

GenOn Energy, Inc.
Form 10-Q
November 04, 2016

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

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2016

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

GenOn Energy, Inc.
(Exact name of registrant as specified in its charter)
76-0655566 (I.R.S. Employer Identification No.)
Commission File Number: 001-16455

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

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

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

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

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

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

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

GenOn Energy, Inc. Yes No

GenOn Americas Generation, LLC Yes No

GenOn Mid-Atlantic, LLC Yes No

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

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

(Do not check if a smaller reporting company)

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

GenOn Energy, Inc. Yes No

GenOn Americas Generation, LLC Yes No

GenOn Mid-Atlantic, LLC Yes No

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

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

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believe," "project," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Registrants' actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A - Risk Factors, in Part I, Item 1A of the Registrants' Annual Report on Form 10-K for the year ended December 31, 2015, under Item 1A - Risk Factors, in Part II, Item 1A herein, and the following:

• GenOn's ability to continue as a going concern;

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

• Volatile power supply costs and demand for power;

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

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

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

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

• The Registrants' ability to operate their businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from their asset-based businesses in relation to their debt and other obligations;

• The Registrants' ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;

• The liquidity and competitiveness of wholesale markets for energy commodities;

• Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of CO₂ and other GHG emissions;

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

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

• The Registrants' ability to borrow additional funds and access capital markets, as well as GenOn's substantial indebtedness and the possibility that the Registrants may incur additional indebtedness going forward;

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

• The Registrants' ability to implement their strategy of developing and building new power generation facilities;

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

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

• The Registrants' ability to successfully evaluate investments in new business and growth initiatives;

• The Registrants' ability to successfully integrate and manage any acquired businesses; and

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

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

GLOSSARY OF TERMS

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

2015 Form 10-K	The Registrants' Annual Report on Form 10-K for the year ended December 31, 2015
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 prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
Bankruptcy Court	United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries prior to August 31, 2002
CFTC	U.S. Commodity Futures Trading Commission
CO ₂	Carbon Dioxide
CPP	Clean Power Plan
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Economic gross margin	Sum of energy revenue, capacity revenue and other revenue, less cost of fuels and other cost of sales
EGU	Electric Generating Unit
EMAAC	Eastern Mid-Atlantic Area Council
EPA	United States Environmental Protection Agency
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FTRs	Financial Transmission Rights
FPA	Federal Power Act
GAAP	Accounting principles generally accepted in the U.S.
GenOn	GenOn Energy, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Americas Generation	GenOn Americas Generation, LLC and, except where the context indicates otherwise, its subsidiaries
GenOn Americas Generation Senior Notes	GenOn Americas Generation's \$695 million outstanding unsecured senior notes consisting of \$366 million of 8.5% senior notes due 2021 and \$329 million of 9.125% senior notes due 2031
GenOn Energy Holdings	GenOn Energy Holdings, Inc. and, except where the context indicates otherwise, its subsidiaries
GenOn Energy Management	GenOn Energy Management, LLC, a wholly owned subsidiary of GenOn Americas Generation, LLC
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generating stations under operating leases
GenOn Senior Notes	GenOn's \$1.8 billion outstanding unsecured senior notes consisting of \$691 million of 7.875% senior notes due 2017, \$650 million of 9.5% senior notes due 2018, and \$489 million of 9.875% senior notes due 2020
GHG	Greenhouse Gases
HAPs	Hazardous Air Pollutants

ISO

Independent System Operator, also referred to as RTO

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ISO-NE	ISO New England Inc.
LIBOR	London Interbank Offered Rate
MAAC	Mid-Atlantic Area Council
MATS	Mercury and Air Toxics Standards promulgated by the EPA
MC Asset Recovery	MC Asset Recovery, LLC
MDE	Maryland Department of the Environment
Mirant	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries
Mirant/RRI Merger	The merger completed on December 3, 2010 of Mirant Corporation and RRI Energy Inc. to form GenOn Energy, Inc.
Mirant Debtors	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and certain of its subsidiaries
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
Net Exposure	Counterparty credit exposure to GenOn, GenOn Americas Generation or GenOn Mid-Atlantic, as applicable, net of collateral
NERC	North American Electric Reliability Corporation
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
NYISO	New York Independent System Operator
OCI	Other Comprehensive Income/(Loss)
PJM	PJM Interconnection, LLC
Plan	The plan of reorganization that was approved in conjunction with Mirant Corporation's emergence from bankruptcy protection on January 3, 2006
PUCO	Public Utility Commission of Ohio
RCRA	Resource Conservation and Recovery Act of 1976
Registrants	GenOn, GenOn Americas Generation and GenOn Mid-Atlantic, collectively
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)
RTO	Regional Transmission Organization
Securities Act	The Securities Act of 1933, as amended
Seward	The Seward Generating Station, a 525 MW coal-fired facility in Pennsylvania
Shelby	The Shelby County Generating Station, a 352 MW natural gas-fired facility in Illinois
SO ₂	Sulfur Dioxide
U.S.	United States of America

PART I - FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

GENON ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30, 2016		Nine months ended September 30, 2015	
	2016	2015	2016	2015
	(In millions)			
Operating Revenues				
Operating revenues	\$544	\$651	\$1,515	\$1,959
Operating revenues — affiliate	(12)	(3)	(6)	6
Total operating revenues	532	648	1,509	1,965
Operating Costs and Expenses				
Cost of operations	279	361	864	1,269
Cost of operations — affiliate	74	78	180	210
Depreciation and amortization	59	52	153	163
Impairment losses	—	—	59	—
General and administrative	10	4	14	5
General and administrative — affiliate	46	42	139	139
Total operating costs and expenses	468	537	1,409	1,786
Gain on sale of assets	262	—	294	—
Operating Income	326	111	394	179
Other Income/(Expense)				
Other income, net	2	—	6	4
Interest expense	(41)	(49)	(123)	(146)
Interest expense — affiliate	(3)	(3)	(9)	(8)
Total other expense	(42)	(52)	(126)	(150)
Income Before Income Taxes	284	59	268	29
Income tax expense	21	1	20	—
Net Income	\$263	\$58	\$248	\$29

See accompanying notes to condensed consolidated financial statements.

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

	Three		Nine	
	months		months	
	ended		ended	
	September		September	
	30,		30,	
	2016	2015	2016	2015
	(In millions)			
Net Income	\$263	\$ 58	\$248	\$29
Other Comprehensive Loss, net of tax of \$0:				
Defined benefit plans	—	—	—	(2)
Other comprehensive loss	—	—	—	(2)
Comprehensive Income	\$263	\$ 58	\$248	\$27

See accompanying notes to condensed consolidated financial statements.

GENON ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(unaudited)	
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,218	\$ 665
Funds deposited by counterparties	10	51
Accounts receivable — trade	106	92
Inventory	363	448
Derivative instruments	159	544
Derivative instruments — affiliate	5	30
Cash collateral paid in support of energy risk management activities	119	48
Prepaid rent and other current assets	136	144
Current assets held-for-sale	—	6
Total current assets	2,116	2,028
Property, plant and equipment, net	2,670	2,831
Other Assets		
Intangible assets, net	54	74
Derivative instruments	43	154
Derivative instruments — affiliate	1	1
Other non-current assets	346	253
Non-current assets held-for-sale	—	105
Total other assets	444	587
Total Assets	\$5,230	\$ 5,446
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	\$707	\$ 4
Accounts payable	97	