

NRG ENERGY, INC.
Form 424B3
March 27, 2014

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-191797

NRG Energy, Inc.

12,671,977 Shares of Common Stock

This prospectus relates to the distribution of 12,671,977 shares of our common stock by Edison Mission Energy, or EME, the selling stockholder under this prospectus, pursuant to a chapter 11 plan of reorganization, or the Plan, under chapter 11 of title 11 of the United States Code, or the Bankruptcy Code. The Plan was confirmed by the United States Bankruptcy Court for the Northern District of Illinois on March 11, 2014. This prospectus amends, supplements and updates our prospectus dated December 26, 2013, or the Original Prospectus. The 12,671,977 shares of common stock covered by this prospectus will be sold by us to EME pursuant to an Asset Purchase Agreement, or the Purchase Agreement, dated October 18, 2013, by and among EME, NRG Energy, Inc., or NRG, and NRG Energy Holdings Inc., a wholly owned subsidiary of NRG, or the Purchaser. Pursuant to the Purchase Agreement, the Purchaser will acquire substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities. As partial consideration for the acquisition of certain assets of EME by the Purchaser under the Purchase Agreement, we will issue shares of our common stock to EME, which shares will vest in a liquidating trust organized pursuant to the Plan. EME, as a selling stockholder under this prospectus and as a statutory underwriter, through such liquidating trust, will distribute such shares to its unsecured creditors in accordance with the Plan. We provide more information about how the shares of common stock will be distributed in the section titled "Plan of Distribution" on page 27 of the Original Prospectus, as supplemented by this Prospectus. The shares of common stock registered under this prospectus represent an aggregate amount of \$350 million of the total consideration paid in the acquisition.

We will not receive any cash proceeds from the sale of shares registered under this prospectus.

This prospectus should be read in conjunction with the Original Prospectus. If there is any inconsistency between the information in the Original Prospectus and this prospectus, you should rely on the information in this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol "NRG." On March 25, 2014, the closing sale price of our common stock on the New York Stock Exchange was \$30.76.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 10 of the Original Prospectus and on page 37 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, incorporated herein by reference.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 27, 2014

SUMMARY FINANCIAL DATA

The following tables set forth a summary of our consolidated historical financial data as of, and for the period ended on, the dates indicated. The annual historical information is derived from our audited consolidated financial statements as of and for the five-year period ended December 31, 2013. You should read this data together with our audited consolidated financial statements and related notes to our financial statements contained in our Annual Report on Form 10-K, for the fiscal year ended December 31, 2013, or the 2013 Form 10-K which has been incorporated by reference into this prospectus. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31,				
	2013(a)	2012(b)	2011(a)	2010	2009
	(in millions, except per share data)				
Statement of Income Data:					
Total operating revenues	11,295	\$ 8,422	\$ 9,079	\$ 8,849	\$ 8,952
Total operating costs and expenses, and other expenses	11,829	8,434	9,725	8,119	7,283
Income (loss) from continuing operations, net	(352)	315	197	476	941
Net income (loss) attributable to NRG Energy, Inc.	(386)	\$ 295	\$ 197	\$ 477	\$ 942
Per Share Data:					
Income (loss) attributable to NRG from continuing operations basic	(1.09)	\$ 1.36	\$ 0.78	\$ 1.86	\$ 3.70
Income attributable to NRG from continuing operations diluted	(1.09)	1.35	0.78	1.84	3.44
Net income (loss) attributable to NRG basic	(1.22)	1.23	0.78	1.86	3.70
Net income (loss) attributable to NRG diluted	(1.22)	1.22	0.78	1.84	3.44
Cash dividends per common share	0.45	0.18			
Balance Sheet Data:					
Current assets	7,596	\$ 7,972	\$ 7,749	\$ 7,137	\$ 6,208
Current liabilities	4,204	4,670	5,861	4,220	3,762
Property, plant and equipment, net	19,851	20,153	13,621	12,517	11,564
Total assets	33,902	34,983	26,900	26,896	23,378
Long-term debt, including current maturities, capital leases, and funded letter of credit	16,817	15,883	9,832	10,511	8,418
Total stockholders' equity	10,469	\$ 10,269	\$ 7,669	\$ 8,072	\$ 7,697

(a)

Refer to Note 10, *Asset Impairments*, to our 2013 Form 10-K, for a description of impairment charges recorded in 2013 and 2011.

(b)

Refer to Note 3, *Business Acquisitions and Dispositions*, to our 2013 Form 10-K, for a description of the acquisition of GenOn on December 14, 2012.

PRO FORMA FINANCIAL STATEMENTS

Unaudited Pro Forma Condensed Consolidated Combined Financial Statements

The Unaudited Pro Forma Condensed Consolidated Combined Financial Statements, or the pro forma financial statements, combine the historical consolidated financial statements of NRG Energy, Inc., or NRG, and Edison Mission Energy, or EME, to illustrate the potential effect of the Acquisition. The pro forma financial statements are based on, and should be read in conjunction with, the:

accompanying notes to the Unaudited Pro Forma Condensed Consolidated Combined Financial Statements;

consolidated financial statements of NRG for the year ended December 31, 2013 and the notes relating thereto, incorporated herein by reference; and

consolidated financial statements of EME for the year ended December 31, 2013 and the notes relating thereto, incorporated herein by reference.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable and (3) with respect to the pro forma statements of operations, expected to have a continuing impact on the combined results. The Unaudited Pro Forma Condensed Consolidated Combined Statements of Operations, or the pro forma statement of operations, for the year ended December 31, 2013, give effect to the Acquisition as if it occurred on January 1, 2013. The Unaudited Pro Forma Condensed Consolidated Combined Balance Sheet, or the pro forma balance sheet, as of December 31, 2013, gives effect to the Acquisition as if it occurred on December 31, 2013.

As described in the accompanying notes, the pro forma financial statements have been prepared using the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP, and the regulations of the Securities and Exchange Commission. The expected purchase price will be allocated to EME's assets and liabilities based upon their estimated fair values as of the date of the Acquisition. Valuations necessary to determine the fair value of the assets and liabilities have not been completed and cannot be made prior to the completion of the transaction.

Accordingly, the pro forma purchase price adjustments are preliminary, subject to future adjustments, and have been made solely for the purpose of providing the unaudited pro forma combined financial information presented herewith. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position. The pro forma financial statements have been presented for informational purposes only and are not necessarily indicative of what the combined company's results of operations and financial position would have been had the Acquisition been completed on the dates indicated. NRG could incur significant costs to integrate NRG's and EME's businesses. The pro forma financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities. In addition, the pro forma financial statements do not purport to project the future results of operations or financial position of the combined company.

Unaudited Pro Forma Condensed Consolidated Combined Statement of Operations
Year ended December 31, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical	Pro Forma Adjustments	Pro Forma Combined
(in millions, except share and per share data)				
Operating revenues				
Total operating revenues	\$ 11,295	\$ 1,331	\$ (28)(a)	\$ 12,598
Operating Costs and Expenses				
Cost of operations	8,121	1,044		9,165
Depreciation and amortization	1,256	271	(76)(b)	1,451
Selling, general and administrative	904	131		1,035
Impairment losses and other charges	459	464		923
Acquisition-related transaction and integration costs	128			128
Development activity expense	84			84
 Total operating costs and expenses	 10,952	 1,910	 (76)	 12,786
 Operating Income/(Loss)	 343	 (579)	 48	 (188)
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	7	45		52
Other income, net	13	11		24
Impairment losses on investments	(99)			(99)
Loss on debt extinguishment	(50)	(3)		(53)
Interest expense	(848)	(89)	(44)(c)	(981)
 Total other income / (expense)	 (977)	 (36)	 (44)	 (1,057)
 Loss From Continuing Operations Before Income Taxes	 (634)	 (615)	 4	 (1,245)
Reorganization items, net		120		120
Income tax benefit	(282)	(93)	2(d)	(373)
 Loss From Continuing Operations	 \$ (352)	 \$ (642)	 \$ 2	 \$ (992)
 Loss Per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding basic	323			336
Loss per Weighted Average Common Share basic	\$ (1.22)			\$ (3.08)
 Weighted average number of common shares outstanding diluted	323			336
Loss per Weighted Average Common Share diluted	\$ (1.22)			\$ (3.08)

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of December 31, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical(e)	Pro Forma Adjustments	Pro Forma Combined
	(in millions)			
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,254	\$ 1,176	\$ (1,585)(f)	\$ 1,845
Funds deposited by counterparties	63			63
Restricted cash	268	7		275
Accounts receivable trade, net	1,214	83		1,297
Inventory	898	114		1,012
Derivative instruments valuation	1,328	44		1,372
Deferred income taxes	258			258
Cash collateral paid in support of energy risk mgmt activities	276	71		347
Renewable energy grant receivable	539			539
Prepayments and other current assets	498	40		538
Total current assets	7,596	1,535	(1,585)	7,546
Property, Plant and Equipment				
Property, plant and equipment, net of accumulated depreciation	19,851	3,877	(1,436)(g)	22,292
Other Assets				
Equity investments in affiliates	453	513		966
Notes receivable, less current portion	73			73
Goodwill	1,985			1,985
Intangible assets, net of accumulated amortization	1,140			1,140
Nuclear decommissioning trust	551			551
Derivative instruments	311	18		329
Deferred income taxes	1,202			1,202
Other non-current assets	740	1,030		1,770
Total other assets	6,455	1,561		8,016
Total Assets	\$ 33,902	\$ 6,973	\$ (3,021)	\$ 37,854

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet (Continued)
As of December 31, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical(e)	Pro Forma Adjustments	Pro Forma Combined
	(in millions)			
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Current portion of long-term debt and capital leases	\$ 1,050	\$ 327		\$ 1,377
Accounts payable	1,038	88		1,126
Payable to affiliates		16		16
Derivative instruments valuation	1,055			1,055
Cash collateral received in support of energy risk mgmt activities	63			63
Accrued expenses and other current liabilities	998	413		1,411
Total current liabilities	4,204	844		5,048
Other Liabilities				
Long-term debt and capital leases	15,767	4,871	(3,000)(h)	17,638
Nuclear decommissioning reserve	294			294
Nuclear decommissioning trust liability	324			324
Deferred revenues		506	(506)(i)	
Deferred income taxes	22	58		80
Derivative instruments	195	56		251
Out of market commodity contracts	1,177			1,177
Other non current liabilities	1,201	377		1,578
Total non-current liabilities	18,980	5,868	(3,506)	21,342
Total Liabilities	23,184	6,712	(3,506)	26,390
Preferred Stock Mezzanine	249			249
Stockholders' Equity				
Common stock	4	64	(64)(j)	4
Additional paid-in capital	7,840	1,137	(773)(j)(k)	8,204
Retained earnings	3,695	(1,261)	1,261(j)	3,695
Less treasury stock, at cost	(1,942)			(1,942)
Accumulated other comprehensive income	5	(61)	61(j)	5
Noncontrolling Interest	867	382		1,249
Total Stockholders' Equity	10,469	261	485	11,215
Total Liabilities and Stockholders' Equity	\$ 33,902	\$ 6,973	\$ (3,021)	\$ 37,854

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

- (a) Represents an adjustment to conform EME's policy for recording the receipt of cash grants as deferred revenue to NRG's policy of reducing the value of the related property, plant and equipment. EME had recorded revenue related to these cash grants of \$28 million for the year ended December 31, 2013.
- (b) Represents the estimated decrease in net depreciation expense resulting from potential fair value adjustments to EME's property, plant and equipment. The estimate is preliminary, subject to change and could vary materially from the actual adjustment on the date of the Acquisition. For each \$100 million change in the fair value adjustment to property, plant and equipment, combined depreciation expense would be expected to change by approximately \$5 million. The estimated useful lives of the property, plant and equipment range from 3 to 35 years.
- (c) Reflects the estimated increase in interest expense for borrowings necessary to fund the purchase price of the Acquisition. To fund the purchase price of the Acquisition, in January 2014, NRG issued \$700 million of senior notes at an interest rate of 6.25%. This would have resulted in approximately \$44 million of additional interest expense for the year ended December 31, 2013. EME did not record interest expense for the EME notes for the year ended December 31, 2013.
- (d) Represents the adjustment to record the tax effect of the reduction in revenue, depreciation expense and interest expense, calculated utilizing NRG's estimated combined statutory federal and state tax rate of 37.0%.
- (e) Based on the amounts reported in the consolidated balance sheet as of December 31, 2013, certain financial statement line items included in EME's historical presentation have been reclassified to the corresponding line items included in NRG's historical presentation. These reclassifications have no effect on the total assets, total liabilities or stockholders' equity reported by NRG or EME.
- (f) Represents cash utilized to fund the purchase price of the Acquisition.
- (g) Represents the adjustment to reflect EME's property, plant and equipment at its estimated fair value on the date of the Acquisition. The estimate is preliminary, subject to change and could vary materially from the actual adjustment at the date of the Acquisition. For each \$100 million change in the fair value adjustment to property, plant and equipment, combined depreciation expense would be expected to change by approximately \$5 million. The estimated useful lives of the property, plant and equipment range from 3 to 35 years.
- (h) Represents the estimated decrease in long-term debt as NRG will not assume the \$3.7 billion of EME notes in connection with the Acquisition, offset by the estimated increase in long-term debt for borrowings necessary to fund the purchase price of the Acquisition. In January 2014, NRG issued \$700 million of senior notes at an interest rate of 6.25%.
- (i) Represents an adjustment to conform EME's policy for recording the receipt of cash grants as deferred revenue to NRG's policy of reducing the value of the related property, plant and equipment.
- (j) Represents the issuance of NRG common stock in connection with this offering and adjustments to equity to reflect the impact of the Acquisition.

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(k)

The estimated purchase price for the Acquisition is \$2,649 million, which is expected to be funded by the following components:

	(in millions)
Cash and cash equivalents	\$ 1,585
Senior notes to be issued	700
Common stock issued in this offering	364

\$ 2,649

The estimated purchase price reflects the increase in value of the 12,671,977 shares of NRG common stock from the date of the Purchase Agreement through December 31, 2013.

The allocation of the preliminary purchase price to the fair values of the assets acquired and liabilities assumed is as follows:

	(in millions)
Current assets	\$ 1,535
Property, plant and equipment	2,441
Other non-current assets	1,561

Total assets	5,523
Current liabilities, including current maturities of long-term debt	844
Long-term debt	1,171
Non-current liabilities	491

Total liabilities	2,506
Noncontrolling interest	382

Estimated fair value of net assets acquired \$ 2,649

The allocation of the preliminary purchase price to the fair values of assets acquired and liabilities assumed includes pro forma adjustments to reflect the fair values of EME's assets and liabilities at the time of the completion of the Acquisition. The final allocation of the purchase price could differ materially from the preliminary allocation used for the Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet primarily because power market prices, interest rates and other valuation variables will fluctuate over time and be different at the time of completion of the Acquisition compared to the amounts assumed in the pro forma adjustments.

EXPERTS

The consolidated financial statements and schedules of NRG Energy, Inc. as of December 31, 2013 and 2012, and for each of the years in the three-year period ended December 31, 2013, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2013 have been incorporated by reference herein upon the reports of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Edison Mission Energy as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph relating to Edison Mission Energy's ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Midwest Generation, LLC as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph relating to Midwest Generation LLC's ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them into this prospectus, which means that we can disclose important information to you by referring you to those documents and those documents will be considered part of this prospectus. We incorporate by reference the documents listed below that we file with the SEC under Sections 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than portions of these documents deemed to be "furnished" or not deemed to be "filed," including the portions of these documents that are either (1) described in paragraphs (d)(1), (d)(2), (d)(3) or (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, including any exhibits included with such Items):

our annual report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014;

the information specifically incorporated by reference into our Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 from our proxy statement for our 2014 Annual Meeting of Stockholders filed on Schedule 14A on March 26, 2014; and

our current reports on Form 8-K filed on January 28, 2014 and March 10, 2014.

If you make a request for such information in writing or by telephone, we will provide you, without charge, a copy of any or all of the information incorporated by reference in this prospectus. Any such request should be directed to:

NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540
(609) 524-4500
Attention: General Counsel

You should rely only on the information contained in, or incorporated by reference in, this prospectus. We have not authorized anyone else to provide you with different or additional information. This prospectus does not offer to sell or solicit any offer to buy any securities in any jurisdiction where the offer or sale is unlawful. You should not assume that the information in this prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to NRG Energy, Inc. and the common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings will also be available to you on the SEC's website. The address of this site is <http://www.sec.gov>.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Edison Mission Energy:

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, of comprehensive loss, of total equity and of cash flows present fairly, in all material respects, the financial position of Edison Mission Energy (the "Company") and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, on December 17, 2012, the Company and several of its subsidiaries filed voluntary petitions for relief under the provisions of Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 16. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 12, 2014

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Report of Independent Registered Public Accounting Firm

To the Board of Managers and Member of Midwest Generation, LLC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive loss, of member's equity and of cash flows present fairly, in all material respects, the financial position of Midwest Generation, LLC (the "Company") and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, on December 17, 2012, the Company filed voluntary petitions for relief under the provisions of Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 16. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 12, 2014

EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Operating Revenues	\$ 1,331	\$ 1,287	\$ 1,653
Operating Expenses			
Fuel	564	602	530
Plant operations	405	495	571
Plant operating leases	75	75	75
Depreciation and amortization	271	268	289
Asset impairments and other charges	464	28	714
Administrative and general	131	147	172
Total operating expenses	1,910	1,615	2,351
Operating loss	(579)	(328)	(698)
Other Income (Expense)			
Equity in income from unconsolidated affiliates	45	46	86
Dividend income	6	12	30
Interest expense, net	(89)	(324)	(321)
Loss on early extinguishment of debt	(3)		
Other income, net	5		15
Total other expense	(36)	(266)	(190)
Loss from continuing operations before reorganization items and income taxes	(615)	(594)	(888)
Reorganization items, net	120	43	
Provision (benefit) for income taxes	(93)	160	(441)
Loss From Continuing Operations	(642)	(797)	(447)
Income (Loss) from Operations of Discontinued Subsidiaries, net of tax (Note 14)	1	(112)	(632)
Net Loss	(641)	(909)	(1,079)
Net (Income) Loss Attributable to Noncontrolling Interests (Note 3)	(29)	(16)	1
Net Loss Attributable to Edison Mission Energy Common Shareholder	\$ (670)	\$ (925)	\$ (1,078)

Amounts Attributable to Edison Mission Energy Common Shareholder

Loss from continuing operations, net of tax	\$	(671)	\$	(813)	\$	(446)
Income (loss) from discontinued operations, net of tax		1		(112)		(632)

Net Loss Attributable to Edison Mission Energy Common Shareholder	\$	(670)	\$	(925)	\$	(1,078)
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The accompanying notes are an integral part of these consolidated financial statements.

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EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Net Loss	\$ (641)	\$ (909)	\$ (1,079)
Other comprehensive income (loss), net of tax			
Valuation allowance on deferred tax asset		(6)	
Pension and postretirement benefits other than pensions:			
Prior service adjustment, net of tax	(2)		
Net gain (loss) adjustment, net of tax expense (benefit) of \$22, \$4 and \$(10) for 2013, 2012 and 2011, respectively	35		(15)
Amortization of net loss and prior service adjustment included in expense, net of tax	5	4	2
Unrealized gains (losses) on derivatives qualified as cash flow hedges:			
Unrealized holding gains (losses) arising during the periods, net of income tax expense (benefit) of \$19, \$(6) and \$(7) for 2013, 2012 and 2011, respectively	34	(17)	(12)
Reclassification adjustments included in net loss, net of income tax expense (benefit) of \$(3), \$16 and \$25 for 2013, 2012 and 2011, respectively	5	(25)	(38)
Other comprehensive income (loss), net of tax	77	(44)	(63)
Comprehensive Loss	(564)	(953)	(1,142)
Comprehensive (Income) Loss Attributable to Noncontrolling Interests	(29)	(16)	1
Comprehensive Loss Attributable to Edison Mission Energy Common Shareholder	\$ (593)	\$ (969)	\$ (1,141)

The accompanying notes are an integral part of these consolidated financial statements.

EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,176	\$ 888
Accounts receivable trade	83	73
Receivables from affiliates	3	8
Inventory	114	175
Derivative assets	44	53
Restricted cash and cash equivalents	7	11
Margin and collateral deposits	71	61
Prepaid expenses and other	37	54
 Total current assets	 1,535	 1,323
 Investments in Unconsolidated Affiliates	 513	 534
 Property, Plant and Equipment, less accumulated depreciation of \$1,314 and \$1,431 at respective dates	 3,877	 4,516
 Other Assets		
Deferred financing costs	34	44
Long-term derivative assets	18	37
Restricted deposits	102	102
Rent payments in excess of levelized rent expense under plant operating leases	791	836
Other long-term assets	103	128
 Total other assets	 1,048	 1,147
 Total Assets	 \$ 6,973	 \$ 7,520

The accompanying notes are an integral part of these consolidated financial statements.

EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share amounts)

	December 31, 2013	December 31, 2012
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	\$ 35	\$ 29
Payables to affiliates	16	34
Accrued liabilities and other	149	67
Interest payable	2	1
Current portion of long-term debt	323	307
Short-term debt	4	382
 Total current liabilities	 529	 820
 Liabilities subject to compromise	 4,015	 3,959
Long-term debt net of current portion	1,171	749
Deferred taxes and tax credits, net (Note 7)	58	81
Deferred revenues	506	533
Long-term derivative liabilities	56	118
Other long-term liabilities	377	528
 Total Liabilities	 6,712	 6,788
 Commitments and Contingencies (Notes 5, 6, 9 and 10)		
Equity		
Common stock, par value \$0.01 per share (10,000 shares authorized; 100 shares issued and outstanding at each date)	64	64
Additional paid-in capital	1,137	1,095
Retained deficit	(1,261)	(577)
Accumulated other comprehensive loss	(61)	(138)
 Total Edison Mission Energy common shareholder's equity (deficit)	 (121)	 444
 Noncontrolling Interests	 382	 288
 Total Equity	 261	 732
 Total Liabilities and Equity	 \$ 6,973	 \$ 7,520

The accompanying notes are an integral part of these consolidated financial statements.

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EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(in millions)

	Edison Mission Energy Shareholder's Equity					
			Accumulated			
			Other			
	Common	Additional	Retained	Comprehensive	Non-controlling	Total
	Stock	Paid-in	Earnings	Income	Interests	Equity
		Capital	(Deficit)	(Loss)		
Balance at December 31, 2010	\$ 64	\$ 1,336	\$ 1,448	\$ (31)	\$ 4	\$ 2,821
Net loss			(1,078)		(1)	(1,079)
Other comprehensive loss, net of tax				(63)		(63)
Payments to Edison International for stock purchases related to stock-based compensation			(5)			(5)
Excess tax benefits related to stock option exercises		2				2
Other stock transactions, net		4				4
Purchase of noncontrolling interests		(15)			(1)	(16)
Balance at December 31, 2011	64	1,327	365	(94)	2	1,664
Net income (loss)			(925)		16	(909)
Other comprehensive loss, net of tax				(44)		(44)
Payments to Edison International for stock purchases related to stock-based compensation			(17)			(17)
Non-cash distribution to Edison International(1)		(222)				(222)
Excess tax benefits related to stock option exercises		5				5
Other stock transactions, net		6				6
Contributions from noncontrolling interests(2)					288	288
Distributions to noncontrolling interests					(18)	(18)
Transfers of assets to Capistrano Wind Partners(3)		(21)				(21)
Balance at December 31, 2012	64	1,095	(577)	(138)	288	732
Net income (loss)			(670)		29	(641)
Other comprehensive income, net of tax				77		77
Payments to Edison International for stock purchases related to stock-based compensation			(14)			(14)
Cash contribution from Edison International(1)		12				12
Non-cash contribution from Edison International(1)		25				25
Excess tax benefits related to stock option exercises		3				3
Other stock transactions, net		2				2
Contributions from noncontrolling interests(2)					94	94
Distributions to noncontrolling interests					(29)	(29)
Balance at December 31, 2013	\$ 64	\$ 1,137	\$ (1,261)	\$ (61)	\$ 382	\$ 261

(1)

During 2012, EME recorded a non-cash distribution to EIX related to the tax-allocation agreements. During 2013, EME received contributions from EIX related to the tax-allocation agreements. See Note 7 Income Taxes EME Deferred Tax Assets and Liabilities.

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- (2) Funds contributed by third-party investors to Capistrano Wind Partners. For further information, see Note 3 Variable Interest Entities Projects or Entities that are Consolidated Capistrano Wind Partners.
- (3) Additional paid in capital was reduced by \$21 million due to a new tax basis in the assets transferred to Capistrano Wind Partners. For further information, see Note 3 Variable Interest Entities Projects or Entities that are Consolidated Capistrano Wind Partners.

The accompanying notes are an integral part of these consolidated financial statements.

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EDISON MISSION ENERGY AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF CASH FLOWS (in millions)

	Years Ended December 31,		
	2013	2012	2011
Cash Flows From Operating Activities			
Net loss	\$ (641)	\$ (909)	\$ (1,079)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:			
Non-cash reorganization items, net	48	23	
Equity in income from unconsolidated affiliates	(45)	(46)	(85)
Distributions from unconsolidated affiliates	45	24	82
Mark to market on interest rate swaps	(6)		
Depreciation and amortization	290	292	330
Deferred taxes and tax credits	(72)	162	(903)
Asset impairments and other charges	464	117	1,738
Loss on early extinguishment of debt	3		
Proceeds from US Treasury Grants		44	388
Changes in operating assets and liabilities:			
(Increase) decrease in margin and collateral deposits	(10)	(20)	14
(Increase) decrease in receivables	(5)	30	251
Decrease (increase) in inventory	61	(6)	(42)
Decrease (increase) in prepaid expenses and other	13	(9)	(9)
Decrease (increase) in restricted cash and cash equivalents	4	(2)	(4)
Decrease (increase) in rent payments in excess of levelized rent expense	45	(76)	(76)
Increase in payables, other current liabilities and liabilities subject to compromise	50	5	172
Decrease (increase) in derivative assets and liabilities, net	33	(26)	
Decrease (increase) in other operating assets	3	(2)	(73)
Decrease in other operating liabilities	(47)	(68)	(44)
Operating cash flows from continuing operations	233	(467)	660
Operating cash flows from discontinued operations, net	(2)	(46)	(34)
Net cash provided by (used in) operating activities	231	(513)	626
Cash Flows From Financing Activities			
Cash contributions from noncontrolling interests	94	288	
Borrowings under short-term debt	4	195	32
Borrowings under long-term debt	171	79	481
Payments on debt	(123)	(56)	(107)
Borrowing held in escrow pending completion of project construction		97	(97)
Cash contribution from Edison International related to the tax-allocation agreements	12		
Cash dividends to noncontrolling interests	(29)	(18)	
Payments to affiliates related to stock-based awards	(14)	(17)	(8)
Excess tax benefits related to stock-based exercises	3	5	2
Financing costs	(6)	(9)	(26)
Net cash provided by financing activities from continuing operations	112	564	277
Cash Flows From Investing Activities			
Capital expenditures	(92)	(355)	(672)
Proceeds from sale of assets	3	4	9
Proceeds from return of capital and loan repayments from unconsolidated affiliates	24	10	46
Proceeds from settlement of insurance claims	2	2	

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Cash settlement with turbine manufacturer	5		
Purchase of interest of acquired companies		(3)	
Investments in and loans to unconsolidated affiliates	(3)		(10)
Increase in restricted deposits and restricted cash and cash equivalents		(83)	(4)
Investments in other assets	4	(8)	(30)
Investing cash flows from continuing operations	(57)	(430)	(664)
Investing cash flows from discontinued operations, net		(31)	(14)
Net cash used in investing activities	(57)	(461)	(678)
Net increase (decrease) in cash and cash equivalents from continuing operations	288	(333)	273
Cash and cash equivalents at beginning of period from continuing operations	888	1,221	948
Cash and cash equivalents at end of period from continuing operations	1,176	888	1,221
Net decrease in cash and cash equivalents from discontinued operations	(2)	(77)	(48)
Cash and cash equivalents at beginning of period from discontinued operations	2	79	127
Cash and cash equivalents at end of period from discontinued operations	\$	\$ 2	\$ 79

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST GENERATION, LLC AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Operating Revenues from Marketing Affiliate	\$ 817	\$ 892	\$ 1,286
Operating Expenses			
Fuel	539	582	512
Plant operations	258	369	457
Depreciation and amortization	119	128	158
Asset impairments and other charges	465	14	653
Administrative and general	22	18	22
Impairment of loan to affiliate (Note 15)		1,378	
Total operating expenses	1,403	2,489	1,802
Operating loss	(586)	(1,597)	(516)
Other Income (Expense)			
Interest and other income		110	114
Interest expense	(23)	(33)	(40)
Total other income (expense)	(23)	77	74
Loss before reorganization items and income taxes	(609)	(1,520)	(442)
Reorganization items, net	41	6	
Benefit for income taxes	(17)	(62)	(172)
Net Loss	\$ (633)	\$ (1,464)	\$ (270)

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST GENERATION, LLC AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Net Loss	\$ (633)	\$ (1,464)	\$ (270)
Other comprehensive income (loss), net of tax			
Valuation allowance on deferred tax asset		(12)	
Pension and postretirement benefits other than pensions:			
Net gain (loss) adjustment, net of tax expense (benefit) of \$17, \$0 and \$(8) for 2013, 2012 and 2011, respectively	25	(1)	(13)
Amortization of net loss and prior service adjustment included in expense, net of tax	3	2	1
Unrealized gains (losses) on derivatives qualified as cash flow hedges:			
Unrealized holding gains (losses) arising during period, net of income tax expense (benefit) of \$(1), \$3 and \$15 for 2013, 2012 and 2011, respectively	(1)	4	23
Reclassification adjustments included in net loss, net of income tax expense (benefit) of \$(2), \$17 and \$16 for 2013, 2012 and 2011, respectively	2	(26)	(25)
Other comprehensive income (loss), net of tax	29	(33)	(14)
Comprehensive Loss	\$ (604)	\$ (1,497)	\$ (284)

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST GENERATION, LLC AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions, except unit amounts)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 118	\$ 95
Due from affiliates, net (Note 15)	47	40
Inventory	94	165
Derivative assets		2
Other current assets	14	20
 Total current assets	 273	 322
 Property, Plant and Equipment, less accumulated depreciation of \$1,011 and \$1,260 at respective dates	 1,523	 2,078
Other long-term assets	10	28
 Total Assets	 \$ 1,806	 \$ 2,428
 Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	\$ 9	\$ 10
Accrued liabilities	73	18
Due to affiliates	6	3
Interest payable	3	1
Derivative liabilities		3
Current portion of lease financings		6
 Total current liabilities	 91	 41
 Liabilities subject to compromise	 540	 529
Benefit plans and other long-term liabilities	113	192
 Total Liabilities	 744	 762
 Commitments and Contingencies (Notes 6, 9 and 10)		
Member's Equity		
Membership interests, no par value (100 units authorized, issued and outstanding at each date)		
Additional paid-in capital	3,405	3,405

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Retained deficit	(2,322)	(1,689)
Accumulated other comprehensive loss	(21)	(50)
Total Member's Equity	1,062	1,666
Total Liabilities and Member's Equity	\$ 1,806	\$ 2,428

The accompanying notes are an integral part of these consolidated financial statements.

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MIDWEST GENERATION, LLC AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY

(in millions)

	Membership Interests	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Member's Equity
Balance at December 31, 2010	\$	\$ 3,511	\$ 270	\$ (3)	\$ 3,778
Net loss			(270)		(270)
Other comprehensive loss, net of tax				(14)	(14)
Cash distribution to parent			(225)		(225)
Balance at December 31, 2011		3,511	(225)	(17)	3,269
Net loss			(1,464)		(1,464)
Other comprehensive loss, net of tax				(33)	(33)
Non-cash distribution to parent(1)		(106)			(106)
Balance at December 31, 2012		3,405	(1,689)	(50)	1,666
Net loss			(633)		(633)
Other comprehensive income, net of tax				29	29
Balance at December 31, 2013	\$	\$ 3,405	\$ (2,322)	\$ (21)	\$ 1,062

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- (1) During 2012, Midwest Generation recorded a non-cash distribution to its parent related to the tax-allocation agreements. See Note 7 Income Taxes Midwest Generation Deferred Tax Assets and Liabilities.

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST GENERATION, LLC AND SUBSIDIARIES
(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Years Ended December 31,		
	2013	2012	2011
Cash Flows From Operating Activities			
Net loss	\$ (633)	\$ (1,464)	\$ (270)
Adjustments to reconcile loss to net cash provided by operating activities:			
Non-cash reorganization items, net	26	6	
Depreciation and amortization	119	129	160
Deferred taxes and tax credits	(19)	54	(145)
Asset impairments and other charges	465	14	653
Impairment of loan to affiliate		1,378	
Changes in operating assets and liabilities:			
(Increase) decrease in due to/from affiliates, net	(4)	(64)	28
Decrease (increase) in inventory	71	(6)	(36)
Increase in other current assets	3	(3)	(25)
Decrease in emission allowances			2
Increase (decrease) in accounts payable, other current liabilities and liabilities subject to compromise	3	(34)	(7)
Increase (decrease) in interest payable	2	(5)	(4)
Decrease in derivative assets and liabilities, net	1	6	1
Increase in other operating liabilities	9	2	7
Net cash provided by operating activities	43	13	364
Cash Flows From Financing Activities			
Cash distributions to parent			(225)
Repayments of lease financing	(6)	(116)	(109)
Net cash used in financing activities	(6)	(116)	(334)
Cash Flows From Investing Activities			
Capital expenditures	(16)	(30)	(103)
Proceeds from sale of assets	1	3	
Proceeds from settlement of insurance claims		2	
Decrease (increase) in restricted deposits and restricted cash and cash equivalents	1	(2)	
Investments in other assets			(18)
Repayment of loan from affiliate		12	9
Net cash used in investing activities	(14)	(15)	(112)
Net increase (decrease) increase in cash and cash equivalents	23	(118)	(82)
Cash and cash equivalents at beginning of period	95	213	295

Cash and cash equivalents at end of period	\$	118	\$	95	\$	213
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The accompanying notes are an integral part of these consolidated financial statements.

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EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted)

This is a combined annual report of Edison Mission Energy (EME) and its indirect subsidiary Midwest Generation, LLC (Midwest Generation). EME is a holding company whose subsidiaries and affiliates are engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also sells energy and capacity under contracts to specific purchasers or on a merchant basis in the marketplace and into wholesale markets. It also engages in hedging and energy trading activities in power markets, and provides scheduling and other services through its Edison Mission Marketing & Trading, Inc. (EMMT) subsidiary.

EME's coal-fired facilities are primarily owned or leased and operated by Midwest Generation. As of December 31, 2013, Midwest Generation operated 4,619 megawatts (MW) of power plants in Illinois (the Midwest Generation plants) based on installed capacity acknowledged by PJM Interconnection, LLC (PJM):

the Powerton, Joliet, Will County, and Waukegan coal-fired generating plants consisting of 4,314 MW; and

the Fisk and Waukegan on-site, oil-fired generating peakers consisting of 305 MW.

Midwest Generation leases the Powerton Station and Units 7 and 8 of the Joliet Station from third-party lessors pursuant to a sale-leaseback transaction completed in August 2000 (the Powerton and Joliet Sale Leaseback). Midwest Generation's obligations under these leases are guaranteed by EME. In connection with the Powerton and Joliet Sale Leaseback, Midwest Generation facilitated the issuance of lessor debt of \$1.147 billion in the form of pass-through certificates (the Senior Lease Obligation Bonds).

EME is incorporated under the state laws of Delaware and is an indirect subsidiary of Edison International (EIX). Midwest Generation, a Delaware limited liability company, is a wholly owned subsidiary of Edison Mission Midwest Holdings Co. Edison Mission Midwest Holdings is a wholly owned subsidiary of Midwest Generation EME, LLC, which is in turn a wholly owned subsidiary of EME.

Chapter 11 Cases

On December 17, 2012, EME and 16 of its wholly owned subsidiaries, Camino Energy Company, Chestnut Ridge Energy Company, Edison Mission Energy Fuel Services, LLC, Edison Mission Fuel Resources, Inc., Edison Mission Fuel Transportation, Inc., Edison Mission Holdings Co., Edison Mission Midwest Holdings Co., Midwest Finance Corp., Midwest Generation EME, LLC, Midwest Generation, Midwest Generation Procurement Services, LLC, Midwest Peaker Holdings, Inc., Mission Energy Westside, Inc., San Joaquin Energy Company, Southern Sierra Energy Company, and Western Sierra Energy Company (the Initial Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On May 2, 2013, 3 additional EME subsidiaries, EME Homer City Generation L.P. (Homer City), Homer City Property Holdings Inc., and Edison Mission Finance Company (collectively, the Homer City Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Initial Debtors' and the Homer City Debtors' chapter 11 cases (collectively, the Chapter 11 Cases) are being jointly administered under case No. 12-49219 (JPC). The Initial Debtors and the Homer City Debtors are collectively referred to as the Debtor Entities. The Debtor Entities filed the Chapter 11

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Cases due to a combination of pending debt maturities, low realized energy and capacity prices, high fuel costs and low generation, and capital requirements associated with retrofitting the Midwest Generation plants to comply with governmental regulations.

In October 2013, EME entered into an Asset Purchase Agreement (the Acquisition Agreement) and the Debtor Entities entered into a Plan Sponsor Agreement that, upon completion, would implement a reorganization of the Debtor Entities through a sale of substantially all of EME's assets, including its equity interests in substantially all of its debtor and non-debtor subsidiaries, to a wholly owned subsidiary of NRG Energy Inc. (the Purchaser). The sale transaction (the NRG Sale) is a key component of EME's plan of reorganization.

In February 2014, EME entered into a Settlement Agreement with EIX and certain of its unsecured creditors holding a majority of its outstanding senior unsecured notes (the Settlement Agreement). Under the Settlement Agreement, EME filed a Third Amended Plan of Reorganization (the Plan) under which, on the effective date of the Plan (the Effective Date), EME will emerge from bankruptcy free of liabilities but will remain an indirect wholly-owned subsidiary of EIX. A new entity (the Reorganization Trust) will be formed and will make distributions pursuant to the Plan for the benefit of EME's existing creditors. All assets and liabilities of EME that are not otherwise discharged in the bankruptcy or transferred to NRG as part of the NRG Sale will be transferred to the Reorganization Trust, with the exception of (i) EME's income tax benefits generated as of the Effective Date which had not previously been paid to EME under tax-allocation agreements with EIX (EME Tax Attributes), estimated at \$1.19 billion, which will be retained by the EIX consolidated tax group, (ii) liabilities totaling \$241 million associated with the qualified pension plan, the executive retirement plan, the executive deferred compensation plan and uncertain federal and state tax positions, which are being assumed by EIX and (iii) EME's indirect interest in Capistrano Wind Partners. EIX will pay the Reorganization Trust amounts equal to 50% of the EME Tax Attributes. EIX has disclosed that they have estimated their exposure to the qualified pension plan, executive retirement plan, executive deferred compensation plan and uncertain federal and state tax positions to be approximately \$350 million.

The Bankruptcy Court issued a Confirmation Order in March 2014, which confirmed the Plan. The completion of the NRG Sale is expected in April 2014. For additional information, see Note 16 Restructuring Activities Plan of Reorganization.

The accompanying consolidated financial statements have been prepared assuming that EME and Midwest Generation will continue as going concerns. Financial statements prepared on this basis assume the realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date of the financial statements. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary if EME and Midwest Generation were unable to continue as going concerns. EME's and Midwest Generation's ability to continue as going concerns is dependent on the successful completion of the NRG Sale and an emergence from bankruptcy. However, there is no assurance that these events will occur within their expected time frames or at all.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Basis of Presentation

The consolidated financial statements of EME reflect the accounts of EME and its subsidiary, Midwest Generation. The consolidated financial statements of EME also include the accounts of partnerships in which EME has a controlling interest and variable interest entities (VIEs) in which EME is deemed the primary beneficiary. EME's investments in unconsolidated affiliates and VIEs, in which EME is not deemed to be the primary beneficiary, are mainly accounted for by the equity method. For a discussion of EME's VIEs, see Note 3 Variable Interest Entities. Midwest Generation's consolidated financial statements include the accounts of Midwest Generation and its subsidiaries. All significant intercompany balances and transactions have been eliminated for each reporting entity. The notes to the consolidated financial statements apply to EME and Midwest Generation as indicated parenthetically next to each corresponding disclosure.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires EME and Midwest Generation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents included money market funds totaling \$983 million and \$615 million for EME and \$101 million and \$75 million for Midwest Generation at December 31, 2013 and 2012, respectively. The carrying value of cash equivalents equals the fair value as all investments have original maturities of less than three months.

Restricted Cash and Cash Equivalents, and Restricted Deposits

Restricted deposits consisted of cash balances that are restricted to pay amounts required for lease payments, debt service or to provide collateral. At December 31, 2013 and 2012, EME's restricted cash and deposits included \$22 million and \$49 million, respectively, to support letters of credit issued under EME's letter of credit facilities.

Restricted deposits of \$4 million as of both December 31, 2013 and 2012 were included in other long-term assets on Midwest Generation's consolidated balance sheets. These cash balances are restricted to provide collateral or other deposits required by contract.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Inventory

Inventory is stated at the lower of weighted-average cost or market. Inventory is recorded at actual cost when purchased and then expensed at weighted-average cost as used. Inventory consisted of the following:

(in millions)	EME		Midwest Generation	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Coal, fuel oil and other raw materials	\$ 50	\$ 123	\$ 48	\$ 119
Spare parts, materials and supplies	64	52	46	46