GenOn REMA, LLC

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Independent Auditors' Report

The Board of Directors and Member
GenOn Northeast Generation, Inc., Sole Member of GenOn REMA, LLC:

We have audited the accompanying consolidated balance sheets of GenOn REMA, LLC and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, member's equity (deficit) and comprehensive income (loss), and cash flows for the period from December 3, 2010 through December 31, 2010 (Successor Company), for the period from January 1, 2010 through December 2, 2010 (Predecessor Company), and for the year ended December 31, 2009 (Predecessor Company). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GenOn REMA, LLC and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the period from December 3, 2010 through December 31, 2010 (Successor Company), for the period from January 1, 2010 through December 2, 2010 (Predecessor Company), and for the year ended December 31, 2009 (Predecessor Company), in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, on December 3, 2010, GenOn Energy, Inc., parent company of GenOn REMA, LLC was acquired by Mirant Corporation in a transaction accounted for as a reverse acquisition under the acquisition method of accounting. As such, the assets and liabilities of GenOn Energy, Inc. were recorded at their respective fair values on December 3, 2010. Relevant fair value adjustments have been pushed down to the post-acquisition financial statements of GenOn REMA, LLC as discussed in note 2 to the consolidated financial statements. Accordingly, the Successor Company's consolidated financial statements prior to December 2, 2010 are not comparable to its consolidated financial statements for periods on or after December 2, 2010.

KPMG LLP

Houston, Texas
April 29, 2011

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GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in thousands)	(in thousands)	
Operating revenues	$ 3,125	$ 32,196	$ 23,612
Operating revenues – affiliate	67,714	547,454	525,403
Cost of fuel, electricity and other products	33,421	241,642	297,852
Cost of fuel, electricity and other products – affiliate	(1,476)	5,277	3,874
Gross Margin (excluding depreciation and amortization)	38,894	332,731	247,289
Operating Expenses:			
Operations and maintenance	14,560	140,108	108,290
Operations and maintenance – affiliates	5,704	99,068	122,837
Facilities leases	2,853	54,861	59,848
Depreciation and amortization	3,895	43,854	47,307
Impairment losses	—	74,293	—
Gain on sales of assets, net	—	(6)	(501)
Total operating expenses	27,012	412,178	337,781
Operating Income (Loss)	11,882	(79,447)	(90,492)
Other Income (Expense):			
Interest expense	(3)	(1,539)	(752)
Interest expense – affiliates	(5,407)	(57,545)	(52,561)
Interest income	—	11	41
Total other expense, net	(5,410)	(59,073)	(53,272)
Income (Loss) Before Income Taxes	6,472	(138,520)	(143,764)
Provision (benefit) for income taxes	(147)	21,452	(55,363)
Net Income (Loss)	$ 6,619	$ (159,972)	$ (88,401)

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

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Successor December 31, 2010 (in thousands)	Predecessor December 31, 2009 (in thousands)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 21,145	$ 18,062
Funds on deposit	212	1,541
Receivables, net	5,325	10,664
Receivables, net – affiliates	71,648	49,337
Derivative contract assets	13,460	32,358
Inventories	95,136	94,772
Deferred income taxes	—	19,258
Prepaid lease	—	59,030
Prepaid expenses and other current assets	1,361	2,555
Total current assets	208,287	287,577
Property, Plant and Equipment, net	526,022	766,429
Noncurrent Assets:		
Intangible assets, net	7,151	96,603
Derivative contract assets	—	7,816
Deferred income taxes	—	33,818
Prepaid lease	—	277,370
Other	27,817	33,886
Total noncurrent assets	34,968	449,493
Total Assets	$ 769,277	$ 1,503,499
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
Current Liabilities:		
Current portion of long-term debt	$ 110	$ 103
Accounts payable and accrued liabilities	47,871	47,942
Accounts payable – affiliate	8,790	—
Subordinated accounts payable, net – affiliates	433,919	309,822
Subordinated interest payable – affiliate	61,562	78,227
Derivative contract liabilities	47,123	76,291
Note payable – affiliate	—	16,191
Subordinated working capital facility payable – affiliate	—	25,809
Other	2,671	1,901
Total current liabilities	602,046	556,286
Noncurrent Liabilities:		
Derivative contract liabilities	13,782	64,493
Pension and postretirement obligations	34,297	39,401
Out-of-market contracts	184,039	—
Other	43,298	25,472
Total noncurrent liabilities	275,416	129,366
Subordinated Note Payable – Affiliate	543,563	543,563
Long-term Debt, net of current portion	333	444
Commitments and Contingencies		
Member's Equity (Deficit):		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in capital (deficit)	(660,872)	284,672
Retained earnings	6,619	22,018
Accumulated other comprehensive income (loss)	2,172	(32,850)
Total member's equity (deficit)	(652,081)	273,840
Total Liabilities and Member's Equity (Deficit)	$ 769,277	$ 1,503,499

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

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY (DEFICIT)
AND COMPREHENSIVE INCOME (LOSS)

	Common Stock	Additional Paid-In Capital (Deficit)	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Member's Equity (Deficit)
			(in thousands)		
Predecessor					
Balance, December 31, 2008	$ —	$ 284,672	$110,307	$ (52,532)	$ 342,447
Non-cash distributions to GenOn Energy, Inc	—	—	112	—	112
Total member's equity before other comprehensive income/loss					342,559
Net loss	—	—	(88,401)	—	(88,401)
Pension and other postretirement benefits, net of tax of $0	—	—	—	5,092	5,092
Reclassification of net deferred loss from cash flow hedges into net loss, net of tax of $11 million	—			14,590	14,590
Total other comprehensive loss					(68,719)
Balance, December 31, 2009	—	284,672	22,018	(32,850)	273,840
Conversion of intercompany notes to equity	—	6,877	—	—	6,877
Total member's equity before other comprehensive income/loss					280,717
Net loss	—	—	(159,972)	—	(159,972)
Pension and other postretirement benefits, net of tax of $0	—	—	—	(2,043)	(2,043)
Reclassification of net deferred loss from cash flow hedges into net loss, net of tax of $9 million	—	—	—	13,178	13,178
Total other comprehensive loss					(148,837)
Balance, December 2, 2010[(1)]	—	291,549	(137,954)	(21,715)	131,880
Successor					
Balance, December 3, 2010[(1)]	—	(660,872)	—	—	(660,872)
Total member's deficit before other comprehensive income/loss					(660,872)
Net income	—	—	6,619	—	6,619
Pension and other postretirement benefits, net of tax of $0	—	—	—	2,172	2,172
Total other comprehensive income					8,791
Balance, December 31, 2010	$ —	$(660,872)	$ 6,619	$ 2,172	$(652,081)

(1) The differences in equity balances at December 2, 2010 and December 3, 2010 are due to the application of push down accounting reflecting the merger of Mirant and RRI Energy (see notes 1 and 2 to these consolidated financial statements).

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

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in thousands)	(in thousands)	
Cash Flows from Operating Activities:			
Net income (loss)	$ 6,619	$ (159,972)	$ (88,401)
Adjustments to reconcile net income (loss) and changes in other operating assets and liabilities to net cash provided by operating activities:			
Depreciation and amortization	3,895	43,854	47,307
Deferred income taxes	—	20,626	(29,873)
Net changes in derivative contracts	(4,880)	(24,761)	(37,034)
Impairment losses	—	74,293	—
Gain on sales of assets, net	—	(6)	(501)
Other, net	2,356	(89)	(92)
Changes in operating assets and liabilities:			
Receivables, net	(1,208)	6,547	(4,657)
Accounts receivable/payable – affiliates	(35,852)	19,248	4,448
Inventories	7,653	(5,348)	(4,531)
Prepaid lease	—	1,437	(3,996)
Accounts payable and accrued liabilities	1,834	1,877	(4,991)
Other assets	(193)	(9,974)	1,102
Other liabilities	(1,436)	5,223	2,435
Subordinated accounts payable, net – affiliates	17,567	123,259	148,734
Subordinated interest payable, net – affiliate	4,340	(21,005)	45,448
Income taxes payable/receivable	—	(225)	4,526
Taxes payable to GenOn Energy, Inc. and related accrued interest	—	(780)	(26,832)
Total adjustments	(5,924)	234,176	141,493
Net cash provided by operating activities	695	74,204	53,092
Cash Flows from Investing Activities:			
Capital expenditures	(2,219)	(21,724)	(76,367)
Purchases of emission allowances – affiliate	—	(7,280)	(31,312)
Restricted deposits	503	826	91
Other, net	—	78	845
Net cash used in investing activities	(1,716)	(28,100)	(106,743)
Cash Flows from Financing Activities:			
Proceeds from note payable – affiliate	—	20,000	16,191
Payments on notes payable – affiliate	—	(36,191)	—
Proceeds from (payments on) subordinated working capital facility payable – affiliate	—	(25,809)	25,809
Net cash provided by (used in) financing activities	—	(42,000)	42,000
Net Increase (Decrease) in Cash and Cash Equivalents	(1,021)	4,104	(11,651)
Cash and Cash Equivalents, beginning of period	22,166	18,062	29,713
Cash and Cash Equivalents, end of period	$ 21,145	$ 22,166	$ 18,062
Supplemental Disclosures:			
Cash paid for interest to affiliate, net of amounts capitalized	$ —	$ 68,787	$ (6,141)
Cash paid for interest to third parties	3	102	220
Cash paid for income taxes, net of refunds received	—	656	1,508
Supplemental Disclosures for Non-Cash Investing and Financing Activities:			
Contribution from affiliate of subordinated accounts payable to affiliates	—	6,877	—

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Accounting and Reporting Policies

Background

"REMA" refers to GenOn REMA, LLC, (REMA LLC) a Delaware limited liability company, and its consolidated subsidiaries. "GenOn" refers to GenOn Energy, Inc. and its consolidated subsidiaries. "GenOn Energy" refers to GenOn Energy, Inc. REMA LLC is a direct subsidiary of GenOn Northeast Generation, Inc. and an indirect subsidiary of GenOn Energy.

REMA provides energy, capacity, ancillary and other energy services to wholesale customers in competitive energy markets in the United States through ownership and operation of, and contracting for, power generation capacity. The majority of its sales to third parties are through GenOn (affiliates). REMA owns or leases interests in 17 generating facilities in Pennsylvania and New Jersey with an aggregate net electric generating capacity of 3,419 megawatts (MW).

Merger of Mirant and RRI Energy

On December 3, 2010, Mirant Corporation (Mirant) and RRI Energy, Inc. (RRI Energy) completed the merger contemplated by the Merger Agreement dated April 11, 2010 (the Merger). Upon completion of the Merger, RRI Energy Holdings, Inc. (Merger Sub), a direct and wholly-owned subsidiary of RRI Energy merged with and into Mirant, with Mirant continuing as the surviving corporation and a wholly-owned subsidiary of RRI Energy. Each of Mirant and RRI Energy received legal opinions that the Merger qualified as a tax-free reorganization under the Internal Revenue Code of 1986, as amended (IRC). Accordingly, none of RRI Energy, Merger Sub, Mirant or any of the Mirant stockholders will recognize any gain or loss in the transaction, except that Mirant stockholders will recognize a gain or loss with respect to cash received in lieu of fractional shares of RRI Energy common stock. Upon the closing of the Merger, each issued and outstanding share of Mirant common stock, including grants of restricted common stock, automatically converted into 2.835 shares of common stock of RRI Energy based on the exchange ratio as defined in the Merger Agreement. Additionally, upon the closing of the Merger, RRI Energy was renamed GenOn. Mirant stock options and other equity awards converted upon completion of the Merger into stock options and equity awards with respect to GenOn common stock, after giving effect to the exchange ratio. At the close of the Merger, former Mirant stockholders owned approximately 54% of the equity of the combined company and former RRI Energy stockholders owned approximately 46% of the equity of the combined company. See note 2 for additional information on the Merger.

Basis of Presentation

Basis of Presentation. The consolidated financial statements of REMA and its wholly-owned subsidiaries have been prepared in accordance with United States generally accepted accounting principles (GAAP). The consolidated financial statements have been prepared from records maintained by REMA. The consolidated financial statements include all revenues and costs directly attributable to REMA including costs for facilities and costs for functions and services performed by GenOn and charged to REMA. All significant intercompany accounts and transactions have been eliminated in consolidation.

REMA includes its accounts and those of its wholly-owned subsidiaries (all located in the United States) in its consolidated financial statements. REMA does not consolidate three power generating facilities (see note 9), which are under operating leases. Certain prior period amounts have been reclassified to conform to the current year financial statement presentation.

Predecessor and Successor Reporting. Upon completion of the Merger, Mirant stockholders had a majority of the voting interest in the combined company. Although RRI Energy issued shares of RRI Energy common stock to Mirant stockholders to effect the Merger, the Merger is accounted for as a reverse acquisition under the acquisition method of accounting. Under the acquisition method of accounting, Mirant is treated as the accounting acquirer and RRI Energy is treated as the acquired company for financial reporting purposes. As such, the assets and liabilities of

RRI Energy were recorded at their respective fair values as of the Merger date. Fair value adjustments related to the Merger have been pushed down to REMA, resulting in certain assets and liabilities of REMA being recorded at fair value at December 3, 2010. See note 2 for further discussion.

REMA's consolidated statement of operations subsequent to the Merger includes amortization expense relating to fair value adjustments and depreciation expense based on the fair value of REMA's property, plant and equipment. In addition, effective with the Merger, REMA adopted accounting policies of GenOn. Therefore, REMA's financial information prior to the Merger is not comparable to its financial information subsequent to the Merger.

Due to the impact of push down accounting, the financial statements and certain note presentations separate REMA's presentations into two distinct periods, the period before the consummation of the Merger (labeled Predecessor) and the period after that date (labeled Successor), to indicate the application of different basis of accounting between the periods presented.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make various estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. REMA's significant estimates include:

- estimating the fair value of its assets and liabilities in connection with the Merger;
- determining the fair value of certain derivative contracts;
- estimating future taxable income in evaluating its deferred tax asset valuation allowance;
- estimating the useful lives of long-lived assets;
- determining the value of asset retirement obligations;
- estimating future cash flows in determining impairments of long-lived assets and definite-lived intangible assets;
- estimating the fair value and expected return on plan assets, discount rates and other actuarial assumptions used in estimating pension and other postretirement benefit plan liabilities; and
- estimating losses to be recorded for contingent liabilities.

REMA evaluates events that occur after its balance sheet date but before its financial statements are issued for potential recognition or disclosure. Based on the evaluation, REMA determined that there were no material subsequent events for recognition or disclosure other than those disclosed herein. REMA has evaluated subsequent events for recording and disclosure to April 29, 2011, the date the financial statements were issued.

Revenue Recognition

REMA recognizes revenue when earned and collection is probable. REMA earns revenue from the following sources: (a) power generation revenues, (b) contracted and capacity revenues and (c) power hedging revenues.

Power Generation Revenues. REMA recognizes revenue from the sale of electricity from its generating facilities. Sales of energy primarily are based on economic dispatch, or "as-ordered" by an independent system operator (ISO) or regional transmission organization (RTO), based on member participation agreements, but without an underlying contractual commitment. ISO and RTO revenues and revenues from sales of energy based on economic-dispatch are recorded on the basis of megawatt hour (MWh) delivered, at the relevant day-ahead or real-time prices.

Contracted and Capacity Revenues. REMA recognizes revenue received from providing ancillary services and revenue received from an ISO or RTO based on auction results or negotiated contract prices for making installed generation capacity available to meet system reliability requirements.

Power Hedging Revenues. REMA recognizes revenue from contracts which include the sale of power used to hedge power prices as well as hedges to capture the incremental value related to the geographic location of its physical assets.

The following table reflects REMA's revenues by type:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Power generation revenues[1]	$ 53	$ 400	$ 377
Contracted and capacity revenues[1]	18	196	198
Power hedging revenues	—	(16)	(26)
Total operating revenues	$ 71	$ 580	$ 549

(1) All of REMA's power generation revenues and contracted and capacity revenues are from PJM Interconnection, LLC.

In accordance with accounting guidance related to derivative financial instruments, physical transactions, or revenues from the sale of generated electricity to ISOs and RTOs, are recorded on a gross basis in the consolidated statements of operations. Financial transactions are recorded on a net basis in the consolidated statements of operations.

Cost of Fuel, Electricity and Other Products

Cost of fuel, electricity and other products on REMA's consolidated statements of operations includes the costs of goods produced and sold through the combustion process, including the costs associated with handling and disposal of ash, natural gas transportation and services rendered during a reporting period. Cost of fuel, electricity and other products also includes purchased emissions allowances for carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxides (NO_x) and the settlements of and changes in fair value of derivative financial instruments used to hedge fuel economically. Additionally, cost of fuel, electricity and other products includes lower of cost or market inventory adjustments. Cost of fuel, electricity and other products excludes depreciation and amortization. Gross margin is total operating revenues less cost of fuel, electricity and other products.

Derivatives and Hedging Activities

In connection with the business of generating electricity, REMA is exposed to energy commodity price risk associated with the acquisition of fuel and emissions allowances needed to generate electricity, the price of electricity produced and sold, and the fair value of fuel inventories. REMA, through its asset management activities, enters into a variety of non-exchange-traded (OTC) energy derivative financial instruments, such as forward contracts and financial swap agreements to manage exposure to commodity price risks. These contracts have varying terms and durations, which range from a few days to years, depending on the instrument.

Derivative financial instruments are recorded in the consolidated balance sheets at fair value, except for derivative contracts that qualify for the normal purchase or normal sale exceptions, which are not in the consolidated balance sheet or results of operations prior to settlement based on accrual accounting treatment. REMA presents its derivative contract assets and liabilities on a gross basis (regardless of master netting arrangements with the same counterparty). Cash collateral amounts, if any, are also presented on a gross basis.

If certain criteria are met, a derivative financial instrument may be designated as a fair value hedge or cash flow hedge. At December 31, 2010, REMA does not have any derivative financial instruments designated as fair value or cash flow hedges. During January 1, 2010 through December 2, 2010 and 2009, REMA had de-designated cash flow hedges. The fair value of REMA's de-designated cash flow hedges was deferred in accumulated other

comprehensive loss and reclassified into earnings when the forecasted transactions affected earnings. As a result of the application of push down accounting (see notes 1 and 2), the amount remaining in accumulated other comprehensive loss at the time of the Merger was written off in accordance with the applicable accounting guidance.

Changes in fair value of REMA's derivative financial instruments are recognized currently in earnings. REMA's derivative financial instruments are categorized as asset management activities. Changes in fair value and settlement of derivative financial instruments used to hedge electricity economically are reflected in operating revenue and changes in fair value and settlement of derivative financial instruments used to hedge fuel economically are reflected in cost of fuel, electricity and other products in the consolidated statements of operations.

REMA also considers risks associated with interest rates, counterparty credit and its own non-performance risk when valuing its derivative financial instruments. The nominal value of the derivative contract assets and liabilities is discounted to account for time value using a LIBOR forward interest rate curve based on the tenor of REMA's transactions being valued. See note 4 for discussion on fair value measurements and REMA's credit policies.

Coal Supplier Concentration Risk

REMA's coal supply comes primarily from the Northern Appalachian and Central Appalachian coal regions. REMA enters into contracts of varying tenors to secure appropriate quantities of fuel that meet the varying specifications of its generating facilities. For the coal-fired generating facilities, REMA purchases most of its coal from a small number of suppliers under contracts with terms of varying lengths, some of which extend to 2013. Excluding the Keystone and Conemaugh generating facilities (which are not 100% owned by REMA), REMA had exposure to three counterparties at December 31, 2010 that represented an exposure of more than 10% of its total coal commitments, by volume, for the succeeding year, and in aggregate represented approximately 85% of REMA's total coal commitments at December 31, 2010.

Concentration of Labor Subject to Collective Bargaining Agreements

At December 31, 2010, approximately 72% of REMA's employees are subject to collective bargaining agreements. Of those employees subject to collective bargaining agreements, 73% are represented by IBEW Local 459. Less than five percent of REMA's employees are subject to collective bargaining agreements that will expire in 2011. GenOn intends to negotiate the renewal of these agreements and does not anticipate any disruptions to REMA's operations. See note 3.

Cash and Cash Equivalents

REMA considers all short-term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2010, except for amounts held in bank accounts to cover current payables, all of REMA's cash and cash equivalents were invested in AAA-rated United States Treasury money market funds.

Restricted Cash

Restricted cash is included in current assets as funds on deposit. Restricted cash includes cash at certain subsidiaries, the distribution or transfer of which is restricted by financing and other agreements.

Inventories

Inventories consist primarily of materials and supplies, coal and fuel oil. Inventory is generally stated at the lower of cost or market value and is expensed on a weighted average cost basis. Fuel inventory is removed from the inventory account as it is used in the generation of electricity or sold to third parties. Materials and supplies are removed from the inventory account when they are used for repairs, maintenance or capital projects.

Inventories were comprised of the following:

	Successor December 31, 2010 (in millions)	Predecessor December 31, 2009 (in millions)
Materials and supplies[1]	$ 52	$ 58
Coal	27	25
Fuel oil	16	12
Total inventories	$ 95	$ 95

(1) Includes $5 million of capital spares at December 31, 2009. Effective with the Merger, REMA classifies capital spares in property, plant and equipment.

During December 3, 2010 through December 31, 2010, January 1, 2010 through December 2, 2010 and 2009, REMA recorded an insignificant amount, $3 million and $42 million, respectively, for lower of average cost or market valuation adjustments in cost of fuel, electricity and other products.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, which includes materials, labor, associated payroll-related and overhead costs and the cost of financing construction. The cost of routine maintenance and repairs, such as inspections and corrosion removal, and the replacement of minor items of property are charged to expense as incurred. Certain expenditures incurred during a major maintenance outage of a generating facility are capitalized, including the replacement of major component parts and labor and overhead incurred to install the parts. Depreciation of the recorded cost of depreciable property, plant and equipment is determined using primarily composite rates. Leasehold improvements are depreciated over the shorter of the expected life of the related equipment or the lease term. Upon the retirement or sale of property, plant and equipment, the cost of such assets and the related accumulated depreciation are removed from the consolidated balance sheets. No gain or loss is recognized for ordinary retirements in the normal course of business since the composite depreciation rates used by REMA take into account the effect of interim retirements.

Impairment of Long-Lived Assets

REMA evaluates long-lived assets, such as property, plant and equipment and purchased intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such evaluations are performed in accordance with the accounting guidance related to evaluating long-lived assets for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds its fair value. See note 5 for further discussion.

Capitalization of Interest Cost

REMA capitalizes interest on projects during their construction period. Once a project is placed in service, capitalized interest, as a component of the total cost of the construction, is depreciated over the estimated useful life of the asset constructed. During December 3, 2010 through December 31, 2010 and January 1, 2010 through December 2, 2010, REMA capitalized an insignificant amount of interest expense and during 2009, REMA capitalized $6 million of interest expense relating to environmental capital expenditures for SO_2 emission control equipment at the Keystone plant.

Environmental Costs

REMA expenses environmental expenditures related to existing conditions that do not have future economic benefit. REMA capitalizes environmental expenditures for which there is a future economic benefit. REMA

records liabilities for expected future costs, on an undiscounted basis, related to environmental assessments and/or remediation when they are probable and can be reasonably estimated.

Operating Leases

REMA leases various assets under non-cancelable leasing arrangements, including generating facilities, office space and other equipment. The rent expense associated with leases that qualify as operating leases is recognized on a straight-line basis over the lease term within operations and maintenance expense in the consolidated statements of operations. REMA leases a 16.45% interest in the Conemaugh facility, a 16.67% interest in the Keystone facility and a 100% interest in the Shawville facility. See note 9 for further discussion on these leases.

Intangible Assets

Intangible assets relate primarily to emissions allowances and acquired contracts. Emissions allowances with definite useful lives are amortized on a straight-line basis to their estimated residual values over their respective useful lives ranging up to 30 years. The acquired contracts are amortized based on the nature of the contracts and over their contractual lives.

Deferred Lease Costs

REMA incurred costs in connection with its sale-leaseback transactions in 2000 (see note 9). These costs were deferred and amortized, using the straight-line method, over the life of the individual sale-leaseback transactions. These costs were eliminated in conjunction with acquisition accounting. REMA amortized $1 million and $1 million, respectively, to facilities leases expense during January 1, 2010 through December 2, 2010 and 2009. At December 31, 2010 and 2009, REMA had $0 and $17 million, respectively, of net deferred lease costs classified in other long-term assets in its consolidated balance sheets.

Income Taxes and Deferred Tax Asset Valuation Allowance

The operations of REMA are conducted primarily through a limited liability company that is treated as a branch of GenOn Northeast Generation, Inc. for income tax purposes. As a result, GenOn Northeast Generation, Inc. and GenOn Energy have direct liability for the majority of the federal and state income taxes relating to REMA's operations. In 2010, GenOn rescinded its tax sharing agreement with REMA. The deferred taxes that are presented for the predecessor periods and that were related to REMA LLC were distributed to GenOn Northeast Generation, Inc., which net of the valuation allowance were $0. REMA LLC's two subsidiaries, GenOn REMA Services, Inc. and GenOn Northeast Management Company, continue to exist as regarded corporate entities for income tax purposes. For the corporate regarded entities, REMA allocates current and deferred income taxes to each corporate regarded entity as if such entity were a single taxpayer utilizing the asset and liability method to account for income taxes. To the extent REMA provides tax expense or benefit, any related tax payable or receivable to GenOn is reclassified to equity in the same period since REMA does not have a tax sharing agreement with GenOn. REMA LLC, GenOn Northeast Management Company and GenOn REMA Services, Inc. are included in the consolidated federal and state returns of GenOn Energy and REMA's regarded subsidiaries also file separate state returns where required.

Deferred tax assets and liabilities are recognized for the regarded corporate entities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. When necessary, deferred tax assets are reduced by a valuation allowance to reflect the amount that is estimated to be recoverable. In assessing the recoverability of the deferred tax assets, REMA considers whether it is likely that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The determination of a valuation allowance requires significant judgment as to the potential generation of taxable income during future periods in which those temporary differences are deductible. In making this determination, REMA considers all available positive and negative evidence affecting specific deferred tax assets,

including its past and anticipated future performance, the reversal of deferred tax liabilities and the implementation of tax planning strategies.

Additionally, REMA has not recognized any tax benefits relating to tax uncertainties arising in the ordinary course of business that are less than or subject to the measurement threshold of the more-likely-than-not standard prescribed under the guidance for accounting for uncertainty in income taxes. These unrecognized tax benefits may be either a tax liability or an adjustment to their net operating losses (NOL) based on the specific facts of each tax uncertainty. REMA periodically assesses its tax uncertainties based on the latest information available. The amount of the unrecognized tax benefit requires management to make significant assumptions about the expected outcomes of certain tax positions included in the filed or yet to be filed tax returns.

Fair Value of Financial Instruments

The accounting guidance related to the disclosure about fair value of financial instruments requires the disclosure of the fair value of all financial instruments that are not otherwise recorded at fair value in the financial statements. At December 31, 2010 and 2009, financial instruments recorded at contractual amounts that approximate fair value include certain funds on deposit, receivables–affiliates and non-affiliates, accounts payable and accrued liabilities payable–affiliates and notes payable–affiliate. The fair values of such items are not materially sensitive to shifts in market interest rates because of the short term to maturity of these instruments. See note 4 for further discussion on financial instruments.

Recently Adopted Accounting Guidance

In December 2007, the Financial Accounting Standards Board (FASB) issued revised guidance related to accounting for business combinations. This guidance requires an acquirer of a business to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their acquisition-date fair values. The guidance also requires disclosure of information necessary for investors and other users to evaluate and understand the nature and financial effect of the business combination. Additionally, the guidance requires that acquisition-related costs be expensed as incurred. The provisions of this guidance became effective for acquisitions completed on or after January 1, 2009; however, the income tax considerations included in the guidance were effective as of that date for all acquisitions, regardless of the acquisition date. REMA adopted this accounting guidance on January 1, 2009, and the adoption had no effect on REMA's consolidated statements of operations, financial position or cash flows.

On February 12, 2008, the FASB issued guidance related to fair value measurements, which deferred the effective date of fair value measurements for one year for certain nonfinancial assets and liabilities, with the exception of those nonfinancial assets and liabilities that are recognized or disclosed on a recurring basis (at least annually). REMA's non-recurring nonfinancial assets and liabilities that could be measured at fair value in REMA's consolidated financial statements include long-lived asset impairments and the initial recognition of asset retirement obligations. REMA adopted the guidance related to fair value measurements for non-recurring nonfinancial assets and liabilities on January 1, 2009, and the adoption had no effect on REMA's consolidated statements of operations, financial position or cash flows. REMA incorporated the recognition and disclosure provisions related to fair value measurements for non-recurring nonfinancial assets and liabilities when applicable. See note 5 for these disclosures.

On March 19, 2008, the FASB issued guidance that enhances the required disclosures for derivative instruments. REMA utilizes derivative financial instruments to manage its exposure to commodity price risks. REMA adopted this guidance on January 1, 2009. See note 4 for these disclosures.

On December 30, 2008, the FASB issued guidance which requires enhanced disclosures about plan assets of an employer's defined benefit pension or other postretirement plan. The enhanced disclosures require additional information on how the fair value of plan assets is measured, including a reconciliation of beginning and ending balances for Level 3 inputs and the valuation techniques used to measure fair value. REMA adopted the accounting guidance for its defined benefit and other postretirement plan disclosures for 2009. See note 8 for these disclosures.

On April 9, 2009, the FASB issued guidance which provides additional direction on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements. Under distressed market conditions, REMA needs to weigh all available evidence in determining whether a transaction

occurred in an orderly market. This guidance requires additional judgment by REMA when determining the fair value of derivative contracts in the current economic environment. REMA adopted this accounting guidance for its fair value measurements for the quarter ended June 30, 2009, and the adoption did not have a material effect on REMA's consolidated statements of operations, financial position or cash flows.

On May 28, 2009, the FASB issued guidance which requires REMA to disclose the date through which it has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This guidance defines two types of subsequent events: recognized and non-recognized events, with recognized events reflecting conditions that existed at the balance sheet date. REMA adopted this guidance for its annual financial statements for 2009 and the adoption had no effect on REMA's consolidated statements of operations, financial position or cash flows.

On June 12, 2009, the FASB issued guidance which requires REMA to perform an analysis to determine whether its variable interest gives it a controlling financial interest in a variable interest entity (VIE). This analysis should identify the primary beneficiary of a VIE. This guidance also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and enhances the disclosures to provide more information regarding REMA's involvement in a VIE. REMA adopted this accounting guidance on January 1, 2010, and the adoption did not affect REMA's consolidated statements of operations, financial position or cash flow.

On July 1, 2009, the FASB issued guidance which codified all authoritative nongovernmental GAAP into a single source. The codified guidance supersedes all existing accounting standards, but does not change the contents of those standards. REMA adopted this accounting guidance for the quarter ended September 30, 2009, and REMA changed its references to accounting literature to conform to the codified source of authoritative nongovernmental GAAP.

On August 27, 2009, the FASB issued updated guidance for measuring the fair value of liabilities. The guidance clarifies that a quoted price for the identical liability in an active market is the best evidence of fair value for that liability, and in the absence of a quoted market price, the liability may be measured at fair value at the amount that REMA would receive as proceeds if it were to issue that liability at the measurement date. REMA adopted this accounting guidance for its fair value measurements of liabilities for the quarter ended September 30, 2009, and the adoption did not have a material effect on REMA's consolidated statements of operations, financial position or cash flows.

On September 30, 2009, the FASB issued guidance for reporting entities that have investments in certain entities that calculate net asset value per share or an equivalent. This guidance provides a practical expedient to measure the fair value using net asset value per share for investments that fall within the scope of the guidance. REMA adopted the accounting guidance for its defined benefit and other postretirement plan disclosures for 2009 and the adoption had no effect on REMA's consolidated statements of operations, financial position or cash flows.

On January 21, 2010, the FASB issued guidance that enhances the disclosures for fair value measurements. The guidance requires REMA to disclose separately the amount of significant transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for the significant transfers, the valuation techniques and inputs used and the classes of assets and liabilities accounted for at fair value on a recurring basis. REMA adopted this accounting guidance during 2010. See note 4 for additional information on fair value measurements.

New Accounting Guidance Not Yet Adopted at December 31, 2010

On January 21, 2010, the FASB issued guidance that requires a reconciliation for Level 3 fair value measurements, including presenting separately the amounts of purchases, issuances and settlements on a gross basis. REMA currently discloses the amounts of purchases, issuances and settlements on a net basis within its roll forward of Level 3 fair value measurements in note 4. REMA will present these disclosures in its annual financial statements for the year ending December 31, 2011.

2. Merger

On December 3, 2010, Mirant and RRI Energy completed the Merger. Upon closing, each issued and outstanding share of Mirant common stock automatically converted into 2.835 shares of common stock of RRI Energy, with cash paid in lieu of fractional shares.

The Merger is accounted for under the acquisition method of accounting for business combinations. RRI Energy's assets acquired and liabilities assumed were recorded at estimated fair values on the Merger date. Because the fair value of the net assets acquired exceeds the purchase price, the Merger is being accounted for as a bargain purchase in accordance with the accounting guidance.

As discussed in note 1, acquisition accounting impacts have been pushed down to REMA, resulting in certain assets and liabilities of REMA being recorded at fair value at December 3, 2010. The initial accounting for the business combination is not complete because the valuations necessary to assess the fair values of certain net assets acquired and contingent liabilities assumed are still in process as a result of the short time period between the closing of the Merger and the end of 2010. The significant assets and liabilities for which provisional amounts are recognized at December 31, 2010 are property, plant and equipment, intangible assets and other long-term liabilities related to out-of-market contracts, contingencies and asset retirement obligations. The provisional amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified up to one year from the date of the Merger, as more information is obtained about the fair value of assets acquired and liabilities assumed. Any changes to the fair value assessments will affect the net assets adjustment allocated to REMA. REMA expects to finalize these amounts during 2011. The provisional allocation of assets and liabilities is as follows (in millions):

Cash and cash equivalents	$ 22	
Current derivative contract assets	11	
Inventories	104	
Other current assets	42	
Property, plant and equipment	526	(1)
Intangible assets	11	
Other noncurrent assets	27	
Current derivative contract liabilities	(50)	
Other current liabilities	(532)	
Pension and postemployment obligations	(37)	
Other noncurrent liabilities	(785)	
Equity	$ (661)	

(1) The valuations of the acquired long-lived assets were primarily based on the income approach, and in particular, discounted cash flow analyses. The income approach was employed for the generating facilities because of the differing age, geographic location, market conditions, asset lives, equipment condition and status of environmental controls of the assets. The discounted cash flows incorporated information based on observable market prices to the extent available and long-term prices derived from proprietary fundamental market modeling. For the generating facilities that were not valued using the income approach, the cost approach was used. The market approach was considered, but was ultimately given no weighting because of many of the factors listed as the primary reasons for application of the income approach as well as a lack of proximity of the observed transactions to the valuation date.

REMA is subject to material contingencies, some of which may involve substantial amounts, relating to environmental matters. For information regarding these contingencies, see note 10. As a result of the number of variables and assumptions involved in assessing the possible outcome of these matters, sufficient information does not exist to reasonably estimate the fair value or a range of outcomes for these contingent liabilities, except as disclosed in note 10. Unless otherwise noted in note 10, REMA cannot predict the outcome of the matters. These material contingencies have been evaluated in accordance with the accounting guidance for contingencies, and no provisional amounts for these matters have been recorded at the date of the Merger because the recognition criteria have not been met, except as denoted in note 10. See note 9 for information regarding guarantees and indemnifications.

3. Related Party Transactions

These financial statements include the impact of significant transactions between REMA and GenOn. The majority of these transactions involve the purchase or sale of energy, capacity, fuel, emission allowances or related services (including transportation, transmission and storage services) from or to REMA and allocations of costs to REMA for support services.

Support and Technical Services. GenOn provides commercial support, technical services and other corporate services to REMA. GenOn allocates certain support services costs to REMA based on REMA's underlying planned operating expenses relative to the underlying planned operating expenses of other entities to which GenOn provides similar services and also charges REMA for certain other services based on usage. Management thinks this method of allocation is reasonable. These allocations and charges are not necessarily indicative of what would have been incurred had REMA been an unaffiliated entity. Payments to GenOn for support services are subordinated to certain obligations, including the lease obligations, pursuant to the lease documents.

The following details the amounts recorded as operations and maintenance – affiliates:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Allocated or charged by GenOn	$ 5	$ 94	$ 117

On January 1, 2011, the employees of REMA were transferred to GenOn Energy Services, LLC. Accordingly, REMA has entered into an agreement with GenOn Energy Services, LLC pursuant to which the services of such transferred employees are provided to REMA, together with such other services as REMA elects from time to time. Under the terms of such agreement, REMA pays the actual costs incurred by GenOn Energy Services, LLC in connection with the provision of such services. Payments to GenOn Energy Services, LLC for such transferred employee services rank equal in priority with REMA's lease obligations. REMA's employee-related obligations and the related deferred taxes, net of valuation allowances, were distributed to GenOn on January 1, 2011.

Commodity Procurement and Marketing. REMA has sales to and purchases from GenOn related to commodity procurement and marketing services. Under the Commodity Procurement and Marketing Agreement, GenOn resells REMA's energy products in the PJM spot and forward markets and to other third parties. REMA is paid the amount received by GenOn for such capacity and energy. REMA has counterparty credit risk in the event that GenOn is unable to collect amounts owed from third parties for the resale of REMA's energy products.

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Sales to GenOn under various commodity agreements[1]	$ 68	$ 547	$ 525
Purchases from GenOn under various commodity agreements[2]	(1)	4	3
Fees charged by GenOn for these services and included in operations and maintenance – affiliates	1	5	5
Fees charged by GenOn for these services and included in cost of fuel, electricity and other products – affiliate	—	1	1
Sales of emissions allowances to GenOn[3]	—	—	1

(1) Recorded in operating revenues – affiliate.
(2) Recorded in cost of fuel, electricity and other products – affiliate.
(3) Reflects price at which GenOn sold the emissions allowances to third parties.

Subordinated Accounts Payable, Net — Affiliates. Due to the transactions discussed above under support and technical services and commodity procurement and marketing, REMA records payables to and receivables from GenOn. At December 31, 2010 and 2009, the net subordinated accounts payable to affiliates was $434 million and $310 million, respectively. The outstanding balance is classified as a current liability consistent with the terms of the respective agreements. However, payments of this liability are subordinated to certain obligations, including the lease obligations, and are subject to the restricted payments test in the lease documents. See note 9 for a discussion of the leases and restrictions.

Subordinated Long-term Note Payable — Affiliate. REMA has a note payable to GenOn. The note is due January 1, 2029 and accrues interest at a fixed rate of 9.4% per year. At December 31, 2010 and 2009, REMA had $544 million outstanding under the note. In connection with this note, REMA has accrued subordinated interest payable to affiliate of $62 million and $78 million at December 31, 2010 and 2009, respectively. The outstanding accrued interest is classified as a current liability consistent with the terms of the agreements. However, payments under this indebtedness are subordinated to certain obligations, including the lease obligations, and are subject to the restricted payments test in the lease documents. See note 9 for a discussion of the leases and restrictions. In March 2011, REMA paid $45 million of this accrued interest.

Working Capital Note. REMA has a revolving note payable to GenOn under which REMA may borrow, and GenOn is committed to lend, up to $30 million for working capital needs. Borrowings under the note are unsecured and will rank equal in priority with REMA's lease obligations. REMA periodically borrows on this note and repays the amounts throughout the year. The note accrues interest (which is paid monthly) at the prime rate plus 1.75%, which was 5% at December 31, 2010. REMA may replace this note with a working capital facility from an unaffiliated lender if then permitted under GenOn's debt agreements. At December 31, 2010 and 2009, there were no borrowings outstanding under the note.

Subordinated Working Capital Facility. REMA had an irrevocably committed subordinated working capital facility with GenOn. REMA could have borrowed under this facility to pay operating expenditures, senior indebtedness and rent, but excluding capital expenditures and subordinated obligations. In addition, GenOn had to make advances to REMA and REMA had to obtain such advances up to the maximum available commitment under such facility from time to time if REMA's pro forma fixed charge coverage ratio did not equal or exceed 1.1 to 1.0,

measured at the time rent under the leases was due. Subject to the maximum available commitment, drawings were made in amounts necessary to permit REMA to achieve a pro forma fixed charge coverage ratio of at least 1.1 to 1.0. Payments under this indebtedness were subordinated to certain obligations, including the lease obligations, pursuant to the lease documents. The amount available under the subordinated working capital facility was $96 million on January 2, 2007 and decreased by $24 million each subsequent year through its expiration in January 2011. At December 31, 2010 and 2009, REMA had $0 and $26 million, respectively, outstanding under this facility. The outstanding balance was paid down in the third quarter of 2010.

Letters of Credit. GenOn has posted letters of credit on behalf of REMA related to its lease obligations. See notes 6 and 9.

Notes Payable — Affiliate. In July 2009, REMA entered into a $16 million term loan payable to GenOn. The note was due July 1, 2029 and accrued interest, which was payable quarterly, at a variable rate based on the cost of funding the loan by GenOn. Borrowings under the note were unsecured and ranked equal in priority with REMA's lease obligations. At December 31, 2010 and 2009, REMA had $0 and $16 million, respectively, outstanding under the note. The outstanding balance was paid off in the first quarter of 2010.

In January 2010, REMA entered into an additional $20 million term loan payable to GenOn. The note was due June 1, 2029 and accrued interest, which was payable quarterly, at a variable rate based on the cost of funding the loan by GenOn. Borrowings under the note were unsecured and ranked equal in priority with REMA's lease obligations. The outstanding balance was paid off in the first quarter of 2010.

Income Taxes. See discussion in notes 1 and 7 regarding REMA's policy with regards to income taxes.

4. Financial Instruments

(a) Derivatives and Hedging Activities.

REMA uses derivative financial instruments to manage operational or market constraints and to increase the return on its generation assets. At December 31, 2010, REMA does not have any designated cash flow hedges.

The following table presents the fair value of REMA's commodity derivative financial instruments:

	Derivative Contract Assets		Derivative Contract Liabilities		Net Derivative Contract Assets (Liabilities)
	Current	Long-Term	Current	Long-Term	
			(in millions)		
Successor					
December 31, 2010					
Asset management	$ 14	$ —	$ (47)	$ (14)	$ (47)
Total derivatives	$ 14	$ —	$ (47)	$ (14)	$ (47)
Predecessor					
December 31, 2009					
Asset management	$ 32	$ 8	$ (76)	$ (65)	$ (101)
Total derivatives	$ 32	$ 8	$ (76)	$ (65)	$ (101)

The following tables present the net gains (losses) for derivative financial instruments recognized in income/loss in the consolidated statements of operations:

Successor

Derivatives not Designated as Hedging Instruments	December 3, 2010 through December 31, 2010	
	Revenues	Cost of Fuel, Electricity and Other Products
	(in millions)	
Asset Management Commodity Contracts:		
Unrealized	$ 3	$ 2
Realized[1] [2]	(3)	(2)
Total asset management	$ —	$ —

(1) Represents the total cash settlements of derivative financial instruments during each quarterly reporting period that existed at the beginning of the reporting period.
(2) Includes settlement value of fuel contracts classified as inventories upon settlement.

Predecessor

Derivatives not Designated as Hedging Instruments	January 1, 2010 through December 2, 2010		2009	
	Revenues	Cost of Fuel, Electricity and Other Products	Revenues	Cost of Fuel, Electricity and Other Products
	(in millions)			
Asset Management Commodity Contracts:				
Unrealized	$ 19	$ 6	$ 10	$ 27
Realized[1] [2][3]	(35)	—	(36)	—
Total asset management	$ (16)	$ 6	$ (26)	$ 27

(1) Does not include realized gains or losses associated with cash month transactions, non-derivative transactions or derivative transactions that qualify for the normal purchase/normal sale exception.
(2) Excludes settlement value of fuel contracts classified as inventories upon settlement.
(3) Includes gains or losses from de-designated cash flow hedges reclassified from accumulated other comprehensive loss due to settlement of the derivative contracts. See note 1.

The following tables present the notional quantity on long (short) positions for derivative financial instruments:

Successor

Derivative Instrument	Notional Volumes at December 31, 2010		
	Derivative Contract Assets	Derivative Contract Liabilities	Net Derivative Contracts
	(in millions)		
Commodity Contracts (in equivalent MWh):			
Power	1	(1)	—
Coal	1	—	1

Predecessor

Derivative Instrument	Notional Volumes at December 31, 2009		
	Current	Long-term	Total
	(in millions)		
Commodity Contracts (in MMbtu):			
Coal	23	22 [1]	45

(1) REMA had committed to purchase volumes of 22 million MMbtu which were subject to negotiation and had not been priced at December 31, 2009.

(b) Fair Value Measurements.

Fair Value Hierarchy and Valuation Techniques. REMA applies recurring fair value measurements to its financial assets and liabilities. In determining fair value, REMA generally uses a market approach and incorporates assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. Based on the observability of the inputs used in the valuation techniques, financial assets and liabilities carried at fair value in the consolidated financial statements are classified as follows:

Level 1: Represents unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. REMA's interest bearing funds are valued using Level 1 inputs.

Level 2: Represents quoted market prices for similar assets or liabilities in active markets, quoted market prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data. This category includes energy derivative instruments that are cleared and settled through the exchange and other non-exchange-traded derivatives such as OTC forwards and swaps.

Level 3: This category includes energy derivative instruments whose fair value is estimated based on internally developed models and methodologies utilizing significant inputs that are generally less readily observable from market sources (such as implied volatilities and correlations). REMA's coal contracts that are transacted in less liquid markets with limited pricing information are included in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls must be determined based on the lowest level input that is significant to the fair value measurement. REMA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

The fair value of REMA's derivative contract assets and liabilities is based largely on observable quoted prices from exchanges and unadjusted indicative quoted prices from independent brokers in active markets who regularly facilitate REMA's transactions. An active market is considered to have transactions with sufficient frequency and volume to provide pricing information on an ongoing basis. REMA thinks that these prices represent the best available information for valuation purposes. In determining the fair value of its derivative contract assets and liabilities, REMA uses third-party market pricing where available. For transactions classified in Level 2 of the fair value hierarchy, REMA values these transactions using indicative quoted prices from independent brokers or other widely-accepted valuation methodologies. Transactions are classified in Level 2 if substantially all (greater than 90%) of the fair value can be corroborated using observable market inputs such as transactable broker quotes. In accordance with the exit price objective under the fair value measurements accounting guidance, the fair value of REMA's derivative contract assets and liabilities is determined based on the net underlying position of the recorded derivative contract assets and liabilities using bid prices for assets and ask prices for liabilities. The quotes that REMA obtains from brokers are non-binding in nature, but are from brokers that typically transact in the market being quoted and are based on their knowledge of market transactions on the valuation date. REMA typically obtains multiple broker quotes on the valuation date for each delivery location that extend for the tenor of its underlying contracts. The number of quotes that REMA can obtain depends on the relative liquidity of the delivery location on the valuation date. If multiple broker quotes are received for a contract, REMA uses an average of the quoted bid or ask prices. If only one broker quote is received for a delivery location and it cannot be validated through other external sources, REMA will assign the quote to a lower level within the fair value hierarchy. In some instances, REMA may combine broker quotes for a liquid delivery hub with broker quotes for the price spread between the liquid delivery hub and the delivery location under the contract. REMA also may apply interpolation techniques to value monthly strips if broker quotes are only available on a seasonal or annual basis. REMA performs validation procedures on the broker quotes at least on a monthly basis. The validation procedures include reviewing the quotes for accuracy and comparing them to REMA's internal price curves. In certain instances, REMA may discard a broker quote if it is a clear outlier and multiple other quotes are obtained. At December 31, 2010, REMA obtained broker quotes for 100% of its delivery locations classified in Level 2 of the fair value hierarchy.

Inactive markets are considered to be those markets with few transactions, noncurrent pricing or prices that vary over time or among market makers. REMA's transactions classified in Level 3 of the fair value hierarchy involve transactions whereby observable market data, such as broker quotes, are not available for substantially all of the tenor of the contract or REMA is only able to obtain indicative broker quotes that cannot be corroborated by observable market data. In such cases, REMA may apply valuation techniques such as extrapolation and other quantitative methods to determine fair value. REMA's techniques for fair value estimation include assumptions for market prices, correlation and volatility. The degree of estimation increases for longer duration contracts, contracts with multiple pricing features, option contracts and off-hub delivery points. At December 31, 2010, REMA's assets and liabilities classified as Level 3 in the fair value hierarchy represented approximately 21% of its total assets and 0% of its total liabilities measured at fair value.

The fair value of REMA's derivative contract assets and liabilities is also affected by assumptions as to time value, credit risk and non-performance risk. The nominal value of REMA's derivatives is discounted to account for time value using a LIBOR forward interest rate curve based on the tenor of the transaction. Derivative contract assets are reduced to reflect the estimated default risk of counterparties on their contractual obligations to REMA. The counterparty default risk for REMA's overall net position is measured based on published spreads on credit default swaps for its counterparties, where available, or proxies based upon published spreads, applied to its current exposure and potential loss exposure from the financial commitments in REMA's risk management portfolio. The fair value of REMA's derivative contract liabilities is reduced to reflect the estimated risk of default on its contractual obligations to counterparties and is measured based on published default rates of GenOn's debt, where available, or proxies based upon published spreads. Credit risk and non-performance risk are calculated with consideration of REMA's master netting agreements with counterparties and its exposure is reduced by cash collateral posted to REMA against these obligations.

See note 5 for discussion of REMA's fair value measurements for non-financial assets.

Fair Value of Derivative Instruments and Certain Other Assets. The fair value measurements of REMA's financial assets and liabilities by class are as follows:

Successor

	December 31, 2010			
	Level 1[1]	Level 2[1]	Level 3	Total Fair Value
	(in millions)			
Derivative commodity contract assets:				
Power	$ —	$ 11	$ —	$ 11
Fuel	—	—	3	3
Total derivative contract assets	$ —	$ 11	$ 3	$ 14
Derivative commodity contract liabilities:				
Power	$ —	$ 61	$ —	$ 61
Total derivative contract liabilities	$ —	$ 61	$ —	$ 61
Interest-bearing funds[2]	$ 21	$ —	$ —	$ 21

(1) Transfers between Level 1 and Level 2 are recognized as of the end of the reporting period. There were no significant transfers during 2010.

(2) Represent investments in money market funds and are included in cash and cash equivalents and funds on deposit in the consolidated balance sheet. REMA had $21 million of interest-bearing funds included in cash and cash equivalents and an insignificant amount included in funds on deposit.

Predecessor

	December 31, 2009			
	Level 1	Level 2	Level 3	Total Fair Value
	(in millions)			
Derivative commodity contract assets:				
Power	$ —	$ 40	$ —	$ 40
Total derivative contract assets	$ —	$ 40	$ —	$ 40
Derivative commodity contract liabilities:				
Power	$ —	$ 135	$ —	$ 135
Fuel	—	—	6	6
Total derivative contract liabilities	$ —	$ 135	$ 6	$ 141
Interest-bearing funds[1]	$ 18	$ —	$ —	$ 18

(1) Represent investments in money market funds and are included in cash and cash equivalents in the consolidated balance sheet. REMA had $18 million of interest-bearing funds included in cash and cash equivalents.

The following tables present a reconciliation of changes in fair value of net commodity derivative contract assets and liabilities classified as Level 3 during December 3, 2010 through December 31, 2010, January 1, 2010 through December 2, 2010 and 2009:

Successor

	Net Derivatives Contracts (Level 3)
	December 3, 2010 through December 31, 2010
	(in millions)
Balance, beginning of period (net asset)	$ 1
Total gains realized/unrealized:	
Included in earnings[1]	3
Purchases, issuances and settlements (net)[2]	(1)
Transfers in and out of Level 3 (net)[3]	—
Balance, end of period (net asset)	$ 3

(1) Reflects the total gains or losses on contracts included in Level 3 at the beginning of the reporting period and at the end of the reporting period, and contracts entered into during the reporting period that remain at the end of the reporting period.
(2) Represents the total cash settlements of contracts during the reporting period that existed at the beginning of the reporting period.
(3) Denotes the total contracts that existed at the beginning of the reporting period and were still held at the end of the reporting period that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the reporting period. Amounts reflect fair value as of the end of the reporting period.

	December 3, 2010 through December 31, 2010		
	Operating Revenues	Cost of Fuel, Electricity and Other Products	Total
	(in millions)		
Gains included in income	$ —	$ 2	$ 2
Gains included in income (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2010	$ —	$ 2	$ 2

Predecessor

	Net Derivatives Contracts (Level 3)	
	January 1, 2010 through December 2, 2010	2009
	(in millions)	
Balance, beginning of period (net asset (liability))	$ (6)	$ (33)
Total gains (losses) realized/unrealized:		
Included in earnings[(1)]	9	(25)
Purchases, issuances and settlements (net)	(3)	52
Transfers in and out of Level 3 (net)	—	—
Balance, end of period (net asset (liability))	$ —	$ (6)
Changes in unrealized gains/losses relating to derivative contract assets and liabilities still held at December 2, 2010 and December 31, 2009:		
Operating revenues	$ —	$ —
Cost of fuel, electricity and other products	1	(6)
Total	$ 1	$ (6)

(1) Recorded in cost of fuel, electricity and other products.

(c) Counterparty Credit Concentration Risk.

REMA is exposed to the default risk of the counterparties with which it transacts. REMA manages its credit risk by entering into master netting agreements and requiring counterparties to post cash collateral or other credit enhancements based on the net exposure and the credit standing of the counterparty. At December 31, 2010 and 2009, there was no cash collateral posted to REMA by counterparties under master netting agreements.

REMA also monitors counterparty credit concentration risk on both an individual basis and a group counterparty basis. The following table highlights the credit quality and the balance sheet settlement exposures related to these activities:

	December 31, 2010				
Credit Rating Equivalent	**Gross Exposure Before Collateral**[1]	**Net Exposure Before Collateral**[2]	**Collateral**[3]	**Exposure Net of Collateral**	**% of Net Exposure**
	(dollars in millions)				
Clearing and Exchange	$ 5	$ —	$ —	$ —	—
Investment Grade:					
Financial institutions	—	—	—	—	—
Energy companies	52	41	—	41	93%
Other	—	—	—	—	—
Non-investment Grade:					
Financial institutions	—	—	—	—	—
Energy companies	16	3	—	3	7%
Other	—	—	—	—	—
No External Ratings:					
Internally-rated investment grade	—	—	—	—	—
Internally-rated non-investment grade	—	—	—	—	—
Not internally rated	—	—	—	—	—
Total	$ 73	$ 44	$ —	$ 44	100%

(1) Gross exposure before collateral represents credit exposure, including realized and unrealized transactions, before (a) applying the terms of master netting agreements with counterparties and (b) netting of transactions with clearing brokers and exchanges. The table excludes amounts related to contracts classified as normal purchases/normal sales and non-derivative contractual commitments that are not recorded at fair value in the consolidated balance sheets, except for any related accounts receivable. Such contractual commitments contain credit and economic risk if a counterparty does not perform. Non-performance could have a material adverse effect on the future results of operations, financial condition and cash flows.

(2) Net exposure before collateral represents the credit exposure, including both realized and unrealized transactions, after applying the terms of master netting agreements.

(3) Collateral includes cash and letters of credit received from counterparties.

At December 31 2009, REMA had no credit exposure.

(d) REMA Credit Risk.

REMA's credit availability is based on GenOn's credit ratings. REMA's standard industry contracts contain credit-risk-related contingent features such as ratings-related thresholds whereby REMA would be required to post additional cash collateral or letters of credit as a result of a credit event, including a downgrade. Additionally, some of REMA's contracts contain adequate assurance language, which is generally subjective in nature, but would most likely require REMA to post additional cash collateral or letters of credit as a result of a credit event, including a downgrade. However, as a result of GenOn's current credit rating, REMA is typically required to post collateral in the normal course of business to offset its net liability positions, after applying the terms of master netting agreements. At December 31, 2010, the fair value of the Company's financial instruments with credit-risk-related contingent features in a net liability position was approximately $10 million for which the Company had posted collateral of $4 million in the form of letters of credit.

In addition, at December 31, 2010 and 2009, REMA had no cash collateral posted with counterparties under master netting agreements that was included in funds on deposit on the consolidated balance sheets.

(e) Fair Values of Other Financial Instruments.

The fair values of certain funds on deposit, receivables–affiliates and non-affiliates, accounts payable and accrued liabilities payable-affiliates and notes payable–affiliates approximate their carrying amounts.

5. Long-Lived Assets

(a) Property, Plant and Equipment, Net.

Effective with the Merger, recorded balances and the estimated useful lives for property, plant and equipment were adjusted to reflect fair values at December 3, 2010. Property, plant and equipment, net consisted of the following:

	Successor	Predecessor	Depreciable Lives (Years)
	December 31, 2010	December 31, 2009	Successor
	(in millions)	(in millions)	
Production	$ 363	$ 816	7 to 29
Leasehold improvements on leased generating facilities	156	235	6 to 21
Construction work in progress	10	8	
Total	529	1,059	
Accumulated depreciation and amortization	(3)	(293)	
Total property, plant and equipment, net	$ 526	$ 766	

Depreciation of the recorded cost of property, plant and equipment is recognized on a straight-line basis over the estimated useful lives of the assets.

Depreciation expense was as follows:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Depreciation expense	$ 4	$ 37	$ 36

(b) Intangible Assets, Net.

Effective with the Merger, recorded balances for emissions allowances were adjusted to reflect fair values at December 3, 2010. The following is a summary of intangible assets:

	Successor		Predecessor		Weighted Average Amortization Lives (Years)
	December 31, 2010		December 31, 2009		Successor
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Emissions allowances[1]	$ 5	$ —	$ 106 [2]	$ (9) [2]	16
Acquired contracts	5	(3)	—	—	—
Total intangible assets	$ 10	$ (3)	$ 106	$ (9)	

(1) During December 3, 2010 through December 31, 2010, January 1, 2010 through December 2, 2010 and 2009, REMA purchased $0, $1 million and $37 million, respectively, of emissions allowances from affiliates.

(2) During 2009, REMA wrote off fully amortized carrying amount and accumulated amortization of emissions allowances surrendered of $35 million.

Acquired contracts represent contracts acquired in connection with the Merger and represent the fair value on the Merger date of certain long-term tolling contracts, long-term natural gas transportation and storage contracts and

REMA leases. The acquired contracts with positive fair values on the Merger date were recorded to intangible assets and the acquired contracts with negative fair values on the Merger date were recorded to out-of-market contracts in the consolidated balance sheet. The acquired contracts and out-of-market contracts are amortized in operating revenues, cost of fuel, electricity and other products and operations and maintenance expense, as applicable, based on the nature of the contracts and over their contractual lives.

Amortization expense was as follows:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Amortization expense	$ —	$ 7	$ 11

Assuming no future acquisitions, dispositions or impairments of intangible assets, amortization expense, excluding acquired contracts and out-of-market contracts (see below), is estimated to be approximately the following for each of the next five years (in millions):

2011	$ 2
2012	—
2013	—
2014	—
2015	—

Acquired contracts and out-of-market contracts amortization is estimated to be approximately the following for each of the next five years (increase (decrease), net):

	Cost of Fuel, Electricity and Other Products	Operations and Maintenance Expense
	(in millions)	
2011	$ 2	$ (8)
2012	—	(8)
2013	—	(8)
2014	—	(8)
2015	—	(8)

(c) Impairments on Assets Held and Used.

2010

Titus Generating Facility

Background

REMA periodically evaluates the recoverability of its long-lived assets (property, plant and equipment and intangible assets), which involves significant judgment and estimates, when there are certain indicators that the carrying value of these assets may not be recoverable.

Based on the further decline of forward commodity prices, REMA's asset recoverability review at September 30, 2010 indicated that Titus plant needed to be measured at fair value to determine if impairment existed.

Assumptions and Results

The following summarizes some of the most significant estimates and assumptions used in evaluating REMA's plant level undiscounted cash flows at September 30, 2010. The ranges for the fundamental view assumptions are to account for variability by year and region.

Undiscounted Cash Flow Scenarios Weightings:	
5-year market forecast with escalation[1][2]	50%
5-year market forecast with fundamental view[1]	50%
Range of Assumptions in Fundamental View:	
Demand for power growth per year	1%-2%
After-tax rate of return on new construction[3]	6.5%-9.5%
Spread between natural gas and coal prices, \$/MMBtu[4]	\$3-\$5

(1) For each scenario, the first five years of cash flows are the same.
(2) REMA assumed an annual 2.5% escalation percentage beyond year five.
(3) The low to mid part of the range represents natural gas-fired plants' required returns and the mid to high part of the range represents coal-fired and nuclear plants' required returns.
(4) Natural gas and coal prices are prior to transportation costs.

REMA estimates the undiscounted cash flows of its plants based on a number of subjective factors, including: (a) appropriate weighting of undiscounted cash flow scenarios, as shown in the table above, (b) forecasts of future power generation margins, (c) estimates of its future cost structure, (d) environmental assumptions, (e) time horizon of cash flow forecasts and (f) estimates of terminal values of plants, if necessary, from the eventual disposition of the assets.

Under the 5-year market forecast with escalation scenario, REMA uses the following data: (a) forward market curves for commodity prices at September 21, 2010 for the first five years, (b) cash flow projections through the plant's estimated remaining useful life and (c) escalation factor of cash flows of 2.5% per year after year five.

Under the 5-year market forecast with fundamental view scenario, REMA models all of its plants and those of others in the regions in which REMA operates using these assumptions: (a) forward market curves for commodity prices at September 21, 2010 for the first five years; (b) ranges shown in the table above used in developing its fundamental view beyond five years; (c) the markets in which REMA operates will continue to be deregulated and earn margins based on forward or projected market prices; (d) projected market prices for energy and capacity will be set by the forecasted available supply and level of forecasted demand—new supply will enter markets when market prices and associated returns, including any assumed subsidies for renewable energy, are sufficient to achieve minimum return requirements; (e) minimum return requirements on future construction of new generation facilities, as shown in the table above, will likely be driven or influenced by utilities, which REMA expects will have a lower cost of capital than merchant generators; (f) various ranges of environmental regulations, including those for SO_2, NO_x and greenhouse gas emissions; and (g) cash flow projections through the plant's estimated remaining useful life.

Generally, fair value will be determined using an income approach or a market-based approach. Under the income approach, the future cash flows are estimated as described above and then discounted using a risk-adjusted rate. Under a market-based approach, REMA may also consider prices of similar assets, consult with brokers or employ other valuation techniques.

The following are key assumptions used in REMA's fair value analyses at September 30, 2010 for its plant for which the undiscounted cash flows did not exceed the net book value of the long-lived assets.

Valuation approach weightings:	
Income approach	100%
Market-based approach	0%
Risk-adjusted discount rate for the estimated cash flows	13%

REMA only used the income approach as REMA thinks no relevant market data exists for this plant for which REMA was required to estimate fair value. The discount rates reflect the uncertainty of the plant's cash flows and

its ability to support debt, and was determined considering factors such as the potential for future capacity revenues and regulatory, commodity and macroeconomic conditions.

REMA determined that its Titus plant, which consists of property, plant and equipment, was impaired by $74 million at September 30, 2010. This impairment was primarily as a result of the further decline of forward commodity prices.

(d) Asset Retirement Obligations.

Upon initial recognition of a liability for an asset retirement obligation or a conditional asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Retirement obligations associated with long-lived assets included within the scope of accounting guidance are those for which a legal obligation exists under enacted laws, statutes and written or oral contracts, including obligations arising under the doctrine of promissory estoppel.

REMA identified certain asset retirement obligations within its power generating facilities. These asset retirement obligations are primarily related to asbestos abatement in facilities on owned or leased property and other environmental obligations related to ash disposal sites. In addition, the asset retirement obligations also relate to environmental obligations for fuel storage facilities. See note 10 for further discussion of REMA's ash disposal facilities.

Asbestos abatement is a significant type of asset retirement obligation identified for recognition in connection with REMA's policy related to accounting for conditional asset retirements. The EPA has regulations in place governing the removal of asbestos. Because of the nature of asbestos, it can be difficult to ascertain the extent of contamination in older facilities unless substantial renovation or demolition takes place. Therefore, REMA incorporated certain assumptions based on the relative age and size of its facilities to estimate the current cost for asbestos abatement. The actual abatement cost could differ from the estimates used to measure the asset retirement obligation. As a result, these amounts will be subject to revision when actual abatement activities are undertaken.

The following tables set forth the balances of the asset retirement obligations and additions, revisions in estimated cash flows and accretion of the asset retirement obligations. The asset retirement obligations are included in other noncurrent liabilities in the consolidated balance sheets (in millions):

Successor[(1)]		
Balance at December 2, 2010	$	11
Push down of fair value adjustments		22
Balance at December 31, 2010	$	33
Predecessor[(1)]		
Balance at January 1, 2009	$	8
Revisions in estimated cash flows		2
Balance at December 31, 2009		10
Accretion expense		1
Balance at December 2, 2010	$	11

(1) See note 1 for additional information on predecessor and successor reporting.

At December 31, 2010 and 2009, REMA had $20 million and $17 million, respectively, (classified in other long-term assets) on deposit with the state of Pennsylvania to guarantee its obligation related to future closures of coal ash disposal landfill sites. At December 31, 2010 and 2009, GenOn Energy provided credit support in the form of surety bonds under which $17 million and $31 million, respectively, of cash was posted with the Pennsylvania Department of Environmental Protection (PADEP) related to these environmental obligations. See note 10.

6. Debt

REMA is obligated to provide credit support for its lease obligations (see note 9) in the form of letters of credit and/or cash equal to an amount representing the greater of (a) the next six months' scheduled rental payments under the related lease or (b) 50% of the scheduled rental payments due in the next 12 months under the related lease. Credit support is provided in the form of letters of credit issued under GenOn Energy's credit facilities. At December 31, 2010 and 2009, the amount of credit support was $32 million and $26 million, respectively.

See note 3 for debt transactions with affiliates.

7. Income Taxes

Income Tax Disclosures

See note 1 for discussion of REMA's income taxes and deferred tax asset valuation allowance policies.

The income tax provision (benefit) consisted of the following:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Current income tax provision (benefit)	$ —	$ 1	$ (25)
Deferred income tax provision (benefit)	—	20	(30)
Provision (benefit) for income taxes	$ —	$ 21	$ (55)

The primary reconciling items between the federal statutory income tax rate and the effective income tax rate are as follows: (a) December 3, 2010 through December 31, 2010 — LLC income not subject to federal taxation, (b) January 1, 2010 through December 2, 2010 — changes in the valuation allowance and state income taxes and (c) 2009 — state income taxes.

The tax effects of REMA's temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases which give rise to deferred tax assets and liabilities are as follows:

	Successor	Predecessor
	December 31, 2010	December 31, 2009
	(in millions)	(in millions)
Deferred Tax Assets:		
Derivative contracts	$ —	$ 41
Employee benefits	16	20
Reserves	—	7
Loss carry forwards	2	62
Other, net	—	27
Subtotal	18	157
Valuation allowance	(18)	—
Net deferred tax assets	—	157
Deferred Tax Liabilities:		
Property and intangible assets	—	(108)
Net deferred tax liabilities	—	(108)
Net deferred taxes	$ —	$ 49

At December 31, 2010, REMA's deferred tax assets are completely reduced by the valuation allowance. The change in the valuation allowance in the successor period is due to REMA's consideration of cumulative negative

evidence that the deferred tax assets will not be realized. The guidance related to accounting for income taxes requires that a valuation allowance be established when it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management has considered all available positive and negative evidence affecting specific deferred tax assets, including REMA's past and anticipated future performance, the reversal of deferred tax liabilities and the implementation of tax planning strategies. REMA continues to maintain its valuation allowance against its net deferred tax assets.

During December 3, 2010 through December 31, 2010 and January 1, 2010 through December 2, 2010, REMA recognized changes in its valuation allowance of $(1) million and $76 million, respectively, related to its net deferred tax assets. In purchase accounting, net deferred tax assets were decreased $1 million and an additional valuation allowance of $19 million was established. REMA's valuation allowance includes $1 million relating to the tax effects of other comprehensive income items primarily related to employee benefits. These other comprehensive income items will be reduced in the event that the valuation allowance is no longer required.

Tax Uncertainties

At December 31, 2010 and 2009, REMA has unrecognized tax benefits of $1 million and $0, respectively. The amount of unrecognized tax benefits that would impact the effective rate if recognized at these dates is insignificant. The recognition of contingent losses for tax uncertainties requires management to make significant assumptions about the expected outcomes of certain tax contingencies. REMA may only recognize the tax benefit for financial reporting purposes from an uncertain tax position when it is more-likely-than-not that, based on the technical merits, the position will be sustained by taxing authorities or courts. The recognized tax benefits are measured as the largest benefit having a greater than fifty percent likelihood of being realized upon settlement with a taxing authority. REMA classifies accrued interest and penalties related to uncertain income tax positions in income tax provision/benefit. The unrecognized tax benefits included REMA's review of tax positions relating to open tax years beginning in 2002 and continuing to the present. For United States federal and state income taxes, tax years are open subsequent to 2001. REMA's tax provision includes an immaterial amount related to the accrual for any penalties and interest subsequent to its adoption of the guidance related to accounting for uncertainty in income taxes.

Pro Forma Income Tax Disclosures

Effective December 3, 2010, federal and state income taxes are only allocated to the regarded entities in REMA. REMA is not subject to income taxes except for those subsidiaries that are separate taxpayers. GenOn Northeast Generation, Inc. and GenOn Energy are otherwise directly responsible for income taxes related to REMA's operations.

The following reflects a pro forma disclosure of the income tax provision that would be reported if REMA was to be allocated income taxes attributable to its operations. The Predecessor period does not include pro forma adjustments but is included here for comparability. Pro forma income taxes attributable to income before tax would consist of the following:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Current income tax provision (benefit)	$ —	$ 1	$ (25)
Deferred income tax provision (benefit)	—	20	(30)
Provision (benefit) for income taxes	$ —	$ 21	$ (55)

The primary reconciling items between the federal statutory income tax rate and the effective income tax rate are as follows: (a) December 3, 2010 through December 31, 2010 — changes in valuation allowance, (b) January 1, 2010 through December 2, 2010 — changes in the valuation allowance and state income taxes and (c) 2009 — state income taxes.

The tax effects of REMA's temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases which give rise to the pro forma deferred tax assets and liabilities would be as follows (the Predecessor period does not include pro forma adjustments, but is included here for comparability):

	Successor	Predecessor
	December 31, 2010	December 31, 2009
	(in millions)	(in millions)
Deferred Tax Assets:		
Derivative contracts	$ 20	$ 41
Employee benefits	17	20
Reserves	1	7
Loss carry forwards	108	62
Property and intangible assets	201	—
Out-of-market contracts and other, net	83	27
Subtotal	430	157
Valuation allowance	(424)	—
Net deferred tax assets	6	157
Deferred Tax Liabilities:		
Property and intangible assets	—	(108)
Other, net	(6)	—
Net deferred tax liabilities	(6)	(108)
Net deferred taxes	$ —	$ 49

On a pro forma basis, during December 3, 2010 through December 31, 2010 and January 1, 2010 through December 2, 2010, REMA recognized changes in its valuation allowance of $(4) million and $76 million, respectively, related to its net deferred tax assets. During periods through December 2, 2010, a valuation allowance of $76 million was established. In purchase accounting, net deferred tax assets were increased $324 million and an additional valuation allowance of $352 million was established.

REMA has pro forma federal and state net operating losses of $108 million that could be subject to significant limitation under IRC Section 382 should GenOn Energy undergo an ownership change. GenOn Energy experienced significant ownership changes as a result of the Merger, but has not undergone an ownership change as defined in IRC Section 382. Should an ownership change occur during the three-year testing window subsequent to the Merger, the result would be a significant limitation on the ability of REMA to use the NOLs, on a pro forma basis, to offset future taxable income.

Pro Forma Tax Uncertainties

At December 31, 2010 and 2009, REMA has unrecognized tax benefits of $1 million and $0, respectively. The pro forma unrecognized tax benefit for REMA that would affect the tax rate is an insignificant amount. REMA's pro forma taxes include an immaterial amount related to the accrual for any penalties and interest subsequent to the adoption of the guidance related to accounting for uncertainty in income taxes.

REMA may only recognize the tax benefit for financial reporting purposes from an uncertain tax position when it is more-likely-than-not that, based on the technical merits, the position will be sustained by taxing authorities or courts. The recognized tax benefits are measured as the largest benefit having a greater than fifty percent likelihood of being realized upon settlement with a taxing authority. REMA classifies accrued interest and penalties related to uncertain income tax positions in income tax provision/benefit.

8. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Benefit Plans

REMA sponsors a defined benefit pension plan. It provides subsidized postretirement benefits to some bargaining employees but generally does not provide them to non-bargaining employees. On January 1, 2011, the employees of REMA were transferred to GenOn Energy Services, LLC. See note 3. As such, REMA's pension plan and postretirement benefits obligations and the related deferred taxes, net of valuation allowances, were distributed to GenOn on January 1, 2011.

As a result of the application of push down accounting (see notes 1 and 2), REMA's benefit plan obligations were remeasured at the time of the Merger.

The following table shows the benefit obligations and funded status for the defined benefit pension and other postretirement benefit plans:

	Pension			**Other Postretirement Benefits**		
	Successor	**Predecessor**		**Successor**	**Predecessor**	
	December 3, 2010 through December 31, 2010	**January 1, 2010 through December 2, 2010**	**2009**	**December 3, 2010 through December 31, 2010**	**January 1, 2010 through December 2, 2010**	**2009**
	(in millions)	**(in millions)**		**(in millions)**	**(in millions)**	
Change in benefit obligation:						
Benefit obligation, beginning of the period	$ 37 [1]	$ 31	$ 28	$ 27 [1]	$ 32	$ 37
Service cost	—	2	2	—	—	1
Interest cost	—	2	1	—	2	2
Benefits paid	—	(1)	(1)	—	(1)	(1)
Plan amendment	—	—	—	—	(14)	—
Actuarial (gain) loss	(1)	5	1	—	13	(7)
Benefit obligation, end of the period	$ 36	$ 39	$ 31	$ 27	$ 32	$ 32
Change in plan assets:						
Fair value of plan assets, beginning of the period	$ 26	$ 22	$ 16	$ —	$ —	$ —
Employer contributions	—	1	5	—	1	1
Benefits paid	—	(1)	(1)	—	(1)	(1)
Return on plan assets	1	4	2	—	—	—
Fair value of plan assets, end of the period	$ 27	$ 26	$ 22	$ —	$ —	$ —
Funded Status:						
Underfunded at measurement date	$ (9)	$ (13)	$ (9)	$ (27)	$ (32)	$ (32)

(1) As a result of the application of push down accounting, REMA remeasured its pension and other postretirement benefit plans obligations.

Amounts recognized in the consolidated balance sheets for pensions and other postretirement benefit plan obligations at December 31, 2010 and 2009 are:

	Pension		Other Postretirement Benefits	
	Successor 2010 (in millions)	Predecessor 2009 (in millions)	Successor 2010 (in millions)	Predecessor 2009 (in millions)
Current liabilities	$ —	$ —	$ (2)	$ (2)
Noncurrent liabilities	(9)	(9)	(25)	(30)
Total liabilities	$ (9)	$ (9)	$ (27)	$ (32)

The accumulated benefit obligation exceeded the fair value of plan assets at December 31, 2010 and 2009 for the pension plan. The total accumulated benefit obligation for the pension plan was $33 million and $28 million at December 31, 2010 and 2009, respectively.

Amounts recognized in other comprehensive income/loss and accumulated other comprehensive income/loss for the defined benefit pension and other postretirement benefit plans are:

	Pension		Other Postretirement Benefits	
	Net (Loss) Gain	Prior Service (Cost) Credit	Net (Loss) Gain	Prior Service (Cost) Credit
	(in millions)			
Predecessor				
Balance, December 31, 2008	$ (6)	$ —	$ (4)	$ (3)
Deferred Benefits	1	—	7	—
Amortization	—	—	—	1
Total amount recognized in other comprehensive loss	1	—	7	1
Balance, December 31, 2009	(5)	—	3	(2)
Deferred Benefits	(3)	—	(13)	13
Amortization	—	—	—	1
Total amount recognized in other comprehensive loss	(3)	—	(13)	14
Balance, December 2, 2010[(1)]	$ (8)	$ —	$ (10)	$ 12
Successor				
Balance, December 3, 2010[(1)]	$ —	$ —	$ —	$ —
Deferred Benefits	2	—	—	—
Amortization	—	—	—	—
Total amount recognized in other comprehensive income	2	—	—	—
Balance, December 31, 2010	$ 2	$ —	$ —	$ —

(1) As a result of the application of push down accounting, the amounts remaining in accumulated other comprehensive loss at the time of the Merger were written off in accordance with applicable accounting guidance.

During November 2010, REMA entered into a new collective bargaining agreement with certain of its employees. The new agreement provided for changes that were aligned closer to the benefits offered to other participating employees. The negotiation resulted in a remeasurement of the liability related to postretirement benefits for these union employees. In performing the remeasurement, REMA used an updated discount rate of 4.57% as compared to the discount rate of 5.50% used in REMA's previous measurement at December 31, 2009, but did not adjust any other valuation assumptions as a result of the remeasurement. REMA recorded the effects of the plan changes during November 2010 and recognized a reduction in other postretirement liabilities of $14 million and a decrease in accumulated other comprehensive loss of $14 million on the consolidated balance sheet.

The components of the net periodic benefit cost of REMA's pension and other postretirement benefit plans are:

	Pension		
	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Service cost	$ —	$ 2	$ 2
Interest cost	—	2	1
Expected return on plan assets	—	(2)	(1)
Net amortization[1]	—	—	1
Net periodic benefit costs	$ —	$ 2	$ 3

(1) Includes prior service cost and actuarial gains and losses.

	Other Postretirement Benefits		
	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Service cost	$ —	$ —	$ 1
Interest cost	—	2	2
Expected return on plan assets	—	—	—
Net amortization[1]	—	1	1
Net periodic benefit costs	$ —	$ 3	$ 4

(1) Includes prior service cost and actuarial gains and losses.

Assumptions

The discount rates used at December 31, 2010 and 2009, were determined based on individual bond-matching models comprised of portfolios of high quality corporate bonds with projected cash flows and maturity dates reflecting the expected time horizon during which that benefit will be paid. Bonds included in the model portfolios are from a cross-section of different issuers, are AA-rated or better, and are non-callable so that the yield to maturity can be attained without intervening calls.

The weighted average assumptions used for measuring year-end pension and other postretirement benefit plan obligations at December 31, 2010, December 2, 2010 and December 31, 2009 are:

	Pension Plan			Other Postretirement Benefit Plan		
	Successor	Predecessor		Successor	Predecessor	
	December 31, 2010	December 2, 2010	December 31, 2009	December 31, 2010	December 2, 2010	December 31, 2009
Discount rate	5.08%	4.81%	5.50%	4.60%	4.57%	5.50%
Rate of compensation increase	3.0%	3.0%	3.0%	N/A	N/A	N/A

The weighted average assumptions used for REMA's net periodic pension and other postretirement benefit costs during each period were as follows:

	Pension Plan			Other Postretirement Benefit Plan		
	Successor	Predecessor		Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
Discount rate	4.81%	5.5%	5.75%	4.57%	5.5%	5.75%
Rate of compensation increase	3.0%	3.0%	3.0%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7.5%	7.5%	7.5%	N/A	N/A	N/A

In determining the long-term rate of return for plan assets, REMA evaluates historic and current market factors such as inflation and interest rates before determining long-term capital market assumptions. REMA also considers the effects of diversification and portfolio rebalancing. To check for reasonableness and appropriateness, REMA reviews data about other companies, including their historic returns.

For purposes of expense recognition, REMA uses a market-related value of assets that recognizes the difference between the expected return and the actual return on plan assets over a five-year period. Unrecognized asset gains or losses associated with its plan assets will be recognized in the calculation of the market-related value of assets and subject to amortization in future periods.

REMA's assumed healthcare cost trend rates used to measure the expected cost of benefits covered by its other postretirement plan are:

	Successor	Predecessor
	2010	2009
Assumed medical inflation rate for next year	8.0%	8.0%
Assumed ultimate medical inflation rate	5.5%	5.5%
Year in which the ultimate trend rate is reached	2017	2015

Assumed health care cost trend rates can have a significant effect on the amounts reported for REMA's health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects at December 31, 2010:

	One-Percentage Point	
	Increase	Decrease
	(in millions)	
Effect on service and interest cost	$ —	$ —
Effect on accumulated postretirement benefit obligation	(2)	2

Pension Plan Assets

GenOn's Benefits Committee establishes the overall investment policy for the plan assets and appoints an investment manager to implement it. Pension plan's assets are managed solely in the interest of the plan's participants and their beneficiaries and are invested with the objective of earning the necessary returns to meet the time horizons of the accumulated and projected retirement benefit obligations. The investment manager uses a mix of equities and fixed income investments intended to manage risk to a reasonable and prudent level. The risk tolerance is established through consideration of the plan's liabilities and funded status as well as corporate financial condition. Equity investments are diversified across domestic and international stocks through various equity mutual funds. Fixed income investments are comprised of intermediate investment grade bond funds. Derivative

securities can be used for diversification, risk-control and return enhancement purposes but may not be used for the purpose of leverage.

GenOn is evaluating the pension assets allocation methodology and will make a determination based on the results of a study currently being completed by a third-party investment management firm. The following table shows the target allocation for legacy RRI Energy plans, currently in place for REMA's pension plan assets, and the percentage of fair value of plan assets by asset category (based on the nature of the underlying funds) for REMA's qualified pension plan at December 31, 2010 and 2009:

	Target Allocation	Percentage of Fair Value of Plan Assets at December 31,	
		Successor 2010	Predecessor 2009
Domestic stocks	35%	35%	35%
International stocks	25	25	25
Global stocks	10	11	10
Fixed income securities	30	29	30
Total	100%	100%	100%

Investment risk and performance are monitored on an ongoing basis through quarterly portfolio reviews of each asset class to a related performance benchmark, if applicable, and annual pension liability measurements. Performance benchmarks are composed of the following indices:

Asset Class	Index
Domestic stocks	Dow Jones U.S. Total Stock Market Index
International stocks	MSCI All Country World Ex-U.S. Index
Global stocks	MSCI All Country World Index
Fixed income securities	Barclays Capital Aggregate Bond Index

Fair Value Hierarchy of Plan Assets

REMA is required to classify the fair value measurements of plan assets according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values based on the observability of the inputs used in the valuation techniques for a fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). REMA's plan assets are invested in open-end mutual funds. The shares of mutual funds are valued at quoted market prices in an active market (based on the redeemable net asset value of the fund) and are classified within Level 1 of the fair value hierarchy.

The following table presents plan assets measured at fair value at December 31, 2010, by category based on the nature of the underlying funds:

Successor

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
	(in millions)			
Asset Categories:				
Investment Funds:				
Domestic stocks [1]	$ 9	$ —	$ —	$ 9
International stocks [2]	7	—	—	7
Global stocks [3]	3	—	—	3
Fixed income securities [4]	8	—	—	8
Total	$ 27	$ —	$ —	$ 27

(1) Comprised of large cap stocks.
(2) Comprised of large cap stocks.
(3) Comprised of both foreign and domestic multi-cap stocks.
(4) Comprised of intermediate-term, investment grade bonds.

Domestic large-cap stocks holdings represent the largest investment concentration in the plan representing approximately 33% of the plan's assets.

The following table presents plan assets measured at fair value at December 31, 2009, by category:

Predecessor

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
	(in millions)			
Asset Categories:				
Investment Funds:				
Domestic stocks [1]	$ 8	$ —	$ —	$ 8
International stocks [2]	6	—	—	6
Global stocks [3]	2	—	—	2
Fixed income securities [4]	6	—	—	6
Total	$ 22	$ —	$ —	$ 22

(1) Comprised of large cap stocks.
(2) Comprised of large cap stocks.
(3) Comprised of both foreign and domestic multi-cap stocks.
(4) Comprised of intermediate-term, investment grade bonds.

REMA expects to contribute approximately $3 million to its pension plan during 2011.

REMA expects the following benefits to be paid from the pension and other postretirement benefit plans:

	Pension Plan	Postretirement Benefit Plan
	(in millions)	
2011	$ 1	$ 2
2012	1	2
2013	2	2
2014	2	3
2015	2	3
2016 through 2020	14	11

Employee Savings Plan

REMA's employees participate in GenOn Energy's employee savings plans under Sections 401(a) and 401(k) of the IRC whereby employees may contribute a portion of their base compensation to the employee savings plan, subject to limits under the IRC. REMA's savings plan benefit expense was:

	Successor	Predecessor	
	December 3, 2010 through December 31, 2010	January 1, 2010 through December 2, 2010	2009
	(in millions)	(in millions)	
Savings plan benefit expense[1]	$ —	$ 3	$ 3

(1) Includes matching and discretionary contributions.

9. Commitments

REMA has made firm commitments to buy materials and services and has provided guarantees in connection with its ongoing operations.

(a) Commitments.

In addition to intercompany debt and other obligations in the consolidated balance sheets, REMA has the following annual commitments under various agreements at December 31, 2010, related to its operations:

	Off-Balance Sheet Arrangements and Contractual Obligations by Year						
	Total	2011	2012	2013	2014	2015	>5 Years
	(in millions)						
REMA operating leases	$ 882	$ 63	$ 56	$ 64	$ 64	$ 56	$ 579
Fuel commitments	267	256	11	—	—	—	—
Other	39	19	4	4	4	4	4
Total commitments	$ 1,188	$ 338	$ 71	$ 68	$ 68	$ 60	$ 583

REMA's contractual obligations table does not include the derivative obligations reported at fair value (other than fuel supply commitments), which are discussed in note 4 and the asset retirement obligations, which are discussed in note 5.

REMA Operating Leases

REMA leases 16.45% and 16.67% interests in the Conemaugh and Keystone baseload facilities, respectively, through 2034 and expects to make payments through 2029. REMA also leases a 100% interest in the Shawville baseload facility through 2026 and expects to make payments through that date. At the expiration of these leases,

there are several renewal options related to fair value. REMA is accounting for these leases as operating leases and recognizes rent expense on a straight-line basis. Rent expense was $3 million, $55 million and $60 million during December 3, 2010 through December 31, 2010, January 1, 2010 through December 2, 2010 and 2009, respectively. The rent expense on a straight-line basis is $34 million per year effective December 3, 2010. At December 31, 2009, REMA had paid $336 million of lease payments in excess of rent expense recognized, which was recorded in prepaid rent on the consolidated balance sheet. Of this amount, $59 million was recorded as a current asset on REMA's consolidated balance sheet. At December 31, 2010 there is no prepaid lease recorded as a result of the fair value adjustments that were pushed down to REMA in conjunction with the Merger. See note 1 for additional information regarding predecessor and successor reporting. REMA operates the Conemaugh and Keystone facilities under five-year agreements that expire in December 2015 that, subject to certain provisions and notifications, could be terminated annually with one year's notice. REMA is reimbursed by the other owners for the cost of direct services provided to the Conemaugh and Keystone facilities. Additionally, REMA received fees of $1 million, $8 million and $9 million during December 3, 2010 through December 31, 2010, January 1, 2010 through December 2, 2010 and 2009, respectively. The fees, which are recorded in operations and maintenance expense in the consolidated statements of operation, are primarily to cover REMA's administrative support costs of providing these services.

At December 31, 2010, the total notional minimum lease payments for the remaining terms of the leases aggregated $882 million and the aggregate termination value for the leases was $752 million, which generally decreases over time. REMA leases the Conemaugh, Keystone and the Shawville facilities from third party owner lessors. These owner lessors each own the undivided interests in these baseload facilities. Equity funding by the owner participants plus transaction expenses paid by the owner participants totaled $169 million. The issuance and sale of pass through certificates raised the remaining $851 million needed for the owner lessors to acquire the undivided interests.

The pass through certificates are not direct obligations of REMA. Each pass through certificate represents a fractional undivided interest in one of the pass through trusts formed pursuant to three separate pass through trust agreements between REMA and Deutsche Bank Trust Company Americas, as pass through trustee. The property of the pass through trusts consists of lessor notes. The lessor notes issued by an owner lessor are secured by that owner lessor's undivided interest in the lease facilities and its rights under the related lease and other financing documents.

REMA's lease documents restrict its ability to, among other actions, (a) encumber assets, (b) enter into business combinations or divest assets, (c) incur additional debt, (d) pay dividends or subordinated obligations, (e) enter into transactions with affiliates on other than an arm's length basis or (f) materially change its business. With respect to REMA's ability to pay dividends or subordinated obligations, REMA 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. At December 31, 2010, REMA was not limited by the covenant restricting dividends and the payment of subordinated obligations.

Fuel Commitments

REMA has commitments under coal agreements of various quantities and durations. At December 31, 2010, the maximum remaining terms under any individual fuel supply contract is three years.

Other

Other includes estimated pension and other postretirement benefit funding obligations. Other also includes open purchase orders less invoices received related to general procurement of products and services purchased in the ordinary course of business. These include construction, maintenance and labor activities at REMA's generating facilities.

(b) Guarantees and Indemnifications.

REMA enters into contracts that include indemnification and guarantee provisions. In general, REMA enters into contracts with indemnities for matters such as breaches of representations and warranties and covenants contained in the contract and/or against certain specified liabilities. Examples of these contracts include asset purchase and sales agreements, service agreements and procurement agreements.

Except as otherwise noted, REMA is unable to estimate its maximum potential exposure under these agreements until an event triggering payment occurs. REMA does not expect to make any material payments under these agreements.

10. Litigation and Other Contingencies

REMA is involved in some legal proceedings. In certain cases, plaintiffs seek to recover large or unspecified damages, and some matters may be unresolved for several years. REMA cannot currently determine the outcome of the proceedings described below or estimate the reasonable amount or range of potential losses, if any, and therefore has not made any provision for such matters unless specifically noted below.

Environmental Matters

Conemaugh Actions. In April 2007, PennEnvironment and the Sierra Club filed a citizens' suit against REMA in the United States District Court, Western District of Pennsylvania to enforce provisions of the water discharge permit for the Conemaugh plant, of which REMA is the operator and has a 16.45% interest. PennEnvironment and the Sierra Club seek civil penalties, remediation and an injunction against further violations. REMA thinks that the Conemaugh plant has operated and will continue to operate in material compliance with its water discharge permit, a consent order agreement with the PADEP, and related state and federal laws. In December 2009, the District Court ordered that the case be dismissed. PennEnvironment and the Sierra Club requested that the court reconsider its ruling. In September 2010, the court ruled that the December 2009 dismissal was erroneous and reinstated the case. In March 2011, the court granted partial summary judgment on liability against REMA. A trial is scheduled for June 2011 to address the appropriate remedy and penalty. If PennEnvironment and the Sierra Club are ultimately successful, REMA could incur additional capital expenditures associated with the implementation of discharge reductions and penalties, which could be material to its financial position or cash flows.

New Source Review Matters. The United States Environmental Protection Agency (EPA) and various states are investigating compliance of coal-fueled electric generating facilities with the pre-construction permitting requirements of the Clean Air Act known as "new source review." In the past decade, the EPA has made information requests concerning the Conemaugh, Keystone, Portland, Shawville and Titus generating facilities. REMA is corresponding or has corresponded with the EPA regarding all of these requests. The EPA agreed to share information relating to its investigations with state environmental agencies. In January 2009, REMA received a notice of violation (NOV) from the EPA alleging that past work at its Keystone, Portland and Shawville generating facilities violated the agency's regulations regarding new source review.

In December 2007, the New Jersey Department of Environmental Protection filed suit against REMA in the United States District Court for the Eastern District of Pennsylvania, alleging that new source review violations occurred at the Portland generating facility. The suit seeks installation of "best available" control technologies for each pollutant, to enjoin REMA from operating the generating facility if it is not in compliance with the Clean Air Act and civil penalties. The suit also names three past owners of the plant as defendants. In March 2009, the Connecticut Department of Environmental Protection became an intervening party to the suit.

REMA thinks that the work listed by the EPA and the work subject to the New Jersey Department of Environmental Protection suit were conducted in compliance with applicable regulations. However, any final finding that REMA violated the new source review requirements could result in fines, penalties or significant capital expenditures associated with the implementation of emissions reductions on an accelerated basis. Most of these work projects were undertaken before REMA's ownership or lease of those facilities. REMA thinks that it is indemnified by or has the right to seek indemnification from the prior owners for certain losses and expenses that may be incurred from activities occurring prior to its ownership.

In addition, the New Jersey Department of Environmental Protection filed two administrative petitions with the EPA in 2010 alleging that REMA's Portland generating facility's emissions were significantly contributing to nonattainment and/or interfering with the maintenance of certain National Ambient Air Quality Standards (NAAQS). In April 2011, the EPA addressed one of the two petitions and proposed to find that the SO_2 emissions from two of the units at the Portland facility significantly contribute to nonattainment and interfere with the maintenance of the one-hour SO_2 NAAQS in New Jersey. The EPA is seeking comment on proposals that would require these two units to reduce their SO_2 emission rates in two phases over a period of three years to address these concerns. If the proposed rule is finalized, the two units would need to reduce their SO_2 emission rates, which would require either capital expenditures and higher operating costs or the retirement of these two units, either of which could be material to REMA's results of operations, financial position and cash flows.

Ash Disposal Facility Closures. REMA is responsible for environmental costs related to the future closures of several ash disposal facilities. REMA has accrued the estimated discounted costs ($16 million and $8 million at December 31, 2010 and 2009, respectively) associated with these environmental liabilities as part of the asset retirement obligations. See note 1.

Remediation Obligations. REMA is responsible for environmental costs related to site contamination investigations and remediation requirements at four generating facilities in New Jersey. REMA has accrued the estimated long-term liability for the remediation costs of $7 million and $8 million at December 31, 2010 and 2009, respectively. The December 31, 2010 amount reflects the fair value of the remediation liability at the Merger date. See note 2.