liabilities subject to compromise as of September 30, 2018, and December 31, 2017.

As of September 30, 2018, and December 31, 2017, the estimated carrying amount and fair value of GenOn's long-term debt, including current portion, is $21 million and $39 million, respectively, and is classified as Level 3 within the fair value hierarchy. The carrying amount and fair value of the current portion of long-term debt — affiliate is $0 million and $125 million as of September 30, 2018, and December 31, 2017, respectively, and is classified as Level 3 within the fair value hierarchy.

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

Recurring Fair Value Measurements

Derivative assets and liabilities and rabbi trust investments 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.

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

	As of September 30, 2018			
	Fair Value			
	Level 1 [(a)]	Level 2 [(a)]	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	$ —	$ 14	$ —	$ 14
Derivative liabilities:				
Commodity contracts	$ —	$ 15	$ —	$ 15
Other assets [(b)]	$ 3	$ —	$ —	$ 3

(a) There were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2018.

(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, 2017			
	Fair Value			
	Level 1 [(a)]	Level 2 [(a)]	Level 3	Total
	(In millions)			
Derivative assets:				
Commodity contracts	$ —	$ 17	$ 2	$ 19
Derivative liabilities:				
Commodity contracts	$ —	$ 29	$ 3	$ 32
Other assets [(b)]	$ 8	$ —	$ —	$ 8

(a) There were no transfers between Levels 1 and 2 during the year ended December 31, 2017.

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

The following table reconciles, for the three and nine months ended September 30, 2018 and 2017, the beginning and ending balances for derivatives that are recognized at fair value in the Company's condensed 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,	
	2018	2017	2018	2017
	Derivatives [(a)]		Derivatives [(a)]	
	(In millions)			
Beginning balance	$ —	$ (2)	$ (1)	$ (1)
Total gains/(losses) included in earnings — realized/unrealized	—	(1)	1	(2)
Purchases	—	(2)		(2)
Ending balance	$ —	$ (5)	$ —	$ (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)	$ —	$ (3)

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

Derivative Fair Value Measurements

A portion of GenOn's contracts are exchange-traded contracts with readily available quoted market prices. A majority of GenOn's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available for the whole term or for certain delivery months. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. As of September 30, 2018, contracts valued with prices provided by models and other valuation techniques make up 0% of the total derivative assets and 0% of the total derivative liabilities.

GenOn's significant positions classified as Level 3 include physical coal executed in illiquid markets as well as financial transmission rights, or FTRs. The significant unobservable inputs used in developing fair value include illiquid coal location pricing, which is derived as a basis to liquid locations. The basis spread is based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. For FTRs, GenOn uses the most recent auction prices to derive the fair value.

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 positions as of September 30, 2018 and December 31, 2017:

	Significant Unobservable Inputs						
	September 30, 2018						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Coal Contracts	$ —	$ —	Discounted Cash Flow	Forward Market Price (per ton)	N/A	N/A	N/A
FTRs	—	—	Discounted Cash Flow	Auction Prices (per MWh)	N/A	N/A	N/A
	$ —	$ —					

	Significant Unobservable Inputs						
	December 31, 2017						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Coal Contracts	$ 1	$ —	Discounted Cash Flow	Forward Market Price (per ton)	$ 46	$ 49	$ 47
FTRs	1	3	Discounted Cash Flow	Auction Prices (per MWh)	(4)	2	—
	$ 2	$ 3					

The following table provides sensitivity of fair value measurements to increases/(decreases) in significant unobservable inputs as of September 30, 2018 and December 31, 2017:

Significant Unobservable Input	Position	Change In Input	Impact on Fair Value Measurement
Forward Market Price Coal	Buy	Increase/(Decrease)	Higher/(Lower)
Forward Market Price Coal	Sell	Increase/(Decrease)	Lower/(Higher)
FTR Prices	Buy	Increase/(Decrease)	Higher/(Lower)
FTR Prices	Sell	Increase/(Decrease)	Lower/(Higher)

The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit/non-performance reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that GenOn's net exposure under a specific master agreement is an asset, GenOn uses the counterparty's default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume GenOn's liabilities or that a market participant would be willing to pay for GenOn's assets. There were no non-performance/credit reserves for GenOn as of September 30, 2018 and December 31, 2017.

Under the guidance of ASC 815, entities may choose to offset cash collateral posted or received against the fair value of derivative positions executed with the same counterparties under the same master netting agreements. GenOn has chosen not to offset positions as defined in ASC 815. As of September 30, 2018, GenOn recorded $43 million of cash collateral posted on its balance sheet related to fair value of derivative positions, which includes $15 million of collateral posted to NRG, and $28 million posted to other counterparties.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, *Summary of Significant Accounting Policies*, to the Company's 2017 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's financial instruments. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. GenOn is exposed to counterparty credit risk through various activities including wholesale sales and fuel purchases.

Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2017 Form 10-K. As of September 30, 2018, the Company's counterparty credit exposure was $44 million and the Company held no collateral (cash and letters of credit) against those positions, resulting in a net exposure of $44 million. Approximately 22% of the Company's exposure before collateral is expected to roll off by the end of 2019. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for GenOn with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market, NPNS and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

Category by Industry Sector	**Net Exposure [(a) (b)] (% of Total)**
Utilities, energy merchants, marketers and other	100%
Total as of September 30, 2018	100%

Category by Counterparty Credit Quality	**Net Exposure [(a) (b)] (% of Total)**
Investment grade	99%
Non-Investment grade/Non-rated	1
Total as of September 30, 2018	100%

(a) Counterparty credit exposure excludes transportation contracts because of the unavailability of market prices.

(b) The figures in the tables above exclude potential counterparty credit exposure related to RTOs, ISOs, registered commodity exchanges and certain long term contracts.

GenOn has counterparty credit risk exposure to certain counterparties, each of which represents more than 10% of their respective total net exposure discussed above. The aggregate of such counterparties' exposure was $36 million as of September 30, 2018. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, GenOn does not anticipate a material impact on their financial position or results of operations from nonperformance by any of its counterparties.

RTOs and ISOs

The Company participates in the organized markets of CAISO, ISO-NE, MISO, NYISO and PJM, known as RTO or ISOs. Trading in these markets is approved by FERC and includes credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to GenOn's share of the overall market and is excluded from the above exposure.

Exchange Traded Transactions

The Company enters into commodity transactions on registered exchanges, notably ICE and NYMEX. These clearinghouses act as the counterparty, and transactions are subject to extensive collateral and margining requirements. As a result, these commodity transactions have limited counterparty credit risk.

Note 6 — *Accounting for Derivative Instruments and Hedging Activities*

This footnote should be read in conjunction with the complete description under Note 6, *Accounting for Derivative Instruments and Hedging Activities*, to the Company's 2017 Form 10-K.

Energy-Related Commodities

As of September 30, 2018, GenOn had energy-related derivative financial instruments extending through 2019.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional buy/(sell) volume of GenOn's open derivative transactions broken out by commodity, excluding those derivatives that qualified for the NPNS exception, as of September 30, 2018 and December 31, 2017. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume	
		September 30, 2018	December 31, 2017
Commodity	Units	(In millions)	
Coal	Short Ton	1	2
Natural Gas	MMBtu	7	56
Power	MWh	(1)	(7)

The decrease in the natural gas and power positions are due to settlements of generation hedge positions.

Fair Value of Derivative Instruments

The following tables summarize the fair value within the derivative instrument valuation on the balance sheet:

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	(In millions)			
Derivatives Not Designated as Cash Flow Hedges:				
Commodity contracts current	$ 13	$ 15	$ 13	$ 29
Commodity contracts long-term	1	4	1	3
Total Derivatives Not Designated as Cash Flow Hedges	$ 14	$ 19	$ 14	$ 32

The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and do not offset amounts at the counterparty master agreement level. In addition, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. The following tables summarize the offsetting of derivatives by counterparty master agreement level and collateral received or paid:

	Gross Amounts Not Offset in the Statement of Financial Position			
Description	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral Posted	Net Amount
September 30, 2018	(In millions)			
Commodity contracts:				
Derivative assets	$ 12	$ (4)	$ —	$ 8
Derivative assets - affiliate	2	(2)	—	—
Derivative liabilities	(6)	4	—	(2)
Derivative liabilities - affiliate	(8)	2	6	—
Total derivative instruments	$ —	$ —	$ 6	$ 6

Description	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral Posted	Net Amount
December 31, 2017	(In millions)			
Commodity contracts:				
Derivative assets	$ 17	$ (11)	$ —	$ 6
Derivative assets - affiliate	2	(2)	—	—
Derivative liabilities	(22)	11	10	(1)
Derivative liabilities - affiliate	(10)	2	8	—
Total derivative instruments	$ (13)	$ —	$ 18	$ 5

Impact of Derivative Instruments on the Statements of Operations

Unrealized gains and losses associated with changes in the fair value of derivative instruments are reflected in current period earnings.

During 2017, the Company underwent the process of closing out and financially settling certain open positions with counterparties. The closure and financial settlements with these counterparties were necessary to manage the increases in collateral posting requirements following rating agency downgrades and reduce expected collateral costs associated with exchange cleared hedge transactions.

The following tables summarize the pre-tax effects of economic hedges. These amounts are included within operating revenues and cost of operations.

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2018	2017	2018	2017
Unrealized mark-to-market results				
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 2	$ 9	$ 19	$ 7
Net unrealized gains/(losses) on open positions related to economic hedges	(3)	(28)	(6)	9
Total unrealized(losses)/gains	$ (1)	$ (19)	$ 13	$ 16

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2018	2017	2018	2017
Revenue from operations — energy commodities	$ 1	$ (23)	$ 14	$ 7
Cost of operations	(2)	4	(1)	9
Total impact to statements of operations	$ (1)	$ (19)	$ 13	$ 16

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed "adequate assurance" under the agreements, or require the Company to post additional collateral if there were a one notch downgrade in the Company's credit rating. The collateral required for contracts that have adequate assurance clauses that are in net liability position as of September 30, 2018, was $0 million. As of September 30, 2018, no collateral was required for contracts with credit rating contingent features that are in a net liability position. The Company is also party to certain marginable agreements under which no collateral was due as of September 30, 2018.

See Note 5, *Fair Value of Financial Instruments,* for discussion regarding concentration of credit risk.

Note 7 —*Debt and Capital Leases*

Long-term debt and capital leases consisted of the following:

(In millions, except rates)	September 30, 2018	December 31, 2017	September 30, 2018 interest rate
GenOn Americas Generation Senior Notes, due 2021	$ —	$ 366	8.500%
GenOn Americas Generation Senior Notes, due 2031	—	329	9.125%
GenOn Senior Notes, due 2017	461	691	7.875%
GenOn Senior Notes, due 2018	438	649	9.500%
GenOn Senior Notes, due 2020	331	490	9.875%
Other[(a)]	42	129	
GenOn capital lease	1	1	
Less: Liabilities subject to compromise	(1,250)	(2,615)	
Subtotal long-term debt and capital leases (including current maturities)	23	40	
Less: Current maturities	2	1	
Total long-term debt and capital leases	$ 21	$ 39	

(a) Certain payments of the Long Term Service Agreements for the Choctaw and Hunterstown facilities are accounted for as a debt financing liability in accordance with GAAP.

Chapter 11 Cases

On February 1, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, 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. On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes.

On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

On October 16, 2018, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection in the Bankruptcy Court in an effort to implement the previously announced prepackaged Chapter 11 plan of reorganization.

The prepackaged Chapter 11 plan of reorganization is supported by REMA, the independent directors of GenOn (who are advised by independent advisors), the independent directors of REMA (who are advised by independent advisors), more than 90% of holders of those certain Series C Pass-Through Trust Certificates due 2026, Public Service Enterprise Group and the steering committee of GenOn noteholders. REMA's plan of reorganization was confirmed by the Court on November 1, 2018. REMA intends to complete its restructuring during the fourth quarter of 2018.

See Note 3, *Chapter 11 Cases*, for further discussion on REMA's restructuring services agreements and Chapter 11 petitions as well as the payments related to the GenOn and GenOn Americas Generation Senior Notes.

Intercompany Revolver and Letter of Credit Facilities

GenOn was party to a secured intercompany revolving credit agreement with NRG, or the Intercompany Revolver. The Intercompany Revolver provided for a $500 million revolving credit facility, all of which was available for revolving loans and letters of credit. At September 30, 2018 and December 31, 2017, there were $0 million and $125 million, respectively, of loans outstanding under the Intercompany Revolver, which are both recorded as current portion of long-term debt — affiliate on the balance sheet. See Note 9, *Related Party Transactions*, for further discussion.

As part of the Restructuring Support Agreement, NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. On July 27, 2017, the letter of credit facility was terminated. See Note 9, *Related Party Transactions*, for further discussion.

On July 14, 2017, the GenOn Entities obtained a letter of credit facility with Citibank, or the New LC Facility, to finance the working capital needs and for general corporate purposes. The New LC Facility provides availability of up to $300 million less amounts borrowed, and letters of credit provided are required to be cash collateralized at 101% of the letter of credit amount. On July 5, 2018, GenOn and Citibank entered into an amendment to the New LC Facility to extend the term of the agreement an additional six months and decrease the exposure amount to $150 million over such extended period. As of September 30, 2018, there was $0 million of letters of credit issued under this facility.

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. Upon notification, GenOn became obligated under the Intercompany Revolver. The obligation was accounted for as an increase in current portion of long-term debt — affiliate with a corresponding increase in long-term deposits on the Company's condensed consolidated balance sheet as of June 30, 2018. See Note 9, *Related Party Transactions*, for further discussion. On July 2, 2018, REMA directed the indenture trustees to apply the proceeds from the letter of credit draws to the July rent payments for the Keystone and Conemaugh facilities. The forbearance agreements entered into on June 18, 2018 with the owner participants and certificate holders forbear the parties from taking action with respect to the remaining balance of rents for July not covered by the letter of credit draws pertaining to Keystone and Conemaugh. On September 28, 2018, REMA entered into a Restructuring Support Agreement with holders of more than 90% of the aggregate principal amount of PTCs. Pursuant to the term sheet to the PTC RSA the PTC holders shall be entitled to retain the proceeds drawn under the Intercompany Revolver. As a result, the Company wrote off the long-term deposit associated with the aforementioned draw a of September 30, 2018, which is recorded as restructuring expense in the accompanying statement of operations.

On July 16, 2018, all borrowings and related interest under the Intercompany Revolver were settled against amounts owed to the Company by NRG, as further discussed in Note 3, *Chapter 11 Cases*, in connection with the NRG Settlement.

GenOn Mid-Atlantic Long-Term Deposits

On January 27, 2017, GenOn Mid-Atlantic entered into an agreement with Natixis Funding Corp., or Natixis, under which Natixis procured payment and credit support for the payment of certain lease payments owed pursuant to the GenOn Mid-Atlantic operating leases for Morgantown and Dickerson, or the Natixis Agreement. GenOn Mid-Atlantic made a payment of $130 million plus fees of $1 million as consideration for Natixis applying for the issuance of, and obtaining, letters of credit from Natixis, New York Branch, the LC Provider, to support the lease payments. The payment was accounted for as a long-term deposit on the Company's condensed consolidated balance sheet prior to June 30, 2017, reflecting the deferred benefit to GenOn Mid-Atlantic of its contractual rights under the Natixis Agreement, including lease payments Natixis had agreed to make thereunder, and notwithstanding that GenOn Mid-Atlantic had made an irrevocable payment to Natixis.

In letters dated February 24, 2017, GenOn Mid-Atlantic received a series of notices from certain of the owner lessors under its operating leases of the Morgantown coal generation units, or Notices, alleging default. The Notices alleged the existence of lease events of default as a result of, among other items, the purported failure by GenOn Mid-Atlantic to comply with a covenant requiring the maintenance of qualifying credit support. The Notices instructed the relevant trustees to draw on letters of credit under the secured intercompany revolving credit agreement between NRG and GenOn. On February 28, 2017, the trustees drew on the letters of credit under NRG's revolving credit facility, which resulted in borrowings of $125 million. Upon notification, GenOn became obligated under the Intercompany Revolver. In addition, a corresponding payable was recorded by GenOn Mid-Atlantic to GenOn, with the offset recorded as a long-term deposit on the Company's condensed consolidated balance sheet as of March 31, 2017 under the related operating leases. On May 5, 2017, GenOn Mid-Atlantic repaid $125 million to GenOn.

On March 7, 2017, GenOn Mid-Atlantic filed a complaint in the Supreme Court for the State of New York against the owner lessors of the Morgantown and Dickerson facilities and U.S. Bank, N.A., or U.S. Bank, in its capacity as the indenture trustee, the GenOn Mid-Atlantic Complaint. The GenOn Mid-Atlantic Complaint sought, *inter alia*, a declaratory judgment that no lease events of default existed and asserted counts for breach of contract, conversion, tortious interference, breach of the implied covenant of good faith and fair dealing, unjust enrichment, constructive trust, and injunctive relief. On June 8, 2017, the owner lessors filed a complaint in the Supreme Court for the State of New York against GenOn Mid-Atlantic and certain of its affiliates, including GenOn and NRG, the Owner Lessor Complaint. The Owner Lessor Complaint asserted ten counts for various fraudulent transfer, contract, and other claims and sought hundreds of millions of dollars in damages.

On June 28, 2017, GenOn Mid-Atlantic directed U.S. Bank in its capacity as the indenture trustee, to apply the $125 million that had been drawn on the letters of credit under NRG's revolving credit facility to the June 30 rent obligations related to the operating leases. In addition, GenOn Mid-Atlantic paid $2.7 million to the owner lessors to satisfy the remaining portion of the June 30 rent obligations. Rather than accept the $125 million already drawn as payment for the June 30 rent obligation, on June 30, 2017, U.S. Bank drew on the Natixis Agreement in the amount of $125 million. At such time, GenOn Mid-Atlantic transferred $125 million of the amount paid under the Natixis Agreement to prepaid rent - non-current in its condensed consolidated balance sheet. These transactions resulted in a dispute with respect to when GenOn Mid-Atlantic had satisfied its June 30 rent obligation. This dispute was resolved in July 2017, with the $125 million drawn on the Natixis Agreement used to satisfy the rent obligation.

As a result of the consummation of the GenMA Settlement, the two actions pending in the Supreme Court of the State of New York were settled as of April 27, 2018. See Note 3, *Chapter 11 Cases*, for further discussion of the GenMA Settlement.

Note 8 — *Income Taxes*

The income tax provision consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
(In millions except otherwise noted)	**2018**	**2017**	**2018**	**2017**
Income before income taxes	$ 141	$ 72	$ 673	$ 49
Income tax expense/(benefit)	(2)	—	14	7
Effective tax rate	(1.4)%	—%	2.1%	14.3%

For the three and nine months ended September 30, 2018, GenOn's overall effective tax rate was different than the statutory rate of 21% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

For the three and nine months ended September 30, 2017, GenOn's overall effective tax rate was different than the statutory rate of 35% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

As of September 30, 2018 and 2017, GenOn recorded a current income tax payable of $14 million and $1 million, respectively. The 2018 income tax payable is due to state income taxes as a result of the gain from the recent sale of assets, which is recorded in accrued expenses and other current liabilities on the accompanying condensed consolidated balance sheets.

Note 9 — *Related Party Transactions*

Services Agreement and Transition Services Agreement with NRG

NRG provided 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 Services Agreement. The initial term of the Services Agreement was through December 31, 2013, with an automatic renewal absent a request for termination. The fee charged was determined based on a fixed amount as described in the Services Agreement and was calculated based on historical GenOn expenses prior to the NRG Merger. The annual fees under the Services Agreement were approximately $193 million. As described in Note 3, *Chapter 11 Cases*, in connection with the Restructuring Support Agreement, NRG agreed to provide shared services to GenOn under the Services Agreement for an adjusted annualized fee of $84 million.

In December 2017, in conjunction with the confirmation of the Plan, the Services Agreement was terminated and replaced by the transition services agreement. Under the transition services agreement, NRG provided the shared services and other separation services at an annualized rate of $84 million, subject to certain credits and adjustments. GenOn provided notice to NRG of its intent to terminate the shared services under the transition services agreement effective August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. Also, in connection with NRG Settlement, as described in Note 3, *Chapter 11 Cases*, all amounts owed and payable to NRG were settled against the $28 million credit provided for in the Restructuring Support Agreement. NRG is obligated to provide separation and other services that are not shared services after such date, and provide additional services that are necessary for or reasonably related to the operation of GenOn's business after such date subject to NRG's prior written consent, not to be unreasonably withheld. Also in December 2017, GenOn received a $3.5 million credit for services provided under the transition services agreement. For the three and nine months ended September 30, 2018, GenOn recorded costs related to these services of $9 million and $48 million, respectively, as general and administrative — affiliate. For the three and nine months ended September 30, 2017, GenOn recorded costs related to these services of $14 million and $100 million as general and administrative — affiliate.

Credit Agreement with NRG

GenOn was party to a secured intercompany revolving credit agreement with NRG, or the Intercompany Revolver. The Intercompany Revolver provided for a $500 million revolving credit facility, all of which was available for revolving loans and letters of credit. At September 30, 2018 and December 31, 2017, $0 million and $92 million, respectively, of letters of credit were issued and outstanding under the NRG credit agreement for GenOn. Additionally, as of September 30, 2018 and December 31, 2017, there were $0 million and $125 million, respectively, of loans outstanding under the Intercompany Revolver, which are both recorded as current portion of long-term debt - affiliate on the balance sheet, as further described in Note 7, *Debt and Capital Leases*. Certain of GenOn's subsidiaries, as guarantors, entered into a guarantee agreement pursuant to which these guarantors guaranteed amounts borrowed and obligations incurred under the credit agreement. The guarantors are restricted from incurring additional liens on certain of their assets. In addition, the Intercompany Revolver contains customary covenants and events of default. As of September 30, 2018, GenOn was in default under the Intercompany Revolver with NRG due to the filing of the Chapter 11 Cases.

As a result of the Chapter 11 Cases, no additional revolving loans or letters of credit are available to GenOn under the Intercompany Revolver. In addition, NRG agreed to provide GenOn with a letter of credit facility during the pendency of the Chapter 11 Cases, which could be utilized for required letters of credit in lieu of the Intercompany Revolver. The letter of credit facility provided availability of up to $330 million less amounts borrowed, and letters of credit provided were required to be cash collateralized at 103% of the letter of credit amount. On July 27, 2017, this letter of credit facility was terminated as GenOn obtained a separate letter of credit facility with Citibank, as discussed in Note 7, *Debt and Capital Leases*.

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. On September 28, 2018, REMA entered into a Restructuring Support Agreement with holders of more than 90% of the aggregate principal amount of PTCs. Pursuant to the term sheet to the PTC RSA the PTC holders shall be entitled to retain the proceeds drawn under the Intercompany Revolver. See Note 7, *Debt and Capital Leases*, for further discussion. On July 16, 2018, all borrowings and related interest under the Intercompany Revolver were settled against amounts owed to the Company by NRG, as further discussed in Note 3, *Chapter 11 Cases*, in connection with the NRG Settlement.

Note 10 — *Commitments and Contingencies*

This footnote should be read in conjunction with the complete description under Note 15, *Commitments and Contingencies*, to the Company's 2017 Form 10-K.

Contingencies

The Company's material legal proceedings are described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. GenOn records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. As applicable, the Company has established an adequate reserve for the matters discussed below. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, the Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of the Company's liabilities and contingencies could be at amounts that are different from their currently recorded reserves and that such difference could be material.

In addition to the legal proceedings noted below, GenOn and its subsidiaries are party to other litigation or legal proceedings arising in the ordinary course of business. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect GenOn's consolidated financial position, results of operations, or cash flows.

GenOn Chapter 11 Cases — On the Petition Date, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of such bankruptcy filings, substantially all proceedings pending against the GenOn Entities have been stayed by operation of Section 362(a) of the Bankruptcy Code. Under the Restructuring Support Agreement to which the GenOn Entities, NRG and certain of GenOn's senior unsecured noteholders are parties, each of them supported the Bankruptcy Court's approval of the Plan. GenOn has a customary "fiduciary out" under the Restructuring Support Agreement. If the Plan is not consummated, GenOn may not be entitled to the benefits of the Settlement Agreement provided under the Restructuring Support Agreement and it will remain subject to any claims of NRG and the noteholders, including claims relating to or arising out of any shared services and any other relationships or transactions between the companies. See Note 3, *Chapter 11 Cases*, for additional information. The GenOn Entities are in the process of evaluating claims submitted in connection with the Chapter 11 Cases to determine the validity of such claims but have not yet finished their assessment of valid claims. To date, pursuant to Bankruptcy Court authority, the GenOn Entities have made interim distributions to general unsecured creditors (trade and bond debt) of $613 million on account of approximately 700 claims and scheduled records and expect to make further distributions after emergence from Chapter 11.

On October 16, 2018, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection in the Bankruptcy Court in an effort to implement the previously announced prepackaged Chapter 11 plan of reorganization.

The prepackaged Chapter 11 plan of reorganization is supported by REMA, the independent directors of GenOn (who are advised by independent advisors), the independent directors of REMA (who are advised by independent advisors), more than 90% of holders of those certain Series C Pass-Through Trust Certificates due 2026, Public Service Enterprise Group and the steering committee of GenOn noteholders. REMA's plan of reorganization was confirmed by the Court on November 1, 2018. REMA intends to complete its restructuring during the fourth quarter of 2018

Natural Gas Litigation

RRI Energy Services, LLC has been party to four lawsuits, several of which are putative class action lawsuits in state and federal courts in Kansas, Missouri, Nevada and Wisconsin. GenOn Energy, Inc. is also a party in the Wisconsin class action suit. These lawsuits are now pending in a multidistrict litigation before the United States District Court for the District of Nevada ("Nevada District Court").

These lawsuits were filed in the aftermath of the California energy crisis in 2000 and 2001 and the resulting FERC investigations, and relate to alleged conduct to increase natural gas prices in violation of state antitrust and similar laws. The lawsuits seek treble or punitive damages, restitution and/or expenses. The lawsuits also name a number of unaffiliated energy companies as parties. On April 21, 2015, the Supreme Court affirmed the U.S. Court of Appeals for the Ninth Circuit's decision that plaintiffs' state antitrust law claims are not field-preempted by the federal Natural Gas Act. The Court left open whether the claims are preempted on the basis of conflict preemption.

On March 7, 2016, class plaintiffs filed their motions for class. On March 30, 2017 the court denied plaintiffs' motions for class certification, which the plaintiffs appealed. On July 12, 2018, the United States Court of Appeals for the Ninth Circuit heard oral arguments and on August 6, 2018.

GenOn has agreed to indemnify CenterPoint against certain losses relating to these lawsuits.

Meanwhile, in August and September 2017, thirteen of the Natural Gas Litigation plaintiffs, specifically Reorganized FLI, Inc. and the 12 would-be named plaintiffs for the putative Kansas, Missouri and Wisconsin classes ("Individual Claimants"), also submitted proofs of claim arising out of these same lawsuits against GenOn Energy, Inc. and RRI Energy Services, Inc. (together, the "Debtors") in the In re GenOn Energy, Inc. Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of Texas. Claimant Reorganized FLI, Inc. submitted two proofs of claim for $212,660,811 against both GenOn Energy, Inc. and RRI Energy Services, Inc. The remaining claimants submitted proofs of claim in unliquidated amounts.

On September 15, 2017, the Individual Claimants also filed a motion for authorization to file proofs of claim on behalf of the putative Kansas, Missouri, and Wisconsin classes (the "Class Claims Motion"). The Debtors objected to the Class Claims Motion on October 13, 2017. On November 13, 2017, the Bankruptcy Court denied the Class Claims Motion without prejudice.

On February 26, 2018, the Debtors filed objections to each of these proofs of claim, asking the bankruptcy court to expunge and disallow the proofs of claim in their entirety.

On May 30, 2018, the Debtors reached an agreement with claimant Reorganized FLI, Inc. resolving their proofs of claim and litigation against the Debtors for a confidential amount, which the Company can provide to KPMG upon request. The Bankruptcy Court approved the settlement on June 7, 2018, and the Nevada District Court dismissed Reorganized FLI, Inc.'s claims against RRI Energy Services on July 6, 2018.

On May 31, 2018, the Debtors reached an agreement with five claimants from Kansas and Missouri, resolving their proofs of claim and litigation against the Debtors for $3.85 million. Under the agreement, other members of the putative Kansas and Missouri classes may opt in to the settlement and share pro rata in the $3.85 million settlement amount. The bankruptcy court approved the settlement on July 25, 2018, and these claimants will seek dismissal of their lawsuits against the Debtors pending in the Nevada District Court on or about August 8, 2018.

On June 19, 2018, the bankruptcy court entered an order confirming its authority, jurisdiction, and exercise of its discretion to resolve the Debtors' objections to the proofs of claim. On August 1, 2018, the Wisconsin claimants filed a petition in the United States Court of Appeals for the Fifth Circuit ("Fifth Circuit") seeking leave to appeal the court's June 19, 2018 order. After the Fifth Circuit granted leave to appeal, the Wisconsin Claimants initiated proceedings styled Arandell Corp., et al. v. GenOn Energy, Inc., et al., No. 18-20619 (5th Cir.) (the "Appeal"). On October 17. 2018, the Fifth Circuit issued an order expediting the Appeal and setting a briefing schedule that was to be completed on November 28, 2018.

On September 17 and October 25, 2018, parties to the appeal and CenterPoint participated in mediation of the Wisconsin Plaintiffs' claims against the Debtors and CenterPoint, and CenterPoint's indemnification claims against the Debtors. At the October 25, 2018 mediation, the parties entered into mediated settlement agreements outlining the principle terms of settlements that would resolve the Wisconsin Plaintiffs' and CenterPoint's claims. The parties are drafting full and complete settlement agreements memorializing those terms.

The Debtors intend to file motions for approval of these settlements in the Bankruptcy Court promptly after the agreements are executed. Note that CenterPoint and the Individual Claimants will be seeking a release by putative class members of the Debtors in the Class Settlement.

In light the pending settlements, on November 1, 2018, the Wisconsin Plaintiffs filed a motion to stay the Appeal for 120 days, which the Fifth Circuit granted on November 6, 2018. As a result, the Appeal has been stayed until March 28, 2019.

Potomac River Environmental Investigation

In March 2013, NRG Potomac River LLC, a subsidiary of GenOn, received notice that the District of Columbia Department of Environment (now renamed the Department of Energy and Environment, or DOEE) was investigating potential discharges to the Potomac River originating from the Potomac River Generating facility site, a site where the generation facility is no longer in operation. In connection with that investigation, DOEE served a civil subpoena on NRG Potomac River LLC requesting information related to the site and potential discharges occurring from the site. NRG Potomac River LLC provided various responsive materials. In January 2016, DOEE advised NRG Potomac River LLC that DOEE believed various environmental violations had occurred as a result of discharges DOEE believes occurred to the Potomac River from the Potomac River Generating facility site and as a result of associated failures to accurately or sufficiently report such discharges. DOEE has indicated it believes that penalties are appropriate in light of the violations. NRG Potomac River LLC is currently reviewing the information provided by DOEE.

Natixis v. GenOn Mid-Atlantic

On February 16, 2018, Natixis Funding Corp. and Natixis, New York Branch filed a complaint in the Supreme Court of the State of New York against GenOn Mid-Atlantic, the owner lessors under GenOn Mid-Atlantic's operating leases of the Dickerson and Morgantown coal generation units, and the lease indenture trustee under those leases. The plaintiffs' allegations against GenOn Mid-Atlantic relate to a payment agreement between GenOn Mid-Atlantic and Natixis Funding Corp. to procure credit support for the payment of certain lease payments owed pursuant to the GenOn Mid-Atlantic operating leases for Morgantown and Dickerson. The plaintiffs seek approximately $34 million in damages arising from GenOn Mid-Atlantic's purported breach of certain warranties in the payment agreement. On April 2, 2018, GenOn Mid-Atlantic removed the allegations against it to the U.S. District Court for the Southern District of New York.

On April 11, 2018, the U.S. District Court for the Southern District of New York entered a briefing schedule on a forthcoming motion to remand by Natixis Funding Corp. and a forthcoming motion to transfer by GenOn Mid-Atlantic. On April 26, 2018, Natixis Funding Corp. filed its motion to remand. On May 24, 2018, GenOn Mid-Atlantic filed its opposition to the motion to remand and a cross-motion to transfer. The parties completed briefing on the motions to remand and transfer on July 9, 2018 and the USDC SDNY held an oral argument on July 18, 2018.

On August 22, 2018, the U.S. District Court for the Southern District of New York entered an order granting GenOn Mid-Atlantic's motion to transfer and denying Natixis Funding Corp.'s motion to remand.

On August 23, 2018, Natixis Funding Corp. appealed the U.S. District Court for the Southern District of New York's August 22, 2018 order to the U.S. Court of Appeals for the Second Circuit. On August 27, 2018, Natixis Funding Corp. filed a motion for a stay pending appeal and for interim stay during consideration of the emergency motion. On August 29, 2018, the

U.S. Court of Appeals for the Second Circuit granted a temporary stay of the U.S. District Court for the Southern District of New York's order until it determined Natixis Funding Corp.'s request for a stay pending appeal. On August 31, 2018, GenOn Mid-Atlantic filed a motion to dismiss the appeal for lack of appellate jurisdiction. The parties have completed briefing on both motions and are awaiting decisions from the U.S. Court of Appeals for the Second Circuit.

Sierra Club and Three Rivers Waterkeeper NPDES Permit Appeal (Cheswick)

On September 4, 2018, Sierra Club and Three Rivers Waterkeeper filed a Notice of Appeal with the Pennsylvania Environmental Hearing Board (the "Board") challenging the issuance of a renewed National Pollutant Discharge Elimination System ("NPDES") permit, which authorizes NRG Power Midwest LP to discharge from the Cheswick Power Generation Station into the Allegheny River and Little Deer Creek. The appeal objects to the renewed NPDES permit on the following grounds: (i) the permit fails to require compliance with the updated federal Effluent Limitation Guidelines ("ELGs") as soon as possible; (ii) the permit improperly provides for the removal of certain effluent limitations in the event of a revocation of the ELGs for bottom ash water transport or flue gas desulfurization wastewater; (iii) the permit does not require Best Available Technology for thermal pollution; (iv) the permit does not require timely entrainment or impingement studies by the permittee; and (v) the permit fails to contain effluent limits for bromide and total dissolved solids. The permit appeal requests that the Board declare the renewed NPDES permit invalid and remand to the Pennsylvania Department of Environmental Protection to modify the permit in accordance with the objections raised in the appeal. The company will vigorously defend the permit appeal.

Note 11 — *Regulatory Matters*

This footnote should be read in conjunction with the complete description under Note 16, *Regulatory Matters*, to the Company's 2017 Form 10-K.

GenOn operates in a highly regulated industry and is subject to regulation by various federal and state agencies. As such, GenOn is affected by regulatory developments at both the federal and state levels and in the regions in which it operates. In addition, GenOn is subject to the market rules, procedures, and protocols of the various ISO and RTO markets in which it participates. These power markets are subject to ongoing legislative and regulatory changes that may impact GenOn's wholesale business.

In addition to the regulatory proceedings noted below, GenOn and its subsidiaries are parties to other regulatory proceedings arising in the ordinary course of business or have other regulatory exposure. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect GenOn's respective consolidated financial position, results of operations, or cash flows.

Zero-Emission Credits for Nuclear Plants in Illinois — In 2016, Illinois enacted a Zero Emission Credit, or ZEC, program for selected nuclear units in Illinois. In total, the program directs over $2.5 billion over ten years to two Exelon-owned nuclear power plants in Illinois. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On February 14, 2017, certain companies filed a complaint in the U.S. District Court for the Northern District of Illinois alleging that the state program is preempted by federal law and in violation of the dormant commerce clause. On July 14, 2017, Defendants' motions to dismiss were granted. On July 17, 2017, certain companies filed a notice of appeal to the U.S. Court of Appeals for the Seventh Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

Zero-Emission Credits for Nuclear Plants in New York — On August 1, 2016, the NYSPSC issued its Clean Energy Standard, or CES, which provided for ZECs which would provide more than $7.6 billion over 12 years in out-of-market subsidy payments to certain selected nuclear generating units in the state. These ZECs are out-of-market subsidies that threaten to artificially suppress market prices and interfere with the wholesale power market. On October 19, 2016, certain companies filed a complaint in the U.S. District Court for the Southern District of New York, challenging the validity of the NYSPSC action and the ZEC program. On July 25, 2017, Defendants' motions to dismiss were granted. On August 24, 2017, certain companies filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit. Briefing is complete. On May 29, 2018, the United States filed an amicus brief at the invitation of the Seventh Circuit arguing that the ZEC program is not preempted.

State Out-Of-Market Subsidy Proposals — Certain states including Connecticut, New Jersey, Ohio and Pennsylvania have considered, but have not enacted, proposals to provide out-of-market subsidy payments to potentially uneconomic nuclear and fossil generating units. The Company has opposed efforts to provide out of market subsidies, and intends to continue opposing them in the future.

Department of Energy's Proposed Grid Resiliency Pricing Rule and Subsequent FERC Proceeding — On September 29, 2017, the Department of Energy issued a proposed rulemaking titled the "Grid Resiliency Pricing Rule." The rulemaking directs FERC to take action to reform the ISO/RTO markets to value certain reliability and resiliency attributes of electric generation resources. On October 2, 2017, FERC issued a notice inviting comments. On October 4, 2017, FERC staff issued a series of questions requesting commenters to address. On October 23, 2017, comments were filed encouraging FERC to act expeditiously to modernize energy and capacity markets in a manner compatible with robust competitive markets. On January 8, 2018, FERC terminated the proposed rulemaking and opened a new proceeding asking each ISO/RTO to address specific questions focused on grid resilience. On March 9, 2018, the ISOs/RTOs filed comments to the questions posed by FERC. The Company responded on May 9, 2018 and is currently awaiting a decision from FERC.

Montgomery County Station Power Tax — On December 20, 2013, GenOn received a letter from Montgomery County, Maryland requesting payment of an energy tax for the consumption of station power at the Dickerson Facility over the previous three years. Montgomery County seeks payment in the amount of $22 million, which includes tax, interest and penalties. GenOn disputed the applicability of the tax. On December 11, 2015, the Maryland Tax Court reversed Montgomery County's assessment. Montgomery County filed an appeal, and on February 2, 2017, the Montgomery County Circuit Court affirmed the decision of the tax court. On February 17, 2017, Montgomery County filed an appeal to the Court of Special Appeals of Maryland. On April 24, 2018, the Court of Special Appeals of Maryland affirmed the lower court's decision and on May 29, 2018, Montgomery County petitioned the Court of Appeals of Maryland to issue a writ of certiorari to review that decision. GenOn filed an answer opposing the petition on June 18, 2018. The petition is currently pending before the Court of Appeals of Maryland. On August 31, 2018, the Court of Appeals denied the County’s petition for writ of certiorari.

Potrero Power Development Management, LLC vs. NRG Potrero LLC — Potrero Power Development Management, LLC (“Potrero”) filed a claim against NRG Potrero LLC (“NRG Potrero”) in GenOn’s bankruptcy proceeding on September 15, 2017 seeking a $15 million “Entitlement Incentive Bonus” that Potrero argues may at some point be owed to it under the Potrero Site Developer Agreement between Potrero and NRG Potrero, dated November 18, 2013 (“Contract”). Under the Contract, Potrero was to perform various development services in connection with a property on the San Francisco Bay waterfront in San Francisco, California (“Site”) that NRG Potrero intended to redevelop as a “mixed use, energy-producing development utilizing Owner Affiliate proprietary products.” The Contract also provided that Potrero would be eligible to receive an “Entitlement Incentive Bonus” upon NRG Potrero’s receipt of the “Final Entitlements” for the “Project.” The “Final Entitlements” consist of certain regulatory approvals listed in the Contract, and the “Project” is defined as “redevelop[ing] the Potrero Site with a mixed use, energy-producing development” that “utilize[d] Owner Affiliate proprietary products.” In sum, if NRG Potrero secured regulatory approvals for the specific Project defined in the Contract, which incorporates energy production and NRG affiliate proprietary products, Potrero would receive the bonus. In September of 2016, NRG Potrero sold the Site to an unaffiliated third party (“New Owner”) without having received the Final Entitlements. Potrero and GenOn now disagree about the circumstances under which Potrero could still receive an Entitlement Incentive Bonus. GenOn believes the preconditions to the bonus remain, including that Final Entitlements must be received for the “Project,” as defined: an energy-producing development using NRG Potrero affiliate proprietary products. GenOn also believe there is a significant chance the New Owner will not receive entitlements for its development within the period of time during which Potrero could claim an Entitlement Incentive Bonus under the Contract. GenOn intends to raise these issues in the Bankruptcy Court.

Mirant Chapter 11 Proceedings — In July 2003, and various dates thereafter, the Mirant Debtors filed voluntary petitions in the Bankruptcy Court for the Northern District of Texas, Fort Worth Division, for relief under Chapter 11 of the Bankruptcy Code. GenOn Energy Holdings and most of the other Mirant Debtors emerged from bankruptcy on January 3, 2006, when the plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection, or the Mirant Plan, became effective. The remaining Mirant Debtors emerged from bankruptcy on various dates in 2007. Approximately 461,000 of the shares of GenOn Energy Holdings common stock to be distributed under the Mirant Plan have not yet been distributed and have been reserved for distribution with respect to claims disputed by the Mirant Debtors that have not been resolved. Upon the Mirant/RRI Merger, those reserved shares converted into a reserve for approximately 1.3 million shares of GenOn common stock. Upon the NRG Merger, those reserved shares converted into a reserve for approximately 159,000 shares of NRG common stock. Under the terms of the Mirant Plan, upon the resolution of such a disputed claim, the claimant will receive the same pro rata distributions of common stock, cash, or both as previously allowed claims, regardless of the price at which the common stock is trading at the time the claim is resolved. If the aggregate amount of any such payouts results in the number of reserved shares being insufficient, additional shares of common stock may be issued to address the shortfall. In October 2018, the Bankruptcy Court entered a final decree closing the cases.

Actions Pursued by MC Asset Recovery — With Mirant Corporation's emergence from bankruptcy protection in 2006, certain actions filed by GenOn Energy Holdings and some of its subsidiaries against third parties were transferred to MC Asset Recovery, a wholly owned subsidiary of GenOn Energy Holdings. MC Asset Recovery is governed by a manager who is independent of NRG and GenOn. MC Asset Recovery is a disregarded entity for income tax purposes. Under the remaining action transferred to MC Asset Recovery, MC Asset Recovery sought to recover damages from Commerzbank AG and various other banks, or the Commerzbank Defendants, for alleged fraudulent transfers that occurred prior to Mirant's bankruptcy proceedings. In December 2010, the U.S. District Court for the Northern District of Texas dismissed MC Asset Recovery's complaint against the Commerzbank Defendants. In January 2011, MC Asset Recovery appealed the District Court's dismissal of its complaint against the Commerzbank Defendants to the U.S. Court of Appeals for the Fifth Circuit, or the Fifth Circuit. In March 2012, the Fifth Circuit reversed the District Court's dismissal and reinstated MC Asset Recovery's amended complaint against the Commerzbank Defendants. On December 10, 2015, the District Court granted summary judgment in favor of the Commerzbank Defendants. On December 29, 2015, MC Asset Recovery filed a notice to appeal this judgment with the Fifth Circuit. On June 1, 2017, the Fifth Circuit affirmed the District Court's judgment. On June 12, 2017, MC Asset Recovery petitioned the Fifth Circuit for rehearing. The petition for rehearing was denied and a court order and judgment affirming the District Court's judgments was entered on July 17, 2017. In October 2018, the Bankruptcy Court in the Mirant cases entered a final decree closing the cases and authorizing final distributions.

Note 12 — *Environmental Matters*

This footnote should be read in conjunction with the complete description under Note 17, *Environmental Matters*, to the Company's 2017 Form 10-K.

GenOn is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. The electric generation industry has been facing requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species that have been put in place in recent years. However, under the current U.S. presidential administration some of these rules are being reconsidered and reviewed. In general, future laws are expected to require the addition of emissions controls or other environmental controls or to impose certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's consolidated financial position, results of operations, or cash flows. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

Air

On October 26, 2016, the EPA finalized the CSAPR Update Rule to address certain states' obligations to reduce emissions so that downwind states can achieve federal air quality standards. The revised rule reduces future NOx allocations and discounts the current banked allowances to account for the 2008 Ozone NAAQS. On July 10, 2018, the EPA published their determination that the CSAPR rule addresses interstate pollutant obligations for the 2015 Ozone Standard. The Company believes its investment in pollution controls and cleaner technologies leave the fleet well-positioned for compliance.

The EPA denied four petitions submitted by Delaware and one petition from Maryland on October 5, 2018. The petitions were submitted under Section 126 of the Clean Air Act requesting reductions in emissions of ozone-forming nitrogen dioxide from specific power plants including some GenOn plants in Pennsylvania. The EPA disagreed with the petitioning states and found that existing programs satisfy the good neighbor provisions of the act.

Water

In August 2014, the EPA finalized the regulation regarding the use of water for once through cooling at existing facilities to address impingement and entrainment concerns. GenOn anticipates that more stringent requirements to reduce the effects of impingement and entrainment will be incorporated into some of its water discharge permits over the next several years as NPDES permits are renewed.

Effluent Limitations Guidelines - In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, or FGD, fly ash, bottom ash, and flue gas mercury control. In April 2017, the EPA granted two petitions to reconsider the rule and also administratively stayed some of the deadlines. On September 18, 2017, the EPA promulgated a final rule that (i) postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking and (ii) withdrew the April 2017 administrative stay. The legal challenges to the rule have been suspended while the EPA reconsiders and likely modifies the rule. Accordingly, the Company has largely eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. Some permits have been issued requiring the Company to comply with the rules before the EPA completes their reconsideration. GenOn has challenged those provisions of the permits and the outcome of those challenges and the cost for compliance cannot be determined at this time. The Company is working to update plans including producing updated estimates of compliance costs. Compliance alternatives will become certain only after the EPA's reconsideration of the rule is finalized.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 22, 2018, the D.C. Circuit Court of Appeals issued its Opinion in *Utility Solid Waste Activities Group et al. v. EPA*, the consolidated case challenging the 2015 EPA CCR Rule. The Court granted motions for the EPA's voluntary remand and Environmental Petitioners' challenges vacating and remanding several pertinent portions of the CCR Rule. On October 15, 2018, the D.C. Circuit issued a formal mandate requiring the EPA to affirmatively undertake regulatory changes to the CCR Rule to implement the Court's judgment. The Company will revisit estimates after the rule is revised.

Note 13 — *Debtors' Financial Information*

The financial information below represents the Debtor Entities condensed combined financial statements for the three and nine months ended September 30, 2018 and the period from June 14, 2017 through September 30, 2017. The following represent the entities included in the GenOn Entities, or the GenOn Energy, Inc. Debtors:

GenOn Americas Generation, LLC
GenOn Americas Procurement, Inc.
GenOn Asset Management, LLC
GenOn Capital Inc.
GenOn Energy Holdings, Inc.
GenOn Energy Management, LLC
GenOn Energy Services, LLC
GenOn Energy, Inc.
GenOn Fund 2001 LLC
GenOn Mid-Atlantic Development, LLC
GenOn Power Operating Services MidWest, Inc.
GenOn Special Procurement, Inc.
Hudson Valley Gas Corporation
Mirant Asia-Pacific Ventures, LLC
Mirant Intellectual Asset Management and Marketing, LLC
Mirant International Investments, Inc.
Mirant New York Services, LLC
Mirant Power Purchase, LLC
Mirant Wrightsville Investments, Inc.
Mirant Wrightsville Management, Inc.
MNA Finance Corp.
NRG Americas, Inc.
NRG Bowline LLC
NRG California North LLC
NRG California South GP LLC
NRG California South LP
NRG Canal LLC
NRG Delta LLC
NRG Florida GP, LLC
NRG Florida LP
NRG Lovett Development I LLC
NRG Lovett LLC
NRG New York LLC
NRG North America LLC
NRG Northeast Generation, Inc.
NRG Northeast Holdings, Inc.
NRG Potrero LLC
NRG Power Generation Assets LLC
NRG Power Generation LLC
NRG Power Midwest GP LLC
NRG Power Midwest LP
NRG Sabine (Delaware), Inc.
NRG Sabine (Texas), Inc.
NRG San Gabriel Power Generation LLC
NRG Tank Farm LLC
NRG Wholesale Generation GP LLC
NRG Wholesale Generation LP
NRG Willow Pass LLC
Orion Power New York GP, Inc.
Orion Power New York LP, LLC
Orion Power New York, L.P.
RRI Energy Broadband, Inc.
RRI Energy Channelview (Delaware) LLC
RRI Energy Channelview (Texas) LLC
RRI Energy Channelview LP
RRI Energy Communications, Inc.
RRI Energy Services Channelview LLC
RRI Energy Services Desert Basin, LLC
RRI Energy Services, LLC
RRI Energy Solutions East, LLC
RRI Energy Trading Exchange, Inc.
RRI Energy Ventures, Inc.

GenOn Energy, Inc. Debtors
Supplemental Condensed Combined Statements of Operations
(Unaudited)

	Three months ended September 30, 2018	Nine months ended September 30, 2018
	(In millions)	
Total operating revenues	$ 198	$ 1,176
Total operating costs and expenses	195	1,073
Gain/(loss) on sale of assets	(2)	431
Operating Income (Loss)	1	534
Other Income		
Total other income	30	52
Income Before Reorganization Items and Income Taxes	31	586
Reorganization items, net	243	220
Income Before Income Taxes	274	806
Income tax expense/(benefit)	(2)	14
Net Income	$ 276	$ 792

GenOn Energy, Inc. Debtors
Supplemental Condensed Combined Statement of Operations
Period from June 14, 2017 through September 30, 2017
(Unaudited)

	(In millions)
Total operating revenues	$ 594
Total operating costs and expenses	462
Operating Income	132
Other Expense	
Total other expense	(4)
Income Before Reorganization Items and Income Taxes	128
Reorganization items, net	74
Income Before Income Taxes	202
Income tax	—
Net Income	$ 202

The condensed combined comprehensive income for GenOn Energy, Inc. Debtors is equal to the condensed combined net income for the three and nine months ended September 30, 2018 and for the period from June 14, 2017 through September 30, 2017.

GenOn Energy, Inc. Debtors

Supplemental Condensed Combined Balance Sheets

	September 30, 2018 (unaudited)	December 31, 2017
	(In millions)	
ASSETS		
Cash and cash equivalents	$ 254	$ 581
Restricted cash	1	1
Accounts receivable	63	113
Accounts receivable — affiliate	906	661
Prepaid rent and other current assets	796	883
Total current assets	2,020	2,239
Property, plant and equipment, net	669	1,251
Investment in subsidiaries	(573)	(570)
Notes receivable — affiliate	566	544
Other non-current assets	147	128
Total Assets	$ 2,829	$ 3,592
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current portion of long-term debt	$ 1	$ 1
Current portion of long-term debt — affiliate	—	125
Accounts payable	37	62
Accrued expenses and other current liabilities	287	133
Total current liabilities	325	321
Liabilities subject to compromise	1,445	2,840
Long-term debt	20	38
Other non-current liabilities	175	318
Total Liabilities	1,965	3,517
Stockholder's equity	864	75
Total Liabilities and Stockholder's Equity	$ 2,829	$ 3,592

GenOn Energy, Inc. Debtors

Supplemental Condensed Combined Statements of Cash Flows

(Unaudited)

	Nine months ended September 30, 2018	Period from June 14, 2017 through September 30, 2017
	(In millions)	
Net cash provided by operating activities	$ 304	$ 97
Net cash provided/(used) by investing activities	819	(9)
Net cash used by financing activities	(1,450)	(3)
Net increase in cash, cash equivalents and restricted cash	(327)	85
Cash, cash equivalents and restricted cash at beginning of period	582	484
Cash, cash equivalents and restricted cash at end of period	$ 255	$ 569

Item 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As you read this discussion and analysis, refer to the GenOn's Condensed Consolidated Financial Statements to this Interim Financial Report, which present the results of operations for the three and nine months ended September 30, 2018 and 2017. Also, refer to the Company's 2017 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition.

On October 9, 2018 the Company filed with the SEC to suspend its duty to file reports under section 15(d) of the Exchange Act related to the GenOn Senior Notes due 2017, 2018 and 2020. As a result the Company is no longer required to follow the SEC's regulations for interim financial information. However, the Company has elected to prepare an Interim Financial Report that includes all of the relevant SEC disclosures and Management's Discussion and Analysis of Financial Conditions and Results of Operations. The Company's previously filed Form 10-K's and 10-Q's through June 30, 2018 are publicly available information and are referred to throughout this Interim Financial Report.

Overview

The following table summarizes GenOn's generation portfolio as of September 30, 2018:

Generation Type	**(In MW)** [(a)]
Natural gas [(b)(c)(d)]	7,338
Coal	4,188
Oil [(e)]	735
Total generation capacity	12,261

(a) MW figures provided represent nominal summer net MW capacity of power generated as adjusted for the Company's owned or leased interest excluding capacity from inactive/mothballed units.

(b) 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 Etiwanda on June 1, 2018, representing 640 MW. On July 26, 2018, CAISO received authorization to negotiate reliability must-run agreements at Ellwood and for one unit at Ormond Beach to meet local reliability needs in 2019.

(c) GenOn retired Mandalay on February 6, 2018, representing 560 MW.

(d) On June 1, 2018, GenOn completed the sale of Hunterstown, representing 810 MW.

(e) On June 29, 2018, GenOn completed the sale of Canal Units 1 and 2, representing 1,112 MW.

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 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.

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, GenMA, and certain of GenMA'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 definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenMA, the Owner Lessor Plaintiffs and certain of their respective related parties;
- cash redemption or purchase of certain outstanding lessor notes/pass-through certificates, funded by (i) GenMA cash on hand; (ii) proceeds from a J.P. Morgan letter of credit draw; and (iii) a $20.0 million subordinated loan by GenOn to GenMA;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenMA, in respect of GenMA's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenMA on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- Debt and lien covenants will permit a secured working capital facility in an amount not to exceed $75.0 million, which GenMA will use commercially reasonable efforts to obtain; and
- GenMA will have one independent director appointed by the Owner Lessor Plaintiffs.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG's provision of payroll services through October 21, 2018. NRG will have no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid in full, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

REMA Restructuring Support Agreements and Chapter 11 Proceedings

On September 28, 2018, REMA entered into the PSEG RSA and the PTC RSA, effective October 1, 2018. These restructuring support agreements relate to the implementation of Restructuring Transactions with respect to REMA's indebtedness. Restructuring transactions contemplated by the PSEG RSA and PTC RSA will be implemented by REMA on a in-court basis pursuant to REMA commencing voluntary cases under Chapter 11 of the Bankruptcy Code.

The Restructuring Transactions represent a global resolution of REMA's obligations under its leveraged lease agreements, and are supported by REMA's key third-party and affiliate stakeholders, including PSEG and more than 90% of PTC holders, the disinterested directors of GenOn, and the Steering Committee of GenOn noteholders, which noteholders were restricted, participated in settlement negotiations directly and through their advisors, and support the Restructuring Transactions on the terms outlined herein. The Restructuring Transactions are expected to utilize $109 million of REMA's cash-on-hand to settle third-party Keystone and Conemaugh lease rejection and tax indemnity claims and as consideration for amendments to the Shawville facility lease. GenOn will retain a 100% ownership of REMA, comprising a total of 1,733 megawatts of gas and oil-fired generating capacity located in the PJM Interconnection, LLC market. Other creditors will be unimpaired. The REMA portfolio continues to include existing non-leased assets and Shawville leasehold interest. Additionally, the Restructuring Transactions implement amendments to the Shawville facility lease, which amendments management believes will enhance the lessee's flexibility to monetize some or all of the portfolio and/or renew the lease upon expiration in 2026, without modifications to the cash rent obligations. The Restructuring Transactions are expected to be implemented prior to the outside date of December 1, 2018, subject to extension for regulatory purposes.

On October 16, 2018, REMA and its direct subsidiaries filed petitions seeking Chapter 11 protection in the Bankruptcy Court in an effort to implement the previously announced prepackaged Chapter 11 plan of reorganization.

The prepackaged Chapter 11 plan of reorganization is supported by REMA, the independent directors of GenOn (who are advised by independent advisors), the independent directors of REMA (who are advised by independent advisors), more than 90% of the holders of those certain Series C Pass-Through Trust Certificates due 2026, Public Service Enterprise Group and the steering committee of GenOn noteholders. REMA's plan of reorganization was confirmed by the Court on November 1, 2018. REMA intends to complete its restructuring during the fourth quarter of 2018.

Regulatory Matters

The Company's regulatory matters are described in the Company's 2017 Form 10-K in Item 1, Business — *Regulatory Matters.* These matters have been updated below and in Note 11, *Regulatory Matters,* to the Condensed Consolidated Financial Statements of this Interim Financial Report.

As owners of power plants and participants in wholesale energy markets, certain of GenOn's 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 GenOn's generating assets are located. In addition, GenOn is subject to the market rules, procedures and protocols of the various ISO markets in which they participate. GenOn must also comply with the mandatory reliability requirements imposed by NERC and the regional reliability entities in the regions where they operate.

PJM

2021/2022 PJM Auction Results — On May 23, 2018, PJM announced the results of its 2021/2022 base residual auction. GenOn cleared approximately 7,706 MW of Capacity Performance product. GenOn's expected capacity revenues from the base residual auction for the 2021/2022 delivery year are approximately $410 million. For results of the 2020/2021 PJM base residual auction, refer to Item 1 - *Business* of GenOn's 2017 Form 10-K.

The table below provides a detailed description of GenOn's base residual auction result:

	Capacity Performance Product	
Zone	**Cleared Capacity (MW)**	**Price ($/MW-day)**
EMAAC	594	$165.73
MAAC	1,405	$140.00
PEPCO	4,081	$140.00
ATSI	908	$171.33
RTO	718	$140.00
Total	7,706	

Capacity Market Reforms Filing — On April 9, 2018, PJM filed with FERC two capacity market reform proposals in one filing attempting to address market impacts created by out-of-market subsidies. PJM proposed a capacity re-pricing proposal as its preferred option to accommodate state subsidies in the wholesale market. In the alternative, PJM proposes extending its MOPR to existing resources, along with other changes. On June 29, 2018, FERC issued an order rejecting both of the PJM proposals. Instead, FERC found the existing PJM tariff unjust and unreasonable, and initiated a new proceeding to develop a just and reasonable outcome. Among other things, FERC directed PJM to adopt a minimum price rule that would apply to all subsidized resources, including nuclear and renewable resources. Additionally, FERC directed PJM to consider whether to allow state regulators to remove equal amounts of subsidized generation and load from the capacity market. FERC established a briefing schedule and committed to issuing a final order in early 2019 for implementation for next year's BRA.

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. On February 23, 2018, FERC issued an Order scheduling a technical conference. Multiple parties filed for rehearing. FERC issued a notice for technical conference that took place on April 24, 2018 and received post-technical conference comments on July 13, 2018. The outcome of this proceeding could have a material impact on future PJM capacity prices.

New York

Independent Power Producers of New York (IPPNY) Complaint — On January 9, 2017, EPSA requested FERC to promptly direct the NYISO to file tariff provisions to address pending market concerns related to out-of-market payments to existing generation in the NYISO. This request was prompted by the ZEC program initiated by the NYSPSC. This request follows IPPNY's complaint at FERC against the NYISO on May 10, 2013, as amended on March 25, 2014. On April 5, 2018, EPSA filed a motion for renewed request for expedited action on the MOPR. The generators asked FERC to direct the NYISO to require that capacity from existing generation resources that would have exited the market but for out-of-market payments be mitigated. Failure to implement buyer-side mitigation measures could result in uneconomic entry, which artificially decreases capacity prices below competitive market levels.

MISO

Revisions to MISO Capacity Construct - On February 28, 2018, FERC issued two orders on MISO's capacity market design, which together, re-affirm MISO's existing capacity market structure. FERC also held that, even though there was a period of time between where MISO's capacity market structure may not have just and reasonable, FERC exercised its remedial authority not to rerun past auctions. On March 30, 2018, the Company filed a motion for rehearing with FERC. The eventual outcome of this proceeding will affect capacity prices in MISO and the incentive for generators in MISO to sell capacity into neighboring markets.

General

State Out-Of-Market Subsidy Proposals — Certain states including Connecticut, New Jersey, Ohio and Pennsylvania have considered but have not enacted proposals to provide out-of-market subsidy payments to potentially uneconomic nuclear and fossil generating units. The Company has opposed those efforts to provide out of market subsidies, and intends to continue opposing them in the future.

Department of Energy's Proposed Grid Resiliency Pricing Rule and Subsequent FERC Proceeding — On September 29, 2017, the Department of Energy issued a proposed rulemaking titled the "Grid Resiliency Pricing Rule." The rulemaking directs FERC to take action to reform the ISO/RTO markets to value certain reliability and resiliency attributes of electric generation resources. On October 2, 2017, FERC issued a notice inviting comments. On October 4, 2017, FERC staff issued a series of questions requesting commenters to address. On October 23, 2017, comments were filed encouraging FERC to act expeditiously to modernize energy and capacity markets in a manner compatible with robust competitive markets. On January 8, 2018, FERC terminated the proposed rulemaking and opened a new proceeding asking each ISO/RTO to address specific questions focused on grid resilience. On March 9, 2018, the ISOs/RTOs filed comments to the questions posed by FERC. The Company responded on May 9, 2018 and is currently awaiting a decision from FERC.

Environmental Matters

GenOn is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and maintained during operation of power plants. Requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species have been put in place in recent years. However, under the current U.S. presidential administration some of these rules are being reconsidered and reviewed. Future laws may require the addition of emissions controls or other environmental controls or impose restrictions on the operations of the Company's facilities, which could have a material effect on the Company's operations. Complying with environmental laws involves significant capital and operating expenses. GenOn decides to invest capital for environmental controls based on the relative certainty of the requirements, an evaluation of compliance options, and the expected economic returns on capital.

A number of regulations with the potential to affect the Company and their facilities have been recently promulgated by the EPA but are being reconsidered, including ESPS/NSPS for GHGs, NAAQS revisions and implementation, and effluent guidelines. GenOn is evaluating the potential outcomes and any resulting impacts of recently promulgated regulations that the EPA is now reconsidering and cannot fully predict such impacts until administrative reconsiderations and legal challenges are resolved. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

The Company's environmental matters are described in the Company's 2017 Form 10-K in Item 1, Business - *Environmental Matters* and Item 1A, Risk Factors. These matters have been updated in Note 12, *Environmental Matters*, to the Condensed Consolidated Financial Statements of this Interim Financial Report.

Effluent Limitations Guidelines - In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, or FGD, fly ash, bottom ash, and flue gas mercury control. In April 2017, the EPA granted two petitions to reconsider the rule and also administratively stayed some of the deadlines. On September 18, 2017, the EPA promulgated a final rule that (i) postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking and (ii) withdrew the April 2017 administrative stay. The legal challenges have been suspended while the EPA reconsiders and likely modifies the rule. Accordingly, the Company has largely eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. Some permits have been issued requiring the Company to comply with the rules before the EPA completed their reconsideration. GenOn has challenged those provisions of the permits and the outcome of those challenges and the cost for compliance cannot be determined at this time. The Company is working to update plans including producing updated estimates of compliance costs. Compliance alternatives will become certain only after the EPA's reconsideration of the rule is finalized.

Regional Environmental Issues

RGGI — The Company operates generating units in Maryland and New York that are subject to RGGI, which is a regional cap and trade system. In 2013, each of these states finalized a rule that reduced and will continue to reduce the number of allowances through 2020. The nine RGGI states re-evaluated the program and published a model rule to further reduce the number of allowances. The revisions being currently contemplated could adversely impact the Company's results of operations, financial condition and cash flows. Other states (e.g., New Jersey) may join or rejoin RGGI. This action could adversely impact generating assets in the subject state(s) and may affect the RGGI budgets and the likelihood that more states may join the program.

Significant Events

SEC Registrant Status

- On October 9, 2018 the Company filed with the SEC to suspend its duty to file reports under section 15(d) of the Exchange Act related to the GenOn Senior Notes due 2017, 2018 and 2020. As a result, the Company is no longer required to follow SEC rules and regulations in reporting financial information.

Asset Sales

- On June 1, 2018, the Company completed the sale of Hunterstown and certain third-party gas interconnection contracts pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn and Kestrel Acquisition, LLC for cash consideration of $498 million, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018. During the three-months ended September 30, 2018, the Company reduced the amount of final expected working capital adjustments related to the sale of Hunterstown by $1.1 million, which was recorded as a reduction to the gain on sale.

- On June 29, 2018, the Company completed the sale of Canal Units 1 and 2, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn and Stonepeak Kestral Holdings LLC for a total consideration of $320 million, subject to post-closing working capital adjustments. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal Unit 3 project. Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal Unit 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal Unit 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018. During the three-months ended September 30, 2018, the Company reduced the amount of expected working capital adjustments related to the sale of Canal Units 1 and 2 by $1 million, which was recorded as a reduction to the gain on sale.

- On August 21, 2018, the Company entered into an asset purchase agreement with Entergy Mississippi, Inc. to sell the Choctaw Facility, an 810 megawatt combined cycle, natural gas generation plant, for cash consideration of $314 million, subject to working capital adjustments. Subject to certain closing conditions in the purchase agreement, the transaction is expected to close in the third quarter of 2019. In connection with the purchase agreement, the existing LTSA between the seller and GE International, Inc. with respect to Choctaw was amended and the Company paid $35.6 million in September 2018, to reduce amounts owed under the existing LTSA in respect of certain upgrades and conversions.

Financing Activities

- On February 1, 2018, pursuant to the GAG Settlement Order, 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.

- On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes. In connection with the payment, GenOn recognized $42 million as a gain on reorganization items, net.

- On July 13, 2018, the Bankruptcy Court entered an order authorizing interim distributions on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

Impairments and Other

- On September 28, 2018 REMA entered into the PSEG RSA, effective as of October 1, 2018. Pursuant to the Terms sheet of the PSEG RSA REMA agreed to pay PSEG $31.5 million in cash in exchange for full satisfaction of all respective claims asserted against REMA and Shawville lease amendments. These amendments allow REMA to incur indebtedness with respect to the Shawville leasehold interest and to sell any and all non-leased assets subject to amended qualified credit support terms. REMA will also reject its 16.67% leasehold interest in the Keystone plant and 16.45% interest in the Conemaugh plant. As a result, during the three months ended September 30, 2018, the Company recorded impairment losses of $17 million related to Keystone and Conemaugh. The impairment losses are discussed in more detail in Note 4, *Dispositions and Impairments,* to the Interim Financial Report.
- On September 28, 2018, REMA entered into the PTC RSA with holders of more than 90% of the aggregate principal amount of PTCs. Pursuant to the term sheet to the PTC RSA REMA agreed to pay $77.5 million in cash to the PTC Holders and the PTC holders were entitled to retain the $26.4 million of proceeds drawn under the Intercompany Revolver.

Operational Matters

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 on February 6, 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 generating station by June 1, 2018, the Ormond Beach generating station by October 1, 2018, and the Ellwood generating station by January 1, 2019. Etiwanda was retired on June 1, 2018. In order to meet local reliability needs in 2019, CAISO received authorization from its board of directors to negotiate reliability agreements at Ellwood and Ormond Beach, contingent upon reaching acceptable terms. In September 2018, the Company rescinded all retirement notices for Ormond Beach units 1 and 2 as well as Ellwood and has executed Resource Adequacy agreements for both plants for 2019 and 2020. The 2020 Resource Adequacy agreements become effective only upon receiving certain Advice Letters from the CPUC on or before July 1, 2019.

Bowline Point Generating Station ("Bowline") holds a State Pollutant Discharge Elimination System Permit ("SPDES Permit") issued by the New York State Department of Environmental Conservation ("NYSDEC") for a five- year term, expiring on December 31, 2019. The SPDES Permit regulates industrial and storm water discharges and contains the requirements regarding the cooling water intake structure under Section 316(b) of the Clean Water Act, 33 U.S.C. 1326 (b), and the state's corresponding laws and implementation policy. Bowline timely filed a renewal application on June 13, 2018. The existing SPDES Permit will remain in effect until NYSDEC takes final action on the renewal application. The SPDES Permit contains several reporting and performance compliance conditions associated with Bowline's cooling water intake structure. Bowline submitted the results of a study to verify compliance with these requirements. It also applied to modify the SPDES Permit to account for the specific location of the intake in assessing compliance. The modification application is pending.

Changes in Accounting Standards

See Note 2, *Summary of Significant Accounting Policies,* to the Condensed Consolidated Financial Statements of this Interim Financial Report, for a discussion of recent accounting developments.

Consolidated Results of Operations

Electricity Prices

The following tables summarize average on-peak power prices for each of the major markets in which GenOn operates for the three and nine months ended September 30, 2018 and 2017. Average on-peak power prices increased primarily due to the above average temperatures and fuel constraints for the three and nine months ended September 30, 2018, compared to the same period in 2017.

	Average on Peak Power Price ($/MWh) [(a)]		
	Three months ended September 30,		
	2018	2017	Change %
MISO - Louisiana Hub [(b)]	$ 41.22	$ 39.56	4%
NEPOOL	43.48	31.94	36%
PEPCO (PJM)	42.09	38.81	8%
PJM West Hub	39.93	35.10	14%
CAISO - SP15	78.66	46.54	69%

(a) Average on-peak power prices based on day ahead settlement prices as published by the respective ISOs.
(b) Region also transacts in PJM - West Hub.

	Average on Peak Power Price ($/MWh) [(a)]		
	Nine months ended September 30,		
	2018	2017	Change %
MISO - Louisiana Hub [(b)]	$ 43.88	$ 42.33	4%
NEPOOL	48.54	33.11	47%
PEPCO (PJM)	46.06	35.65	29%
PJM West Hub	42.36	33.30	27%
CAISO - SP15	47.28	33.42	41%

(a) Average on-peak power prices based on day ahead settlement prices as published by the respective ISOs.
(b) Region also transacts in PJM - West Hub.

The following tables summarize average realized power prices for GenOn for the three and nine months ended September 30, 2018 and 2017, which reflects the impact of settled hedges:

Average Realized Power Price ($/MWh)					
Three months ended September 30,			Nine months ended September 30,		
2018	2017 [(a)]	Change %	2018	2017 [(a)]	Change %
$ 46.48	$ 42.94	8%	$ 50.47	$ 44.75	13%

(a) Excludes closure and financial settlement of certain open positions with counterparties that would have otherwise been realized in subsequent periods.

Gross Margin

The Company calculates gross margin in order to evaluate operating performance as operating revenues less cost of sales, which includes cost of fuel, other costs of sales, contract and emission credit amortization and mark-to-market gains or losses on economic hedging activities.

Economic Gross Margin

In addition to gross margin, the Company evaluates its operating performance using the measure of economic gross margin, which is not a GAAP measure and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Economic gross margin should be viewed as a supplement to and not a substitute for the Company's presentation of gross margin, which is the most directly comparable GAAP measure. Economic gross margin is not intended to represent gross margin. The Company believes that economic gross margin is useful to investors as it is a key operational measure reviewed by Company management. Economic gross margin is defined as the sum of energy revenue, capacity revenue and other revenue, less cost of fuel and other cost of sales.

Economic gross margin does not include mark-to-market gains or losses on economic hedging activities that are not yet settled, contract and emission credit amortization or other operating costs.

The following table provides selected financial information for the Company:

(In millions except otherwise noted)	Three months ended September 30, 2018	2017	Change	Nine months ended September 30, 2018	2017	Change
Operating Revenues						
Energy revenue [a]	$ 196	$ 306	$ (110)	$ 800	$ 739	$ 61
Capacity revenue [a]	165	192	(27)	490	458	32
Mark-to-market for economic hedging activities	(1)	(23)	22	13	7	6
Other revenues	2	9	(7)	19	27	(8)
Total operating revenues	362	484	(122)	1,322	1,231	91
Operating Costs and Expenses						
Generation cost of sales [a]	157	211	(54)	547	500	47
Mark-to-market for economic hedging activities	2	(4)	6	1	(9)	10
Contract and emissions credit amortization	(1)	(9)	8	(11)	(28)	17
Operations and maintenance	86	101	(15)	307	358	(51)
Other cost of operations	8	15	(7)	36	55	(19)
Total cost of operations	252	314	(62)	880	876	4
Depreciation and amortization	29	43	(14)	95	128	(33)
Impairment losses	17	—	—	17	—	—
General and administrative	22	11	11	80	26	54
General and administrative - affiliate	9	14	(5)	48	100	(52)
Restructuring and transition-related costs	134	—	134	183	—	183
Total operating costs and expenses	463	382	81	1,303	1,130	173
Gain/(loss) on sale of assets	(2)	—	(2)	431	—	431
Operating Income/(Loss)	(103)	102	(205)	450	101	349
Other Income/(Expense)						
Other income, net	6	3	3	19	9	10
Interest expense	(3)	(4)	1	(14)	(91)	77
Other expense	(2)	0	(2)	(2)	(18)	16
Total other income/(expense)	1	(1)	2	3	(100)	103
Income/(Loss) Before Reorganization Items and Income Taxes	(102)	101	(203)	453	1	452
Reorganization items, net	243	(29)	272	220	48	172
Income Before Income Taxes	141	72	69	673	49	624
Income tax expense/(benefit)	(2)	—	(2)	14	7	7
Net Income	$ 143	$ 72	$ 71	$ 659	$ 42	$ 617
Business Metrics						
Average natural gas price — Henry Hub ($/MMBtu)	$ 2.90	$ 3.00	(3)%	$ 2.90	$ 3.17	(9)%
MWh sold (in thousands) [b]	4,217	7,126	(41)%	15,850	16,395	(3)%

(a) Includes realized gains and losses from financially settled transactions.

(b) MWh sold excludes generation at facilities that generate revenue under tolling agreements.

The following table presents the composition and reconciliation of gross margin and economic gross margin for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Energy revenue	$ 196	$ 306	$ 800	$ 739
Capacity revenue	165	192	490	458
Mark-to-market for economic hedging activities	(1)	(23)	13	7
Other revenues	2	9	19	27
Operating revenue	362	484	1,322	1,231
Cost of fuel	(149)	(193)	(530)	(463)
Other cost of sales	(8)	(18)	(17)	(37)
Mark-to-market for economic hedging activities	(2)	4	(1)	9
Contract and emission credit amortization	1	9	11	28
Gross margin	**$ 204**	**$ 286**	**$ 785**	**$ 768**
Less: Mark-to-market for economic hedging activities, net	(3)	(19)	12	16
Less: Contract and emission credit amortization, net	1	9	11	28
Economic gross margin	**$ 206**	**$ 296**	**$ 762**	**$ 724**

GenOn's gross margin decreased by $82 million and economic gross margin decreased by $90 million for the three months ended September 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Higher gross margin due to a 15% increase in average PJM cleared auction capacity prices offset by a 9% decrease in cleared auction capacity volumes, primarily at GenOn MidAtlantic.	$ 10
Higher gross margin due to higher Resource Adequacy prices, primarily at Ormond Beach	11
Lower gross margin due to the sales of the Hunterstown and Canal plants during the second quarter of 2018	(60)
Lower gross margin due to a 15% decrease in average realized energy prices and a 69% increase in natural gas prices	(25)
Lower gross margin due to a 68% decrease in Southern California Resource Adequacy volumes due to the retirement of Etiwanda and Mandalay as well as an oversupply in the market	(15)
Lower gross margin due to a 10% decrease in generation, primarily at GenOn MidAtlantic as a result of gas constraints at Chalk Point as well as the retirements of Mandalay and Etiwanda during the first half of 2018	(10)
Other	(1)
Decrease in economic gross margin	**$ (90)**
Increase in mark-to-market for economic hedging primarily due to reversals of previously recognized unrealized gains/losses on settled positions and unrealized gains/losses on open positions related to economic hedges as further described below	16
Decrease in contract and emission credit amortization	(8)
Decrease in gross margin	**$ (82)**

GenOn's gross margin increased by $17 million and economic gross margin increased by $38 million for the nine months ended September 30, 2018, compared to the same period in 2017, due to:

	(In millions)
Higher gross margin due to a 14% increase in average PJM cleared auction capacity prices and a 3% increase in PJM cleared auction capacity volumes, primarily at Shawville	$ 50
Higher gross margin due to a 9% increase in economic generation primarily at GenOn Mid-Atlantic, Avon Lake and Choctaw as a result of colder weather in 2018	19
Higher gross margin due to business interruption insurance proceeds received for Bowline and Avon Lake as a result of forced outages in 2016 and 2014	16
Higher gross margin due to an increase in Southern California Resource Adequacy pricing due to local needs	11
Lower gross margin due to lower Southern California Resource Adequacy volumes due to the retirement of Etiwanda and Mandalay as well as an oversupply in the market	(30)
Lower gross margin due to a 33% increase in natural gas prices from locational constraints in 2018.	(21)
Lower gross margin due to the sale of Hunterstown and Canal units 1 and 2 during the second quarter of 2018	(7)
Increase in economic gross margin	**$ 38**
Decrease in mark-to-market for economic hedging primarily due to reversals of previously recognized unrealized gains/losses on settled positions and unrealized gains/losses on open positions related to economic hedges as further described below	(4)
Decrease in contract and emission credit amortization	(17)
Increase in gross margin	**$ 17**

Mark-to-market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges.

The breakdown of gains and losses included in GenOn's operating revenues and operating costs and expenses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2018	2017	2018	2017
Mark-to-market results in operating revenues				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ 2	$ 7	$ 23	$ (4)
Net unrealized gains/(losses) on open positions related to economic hedges	(2)	(30)	(9)	11
Total mark-to-market gains/(losses) in operating revenues	$ —	$ (23)	$ 14	$ 7
Mark-to-market results in operating costs and expenses				
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (1)	$ 2	$ (4)	$ 11
Net unrealized gains/(losses) on open positions related to economic hedges	(1)	2	3	(2)
Total mark-to-market (losses)/gains in operating costs and expenses	$ (2)	$ 4	$ (1)	$ 9

Mark-to-market results consist of unrealized gains and losses on contracts that are not yet settled. The settlement of these transactions is reflected in the same revenue or cost financial statement caption as the items being hedged.

For the three months ended September 30, 2018, the $2 million loss in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized gains from contracts that settled during the period, partially offset by an increase in the value of forward purchases of fuel contracts as a result of increases in coal prices.

For the three months ended September 30, 2017, the $23 million loss in operating revenues from economic hedge positions was primarily driven by a decrease in the value of forward sales of power contracts as a result of decreases in forward power prices, partially offset by the reversal of previously recognized unrealized gains from electricity contracts that settled during the period. The $4 million gain in operating costs and expenses from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from contracts that settled during the period.

For the nine months ended September 30, 2018, the $14 million gain in operating revenues from economic hedge positions was primarily driven by the reversal of previously recognized unrealized losses from contracts that settled during the period, partially offset by a decrease in the value of forward sales of power contracts as a result of increases in forward power prices. The $1 million loss in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized gains from contracts that settled during the period, largely offset by an increase in the fair value of forward purchases of fuel contracts as a result of increases in coal prices.

For the nine months ended September 30, 2017, the $7 million gain in operating revenues from economic hedge positions was primarily driven by an increase in the value of forward sales of power contracts as a result of decreases in forward power prices, partially offset by the reversal of previously recognized unrealized gains from electricity and natural gas contracts that settled during the period. The $9 million gain in operating costs and expenses from economic hedge positions was driven by the reversal of previously recognized unrealized losses from natural gas and coal contracts that settled during the period, offset by a decrease in the value of forward purchases of fuel contracts as a result of decreases in forward coal prices.

Operations and Maintenance

Operations and maintenance decreased by $15 million during the three months ended September 30, 2018, compared to the same period in 2017, due to:

		(In millions)
Lower operations and maintenance costs due to workforce reductions as a result of cost cutting initiatives		(3)
Lower operations and maintenance costs due to the retirement of Etiwanda and Mandalay as well as the pending retirement of Ormond Beach		(7)
Lower operations and maintenance costs due to the sale of Hunterstown and Canal units 1 and 2 in June 2018		(8)
Other		3
	$	**(15)**

Operations and maintenance decreased by $51 million during the nine months ended September 30, 2018, compared to the same period in 2017, due to:

		(In millions)
Lower major maintenance work at Cheswick, Chalk Point and Bowline due to lower planned and unplanned outages, partially offset by higher maintenance at Dickerson as costs are no longer being capitalized after the 2017 impairment	$	(21)
Lower operations and maintenance costs due to workforce reductions as a result of cost cutting initiatives		(10)
Lower operations and maintenance costs due to retirement of Etiwanda and Mandalay as well as the pending retirement of Ormond Beach, partially offset by current period deactivation costs		(19)
Lower operations and maintenance costs due to the sale of Hunterstown and Canal units 1 and 2 in June 2018		(9)
Other		8
	$	**(51)**

Other Cost of Operations

Other cost of operations decreased by $7 million during the three months ended September 30, 2018, compared to the same period in 2017, primarily due to the reversal of the Dickerson Station Power Tax accrual reversal due to the success of tax litigation.

Other cost of operations decreased by $19 million during the nine months ended September 30, 2018, compared to the same period in 2017, due to the reversal of the Dickerson Station Power Tax accrual reversal due to the success of tax litigation; the deferral of expected asset retirement obligation spend in Northern California, which resulted in a reduction of accretion expense as well as a reduction in property tax expense at Morgantown due to the payment in lieu of taxes agreement.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by $14 million during the three months ended September 30, 2018, compared to the same period in 2017, due to the sale of the Hunterstown generation station in June 2018 and the impairment of the Morgantown and Dickerson coal generating units during the fourth quarter of 2017.

Depreciation and amortization expense decreased by $33 million during the nine months ended September 30, 2018, compared to the same period in 2017, due to the sale of the Hunterstown generation station in June 2018 and the impairment of the Morgantown and Dickerson coal generating units during the fourth quarter of 2017.

General and Administrative Expenses

For the three and nine months ended September 30, 2018, general and administrative expenses increased by $11 million and $54 million, respectively, compared to the same periods in 2017 due to costs incurred in connection with advisors and other consultants engaged to assist GenOn and its creditors with ongoing operations as a result of the termination of NRG's transition services on August 15, 2018 as well as the Chapter 11 Cases as further discussed in Note 3, *Chapter 11 Cases*, to this Interim Financial Report, along with an increase in the legal reserve due to ongoing legal matters.

General and Administrative Expenses - Affiliate

For the three and nine months ended September 30, 2018, general and administrative expenses - affiliate decreased by $5 million and $52 million, respectively, compared to the same periods in 2017, primarily due to the termination of NRG's transition services on August 15, 2018 as well as a decrease in the amount of the service fee to NRG during the pendency of the Chapter 11 Cases as further discussed in Note 3, *Chapter 11 Cases*, to this Interim Financial Report.

Restructuring and Transition-related Costs

During the three and nine months ended September 30, 2018, GenOn incurred restructuring and transition-related costs of $134 million and $183 million, respectively, of which $77.5 million related to the REMA lease termination fees and $26.4 million related to asset write-offs associated with the REMA Restructuring Support Agreement. The remaining costs were for consultant fees and other costs associated with the GenOn transition and workforce reductions.

Gain or Loss on Sale of Assets

The $2 million loss and $431 million gain on sale of assets during the three and nine months ended September 30, 2018, respectively, reflects the net gain on the sales of Hunterstown and Canal units 1 and 2, including working capital adjustments, as further discussed in Note 4, *Dispositions*, to this Interim Financial Report.

Interest Expense

For the three and nine months ended September 30, 2018, interest expense decreased by $1 million and $77 million, respectively, compared to the same period in 2017, primarily due to the filing of the Chapter 11 Cases, which constituted an event of default on the GenOn and GenOn Americas Generation Senior Notes in June of 2017 as further discussed in Note 3, *Chapter 11 Cases*, to this Interim Financial Report.

Other Expense

Other expense for the nine months ended September 30, 2018 represent costs associated with the 2022 Notes that were not assumed, as further described in Note 3, *Chapter 11 Cases*, to this Interim Financial Report. During the three and nine months ended September 30, 2017, GenOn recorded other expense of $0 million and $18 million, respectively.

Reorganization Items, Net

Reorganization items, net decreased by $272 million during the three months ended September 30, 2018, compared to expense of $29 million for same period in 2017 due to:

	(In millions)
Settlement payment received from NRG	(261)
Decrease in legal and other professional advisory fees directly associated with Chapter 11 proceedings	(7)
Other	(4)
	$ (272)

Reorganization items, net decreased by $172 million during the nine months ended September 30, 2018, compared to the same period in 2017 due to:

		(In millions)
Settlement payment received from NRG	$	(261)
Write-off of debt premiums and credit reserves in 2017		103
Increase in legal and other professional advisory fees directly associated with Chapter 11 proceedings		12
Fees paid to GenOn Americas Generation's senior unsecured noteholders in 2018		18
Gain on GAG Administrative Claim in 2018		(42)
Other		(2)
	$	**(172)**

Income Tax Expense

For the three months ended September 30, 2018, GenOn recorded an income tax benefit of $2 million on pre-tax income of $141 million. For the same period in 2017, GenOn recorded an income tax expense of $0 million on pre-tax income of $72 million. The effective tax rate was (1.4)% and 0.0% for the three months ended September 30, 2018 and 2017, respectively.

For the nine months ended September 30, 2018, GenOn recorded income tax expense of $14 million on pre-tax income of $673 million. For the same period in 2017, GenOn recorded an income tax expense of $7 million on a pre-tax loss of $49 million. The increase in income tax expense is primarily related to state cash taxes paid driven by the sales of Hunterstown and Canal units 1 and 2. The effective tax rate was 2.1% and 14.3% for the nine months ended September 30, 2018 and 2017, respectively.

For the three and nine months ended September 30, 2018, GenOn's overall effective tax rate was different than the statutory rate of 21% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

For the three and nine months ended September 30, 2017, GenOn's overall effective tax rate was different than the statutory rate of 35% primarily due to a change in the valuation allowance, partially offset by the impact of state income taxes.

As of September 30, 2018 and 2017, GenOn recorded a current income tax payable of $14 million and $1 million, respectively. Income tax payable for the nine months ended September 30, 2018 was due to state income taxes as a result of the gain from the recent sale of assets.

Liquidity and Capital Resources

Liquidity Position

As of September 30, 2018 and December 31, 2017, GenOn's liquidity was comprised of the following:

	September 30, 2018		December 31, 2017	
	(In millions)			
Cash and cash equivalents:				
GenOn excluding GenOn Mid-Atlantic and REMA	$	262	$	587
GenOn Mid-Atlantic [(a)]		57		175
REMA [(a)]		125		75
Restricted cash		1		1
Total		445		838
Credit facility availability [(b)]		117		297
Total liquidity	$	562	$	1,135

(a) At September 30, 2018, REMA and GenMA did not satisfy the restricted payment tests under certain of their agreements and therefore, could not use such funds to distribute cash and make other restricted payments.
(b) December 31, 2017 included $300 million cash collateralized letter of credit facility that GenOn obtained from Citibank on July 14, 2017. On July 5, 2018, the collateralized letter of credit agreement was amended lowering the cap to $150 million.

For the nine months ended September 30, 2018, total liquidity decreased $573 million. Changes in cash and cash equivalents balances are further discussed hereinafter under the heading *Cash Flow Discussion*.

As further described in Note 1, *Basis of Presentation*, to the Condensed Consolidated Financial Statements of this Interim Financial Report, management believes that GenOn's liquidity position and cash flows from operations will not be adequate to finance current operating, maintenance and capital expenditures, debt service obligations and other liquidity commitments.

As described further in Note 1, *Basis of Presentation*, and Note 3, *Chapter 11 Cases*, to the Condensed Consolidated Financial Statements of this Interim Financial Report, GenOn submitted the Plan in connection with their 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 ability to continue as a going concern is dependent on many factors, including the consummation of the Plan in a timely manner and our 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 ability to continue as a going concern.

Restricted Payments Tests

Of the $444 million of cash and cash equivalents of GenOn as of September 30, 2018, $57 million and $125 million were held by GenOn Mid-Atlantic and REMA, respectively. The ability of certain of GenOn’s subsidiaries to pay dividends and make distributions is restricted under the terms of certain agreements, including the GenOn Mid-Atlantic and REMA operating leases. Under the operating leases of REMA, it is not permitted to make any distributions and other restricted payments unless: (a) it satisfies the fixed charge coverage ratio for the most recently ended period of four fiscal quarters; (b) it is projected to satisfy the fixed charge coverage ratio for each of the two following periods of four fiscal quarters, commencing with the fiscal quarter in which such payment is proposed to be made; and (c) no significant lease default or event of default has occurred and is continuing. In addition, prior to making a dividend or other restricted payment, REMA must be in compliance with the requirement to provide credit support to the owner lessors securing its obligations to pay scheduled rent under its respective leases. Under the operating leases of GenMA, it is not permitted to make any distributions and other restricted payments unless: (a) there is, and will be after such distribution, at least $30 million of cash available on such date and on a forward-looking basis, including certain revenues and expenses in a detailed liquidity test; (b) there is at least an $80 million balance in the Equity Rent Collateral Account, or the ERCA, as collateral for the rent obligations for the benefit of the owner lessors, with different percentages of such distributions required to further fund the ERCA depending on such account's balance; (c) no significant lease default or event of default has occurred and is continuing; (d) distributions and related calculations must be made on a rent payment date; (e) delivery of a mortgage on the Chalk Point real property; (f) delivery of an officer's certificate; and (g) no acceleration of working capital debt. Based on GenOn Mid-Atlantic’s and REMA’s most recent calculations of these tests, GenMA and REMA did not satisfy their restricted payments tests. As a result, as of September 30, 2018, GenMA and REMA could not make distributions of cash and certain other restricted payments. REMA may recalculate its fixed charge coverage ratio from time to time and, subject to compliance with the restricted payments test described above, make dividends or other restricted payments.

Sources of Liquidity

The principal sources of liquidity for GenOn's future operating and capital expenditures are expected to be derived from existing cash on hand, cash flows from operations, cash proceeds from future sales of assets and the New LC Facility. GenOn's operating cash flows may be affected by, among other things, demand for electricity, the difference between the cost of fuel used to generate electricity and the market value of the electricity generated, commodity prices (including prices for electricity, emissions allowances, natural gas, coal and oil), operations and maintenance expenses in the ordinary course, planned and unplanned outages, terms with trade creditors, cash requirements for capital expenditures relating to certain facilities (including those necessary to comply with environmental regulations) and the potential impact of future environmental regulations.

NRG Settlement

On July 13, 2018, the Bankruptcy Court entered an order approving certain modifications to the Settlement Agreement entered into by the GenOn Entities and NRG on December 14, 2017, to enable consummation of the NRG Settlement, as defined in the Plan, and settle the disputes existing between such parties. Certain of the modifications are as follows:

- NRG and GenOn agreed to waive any unsatisfied conditions precedent to the Settlement Agreement and consummate such agreement no later than July 16, 2018;
- NRG agreed to assign its $8.4 million historical claim against REMA, in exchange for $4.2 million, to be deducted from the amount NRG pays to GenOn upon consummation of the NRG Settlement;
- GenOn posted a $10.0 million letter of credit to secure any NRG exposure in respect of the claims asserted by REMA against NRG until REMA has provided NRG a release;
- GenOn will use best efforts to cause the replacement of, as soon as reasonably practicable, those certain letters of credit procured by NRG for the benefit of GenOn and/or its subsidiaries; and
- The shared services under the transition services agreement between GenOn and NRG will be deemed terminated as of August 15, 2018, and GenOn agreed to waive the early services termination fee in exchange for NRG’s provision of payroll services through October 21, 2018. NRG has no obligation to provide any shared services under the transition services agreement, with the sole exception of payroll services, beyond August 15, 2018.

On July 16, 2018, GenOn and NRG consummated the NRG Settlement and certain transactions were settled and paid in full, including the settlement consideration of $261.3 million and the transition services credit of $28 million owed by NRG to GenOn, offset by the $151 million in borrowings under the Intercompany Revolver, along with related accrued interest of $12 million and certain other balances owed by GenOn to NRG, including fees accrued for services provided under the Services Agreement. In connection with the settlement, GenOn received approximately $125 million of net proceeds from NRG, subject to post-closing adjustments, and posted a $10 million letter of credit to NRG. Other than those obligations which survive or are independent of the releases described herein, the NRG Settlement provides NRG releases from GenOn and each of its debtor and non-debtor subsidiaries, excluding REMA.

Sale of Hunterstown

On June 1, 2018, the Company completed the sale of Hunterstown and certain third-party gas interconnection contracts, pursuant to the asset purchase agreement entered into on February 22, 2018, between subsidiaries of GenOn and Kestrel Acquisition, LLC for cash consideration of $498 million, subject to post-closing working capital adjustments. The sale resulted in a gain of approximately $140 million recognized in the Company's consolidated results of operations during the second quarter of 2018. During the three-months ended September 30, 2018 the Company reduced the amount of final expected working capital adjustments related to the sale of Hunterstown by $1.1 million, which was recorded as a reduction to the gain on sale.

Sale of Canal Units 1 and 2

On June 29, 2018, the Company completed the sale of Canal Units 1 and 2, pursuant to the asset purchase agreement entered into on March 22, 2018, between subsidiaries of GenOn for a total consideration of $320 million, consisting of $318 million of cash received and $2 million held in escrow to cover post-closing obligations, subject to post-closing working capital adjustments. In addition, NRG refunded GenOn $13.5 million for GenOn's prepayment of a purchase option with respect to the Canal Unit 3 project. Also on June 29, 2018, an affiliate of the purchaser of Canal Units 1 and 2 completed the acquisition of Canal Unit 3 pursuant to the purchase agreement entered into on March 22, 2018 with an affiliate of NRG. The closing of the Canal Unit 3 transaction was a closing condition under the Canal Units 1 and 2 purchase agreement. The sale resulted in a gain of approximately $293 million recognized in the Company's consolidated results of operations during the second quarter of 2018. During the three-months ended September 30, 2018, the Company reduced the amount of expected working capital adjustments related to the sale of Canal Units 1 and 2 by $1 million, which was recorded as a reduction to the gain on sale.

Sale of Choctaw

On August 21, 2018, a wholly-owned subsidiary of GenOn entered into an Asset Purchase Agreement with Entergy Mississippi, Inc. to sell the Choctaw facility for $314 million, which amount is subject to adjustment for the value of the inventory of the business and the outcome of performance tests of the facility determined as of the closing date. The economic effective date of the Purchase Agreement will be the Closing Date. The deal is expected to close sometime in the third quarter of 2019 subsequent to the completion of certain regulatory filings and approvals. The Closing Date is estimated to be in 2019, and no gain has been recognized by the Company in Q3 2018.

In conjunction with the signing of the Asset Purchase Agreement, GenOn also agreed to make payments of $35.6 million to GE to amend the terms of the existing long-term service agreements related to certain turbines in use at Choctaw and to pay in full the remaining liability balance of the compressor upgrade. These payments were recorded as a reduction of the long-term debt or liabilities subject to compromise as of September 30, 2018.

Business Interruption Insurance Proceeds

During the first quarter of 2018, GenOn received $16 million in business interruption insurance proceeds as a result of insurance claims from 2016 and 2014 forced outages at Bowline and Avon Lake. See Note 2, *Summary of Significant Accounting Policies*, for further discussion.

New LC Facility

On July 14, 2017, the GenOn Entities obtained a letter of credit facility with Citibank, or the New LC Facility, to finance the working capital needs and for general corporate purposes. The New LC Facility provides availability of up to $300 million less amounts borrowed, and letters of credit provided are required to be cash collateralized at 101% of the letter of credit amount. As of June 30, 2018, there was $5 million of letters of credit issued under this facility. On July 5, 2018, GenOn and Citibank entered into an amendment to the New LC Facility to extend the term of the agreement an additional six months and decrease the exposure amount to $150 million over such extended period.

Uses of Liquidity

The Company's requirements for liquidity and capital resources, other than for operating its facilities, can generally be categorized by the following: (i) debt service obligations; (ii) capital expenditures, including maintenance and environmental; and (iii) payments under the GenOn Mid-Atlantic and REMA operating leases. Pursuant to Section 362 of the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed GenOn's debt service obligations and the holders' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

GenOn Americas Generation Administrative Claim

On December 12, 2017, the Bankruptcy Court entered an order confirming the Plan granting an allowed claim plus certain accrued interest, or the GAG Administrative Claim, estimated to be $663 million, to the holders of the GenOn Americas Generation Senior Notes, due 2021 and GenOn Americas Generation Senior Notes, due 2031. On February 1, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make a partial payment in respect of the GAG Administrative Claim, 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.

On June 5, 2018, pursuant to the GAG Settlement Order, the GenOn Entities elected to make an additional partial payment in respect of the remaining outstanding balance of the GAG Administrative Claim, in the amount of $363 million, consisting of $192 million and $171 million to be applied to the remaining outstanding balance of the GenOn Americas Generation Senior Notes due 2021 and 2031, respectively. This payment effectively paid the entire remaining principal balance of the GenOn Americas Generation Senior Notes in exchange for the underlying GenOn Americas Senior Notes.

GenOn Senior Notes Partial Payment

On July 13, 2018, the Bankruptcy Court ordered an authorized interim distribution on account of certain allowed unsecured claims under the Plan and confirmation order, establishing related claim estimate, and granting related relief, which enables the Debtor Entities to make certain interim distributions up to $630 million on account of allowed GenOn Senior Notes claims and general unsecured claims prior to the effective date of the Plan. On July 18, 2018, pursuant to the order, the GenOn Entities elected to make a partial payment in the amount of $600 million, consisting of $230 million, $211 million and $159 million to be applied to the outstanding balance of the GenOn Senior Notes due 2017, 2018 and 2020, respectively.

GenMA Settlement

The Bankruptcy Court order confirming the Plan also approved the settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenMA, and certain of GenMA'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 definitive documentation consummating the GenMA Settlement was finalized and effective as of April 27, 2018.

Certain terms of the compromise reflected by the definitive documentation implementing the GenMA Settlement are as follows, as qualified by the applicable definitive documentation:

- settlement of all pending litigation with the Owner Lessor Plaintiffs (as defined in the Plan), including two actions pending in the Supreme Court of the State of New York, and the release of certain claims and causes of action by and among NRG, GenOn Mid-Atlantic, the Owner Lessor Plaintiffs and certain of their respective related parties;
- 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; and (iii) a $20.0 million subordinated loan by GenOn to GenOn Mid-Atlantic;
- NRG caused a letter of credit to be issued in the amount of $37.5 million as credit support to GenOn Mid-Atlantic, in respect of GenOn Mid-Atlantic's rent obligations;
- GenOn retained $125.0 million from the pre-petition transfer from GenOn Mid-Atlantic on account of the J.P. Morgan letter of credit draw and all proceeds of NRG's settlement payment of approximately $261.3 million to GenOn in connection with the NRG Settlement, subject to setoff as further discussed below, to fully settle the disputes existing between such parties and their respective affiliates;
- 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.

REMA Long-Term Deposits

On June 8, 2018, the REMA Lessors drew down on the existing letters of credit under the Intercompany Revolver, which resulted in borrowings of $26 million. Upon notification, GenOn became obligated under the Intercompany Revolver. The obligation was accounted for as an increase in current portion of long-term debt — affiliate with a corresponding increase in long-term deposits on the Company's condensed consolidated balance sheet as of June 30, 2018. On July 2, 2018, REMA directed the indenture trustees to apply the proceeds from the letter of credit draws to the July rent payments for the Keystone and Conemaugh facilities. The forbearance agreements entered into on June 18, 2018 with the owner participants and certificate holders forbear the parties from taking action with respect to the remaining balance of rents for July not covered by the letter of credit draws pertaining to Keystone and Conemaugh.

Capital Expenditures

The following table and description summarizes the Company's capital expenditures for maintenance and environmental for the nine months ended September 30, 2018 and currently estimated capital expenditures forecast for the remainder of 2018.

	Maintenance	Environmental	Total
		(In millions)	
Total cash capital expenditures for the nine months ended September 30, 2018	$ 33	$ —	$ 33
Estimated capital expenditures for the remainder of 2018	15	—	15

Operating Leases

GenOn, through its subsidiary REMA, leases a 100% interest in the Shawville generating station through 2026 and leases 16.67% and 16.45% interests in the Keystone and Conemaugh coal generation stations, respectively, through 2034. In addition, GenOn, through its subsidiary GenOn Mid-Atlantic, leases a 100% interest in the Dickerson and Morgantown coal generation stations and associated property through 2029 and 2034, respectively. GenOn accounts for these leases as operating leases and records rent lease expense on a straight-line basis over the term of each respective lease. Annual rent expense for the REMA and GenOn Mid-Atlantic operating leases is $40 million and $71 million, respectively. As a result of acquisition accounting, REMA and GenOn Mid-Atlantic recognized out-of-market liabilities related to these operating leases of $790 million, which is being amortized on a straight-line basis to rent expense. Amortization of the out-of-market liabilities amortized annually by REMA and GenOn Mid-Atlantic is $11 million and $28 million, respectively. As of September 30, 2018, the termination value of the GenOn Mid-Atlantic operating leases was $493 million, and as of September 30, 2018, the termination value of the REMA operating leases was $546 million.

The following table and description summarizes the payments made under REMA and GenOn Mid-Atlantic's operating leases for the nine months ended September 30, 2018 and the future payments for the remaining term of the respective lease agreements.

	Nine months ended September 30, 2018	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
				(In millions)				
REMA[(a)]	$ 11	$ 44	$ 65	$ 56	$ 47	$ 46	$ 185	$ 454
GenMA[(b)]	338	—	17	9	27	28	258	677
Total Minimum Lease Payment	$ 349	$ 44	$ 82	$ 65	$ 74	$ 74	$ 443	$ 1,131

(a) Under the PSEG RSA, upon confirmation of the REMA Plan of Reorganization, REMA will reject its 16.67% leasehold interest in the Keystone plant and 16.45% leasehold interest the Conemaugh plant. See Note 3, *Chapter 11 Cases* for further discussion.

(b) GenMA's minimum lease payments have been updated in accordance with the GenMA settlement that was finalized and effective as of April 27, 2018. See Note 3, *Chapter 11 Cases* for further discussion of the settlement.

Cash Flow Discussion

The following table reflects the changes in cash flows for the comparative nine-month periods:

	Nine months ended September 30, 2018	2017	Change
		(In millions)	
Net cash provided/(used) by operating activities	$ 262	$ (53)	$ 315
Net cash provided/(used) by investing activities	795	(69)	864
Net cash used by financing activities	(1,450)	(101)	(1,349)

Net Cash Provided/(Used) By Operating Activities

Changes to net cash used by operating activities were driven by:

	(In millions)
Increase in operating income adjusted for non-cash items	$ 378
Decrease in debt-related expenses	113
Change in cash collateral in support of risk management activities	(14)
Increase in prepaid rent — non-current primarily due to the GenMA Settlement in 2018	(162)
	$ 315

Net Cash Provided/(Used) By Investing Activities

Changes to net cash provided/(used) by investing activities were driven by:

	(In millions)
Proceeds from sale of assets in 2018	$ 814
Decrease in capital expenditures primarily related to gas conversions at New Castle and Shawville generation station as well as upgrades at Chalk Point generation station during 2017	36
Refund for purchase option paid in 2017	14
	$ 864

Net Cash Used By Financing Activities

Changes to net cash used by financing activities were driven by:

	(In millions)
Increase in payments for current and long-term debt	$ (1,297)
Decrease in proceeds from draw on intercompany secured revolving credit facility	(250)
Increase in long-term deposits in 2018	(26)
Payment for credit support in 2017	130
Payments for financing costs primarily related to the 2022 Notes and Backstop Fee in 2017	94
	$ (1,349)

NOLs, Deferred Tax Assets and Uncertain Tax Position Implications, under ASC 740

For the nine months ended September 30, 2018, GenOn had total domestic pre-tax book income of $673 million. GenOn had cumulative domestic NOLs consisting of carryforwards for federal income tax purposes of $1.7 billion and state of $2.8 billion as of December 31, 2017. GenOn's pre-merger federal NOLs are limited to $62 million annually. GenOn’s net federal NOLs will begin to expire starting in 2032. Upon emergence from bankruptcy, GenOn will not retain any of the federal and may retain a small amount of state NOLs.

As of December 31, 2017, GenOn recorded a net deferred tax asset of $1.5 billion relating primarily to federal and state loss carryforwards, out-of-market contracts and differences between book and tax basis of property, plant and equipment. Based on its assessment of positive and negative evidence, including available tax planning strategies, GenOn believes that it is more likely than not that a benefit will not be realized on the $1.5 billion tax asset as of December 31, 2017, thus a valuation allowance has been recorded. GenOn’s tax effected valuation allowance was $1.5 billion as of December 31, 2017.

As of September 30, 2018, GenOn does not have any uncertain tax positions. GenOn is no longer subject to U.S. federal income tax examinations for years prior to 2015, and with few exceptions, state and local tax examinations are no longer open for years prior to 2010.

Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

GenOn and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include financial and performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

Retained or Contingent Interests

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

Contractual Obligations and Commercial Commitments

GenOn has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to the Company's capital expenditure programs, as disclosed in the Company's 2017 Form 10-K. See also Note 7, *Debt and Capital Leases* and Note 10, *Commitments and Contingencies,* to this Interim Financial Report for discussion of new commitments and contingencies that also include contractual obligations and commercial commitments that occurred during the three and nine months ended September 30, 2018.

Fair Value of Derivative Instruments

GenOn may enter into power sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at generation facilities.

The tables below disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820. Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values at September 30, 2018, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at September 30, 2018.

Derivative Activity (Losses)/Gains	(In millions)
Fair Value of Contracts as of December 31, 2017	$ (13)
Contracts realized or otherwise settled during the period	19
Changes in fair value	(7)
Fair Value of Contracts as of September 30, 2018	$ (1)

	Fair Value of Contracts as of September 30, 2018				
	Maturity				
Fair value hierarchy Gains/(Losses)	1 Year or Less	Greater than 1 Year to 3 Years	Greater than 3 Years to 5 Years	Greater than 5 Years	Total Fair Value
			(In millions)		
Level 2	$ (1)	$ —	$ —	$ —	$ (1)
Total	$ (1)	$ —	$ —	$ —	$ (1)

The Company has elected to present derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Also, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company's portfolio. As the Company's trade-by-trade derivative accounting results in a gross-up of their derivative assets and liabilities, the net derivative asset and liability position is a better indicator of the Company's hedging activity. As of September 30, 2018, GenOn had a net derivative liability of $1 million, which is a $12 million increase to total fair value as compared to December 31, 2017. The increase was primarily driven by the roll-off of trades that settled during the period, partially offset by losses in fair value.

Based on a sensitivity analysis using simplified assumptions, the impact of a $0.50 per MMBtu increase in natural gas prices across the term of the derivative contracts would result in a decrease of approximately $4 million in the net value of derivatives as of September 30, 2018. The impact of a $0.50 per MMBtu decrease in natural gas prices across the term of the derivative contracts would result in an increase of approximately $5 million, in the net value of derivatives as of September 30, 2018.

Critical Accounting Policies and Estimates

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

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

The Company's significant accounting policies are summarized in the 2017 Form 10-K, Item 15 - Note 2, *Summary of Significant Accounting Policies*, to the condensed consolidated financial statements. The Company identifies their most critical accounting policies as those that are the most pervasive and important to the portrayal of their financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. GenOn's critical accounting policies include derivative instruments, impairment of long-lived assets, and income taxes and valuation allowance for deferred tax assets.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GenOn is exposed to several market risks in their normal business activities. Market risk is the potential loss that may result from market changes associated with the Company's merchant power generation or with an existing or forecasted financial or commodity transaction. The types of market risks the Company is exposed to are commodity price risk, interest rate risk, and credit and performance risk. The following disclosures about market risk provide an update to, and should be read in conjunction with, Item 7A — *Quantitative and Qualitative Disclosures About Market Risk*, of the Company's 2017 Form 10-K.

Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. GenOn is exposed to counterparty credit risk through various activities including wholesale sales and fuel purchases. See Note 5, *Fair Value of Financial Instruments*, to this Interim Financial Report for discussions regarding counterparty credit risk and retail customer credit risk, and Note 6, *Accounting for Derivative Instruments and Hedging Activities*, to this Interim Financial Report for discussion regarding credit risk contingent features.