GenOn REMA, LLC

KPMG LLP
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of GenOn REMA, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 (Successor) and 2011 (Predecessor), and the related consolidated statements of comprehensive loss, member's equity (deficit) and cash flows for the period from December 15, 2012 to December 31, 2012 (Successor period), and for the period from January 1, 2012 to December 14, 2012 (Predecessor period) and for the year ended December 31, 2011 (Predecessor period), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 (Successor) and 2011 (Predecessor), and the results of its operations and its cash flows for the period from December 15, 2012 to December 31, 2012 (Successor period), and for the period from January 1, 2012 to December 14, 2012 (Predecessor period) and for the year ended December 31, 2011 (Predecessor period) in accordance with U.S. generally accepted accounting principles.

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Emphasis of Matter

As discussed in note 3 to the consolidated financial statements, effective December 15, 2012, NRG Energy, Inc. acquired all of the outstanding stock of GenOn Energy, Inc., parent company of GenOn REMA, LLC and subsidiaries, in a business combination accounted for as a purchase. As a result of the acquisition, the financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable.

KPMG LLP

Houston, Texas
March 20, 2013

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Successor	Predecessor	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In thousands)	(In thousands)	
Operating Revenues			
Operating revenues	$ 702	$ 15,441	$ 38,691
Operating revenues—affiliate	15,136	315,679	477,122
Total operating revenues	15,838	331,120	515,813
Operating Costs and Expenses			
Cost of operations	8,808	183,728	227,524
Cost of operations—affiliate	5,173	133,905	170,387
Facilities leases	1,333	33,318	34,969
Depreciation and amortization	1,157	56,371	60,438
Impairment losses	—	47,113	1,490
Selling, general and administrative	167	3,544	3,707
Selling, general and administrative—affiliate	909	20,355	28,183
Total operating costs and expenses	17,547	478,334	526,698
Operating Loss	(1,709)	(147,214)	(10,885)
Other Income/(Expense)			
Interest expense	(1)	(1,258)	(626)
Interest expense—affiliate	(3,408)	(68,183)	(69,628)
Other income, net	—	1	23
Total other expense, net	(3,409)	(69,440)	(70,231)
Loss Before Income Taxes	(5,118)	(216,654)	(81,116)
Income tax expense	1	27	542
Net Loss	(5,119)	(216,681)	(81,658)
Other Comprehensive Loss, net of reclassification, net of tax of $0:			
Transfer of employee-related benefit obligations	—	—	(2,172)
Total other comprehensive loss	—	—	(2,172)
Comprehensive Loss	$ (5,119)	$ (216,681)	$ (83,830)

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

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Successor As of December 31, 2012 (In thousands)	Predecessor As of December 31, 2011 (In thousands)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 25,544	$ 28,680
Restricted cash	2,728	678
Accounts receivable—affiliate	—	7,894
Derivative instruments—affiliate	—	251
Inventory	79,505	122,019
Prepayments and other current assets	2,833	19,869
Total current assets	110,610	179,391
Property, Plant and Equipment		
In service	188,167	620,115
Under construction	36,718	24,798
Total property, plant and equipment	224,885	644,913
Less accumulated depreciation	(1,119)	(60,034)
Net property, plant and equipment	223,766	584,879
Other Assets		
Intangible assets, net	326	1,169
Other non-current assets	31,236	29,526
Total other assets	31,562	30,695
Total Assets	$ 365,938	$ 794,965
LIABILITIES AND MEMBER'S DEFICIT		
Current Liabilities		
Accounts payable	$ 30,873	$ 25,857
Accounts payable—affiliate	22,724	22,504
Subordinated accounts and interest payable, net—affiliate	579,847	511,773
Subordinated interest payable on subordinated note payable—affiliate	118,891	67,656
Derivative instruments	—	13,922
Derivative instruments—affiliate	—	182
Accrued expenses and other current liabilities	6,262	5,893
Total current liabilities	758,597	647,787
Other Liabilities		
Derivative instruments—affiliate	520	—
Out-of-market contracts	189,875	134,331
Other non-current liabilities	62,938	44,233
Total non-current liabilities	253,333	178,564
Subordinated Note Payable—Affiliate	543,563	543,563
Total Liabilities	1,555,493	1,369,914
Commitments and Contingencies		
Member's Deficit		
Common stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in deficit	(1,184,436)	(499,910)
Accumulated deficit	(5,119)	(75,039)
Total Member's Deficit	(1,189,555)	(574,949)
Total Liabilities and Member's Deficit	$ 365,938	$ 794,965

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

GENON REMA, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBER'S DEFICIT

	Common Stock	Additional Paid-In Deficit	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Member's Deficit
			(In thousands)		
Predecessor					
Balance, December 31, 2010	$ —	$ (541,882)	$ 6,619	$ 2,172	$ (533,091)
Net loss	—	—	(81,658)	—	(81,658)
Other comprehensive loss	—	—	—	(2,172)	(2,172)
Contributions	—	798	—	—	798
Transfer of employee-related benefit obligations	—	41,174	—	—	41,174
Balance, December 31, 2011	—	(499,910)	(75,039)	—	(574,949)
Net loss	—	—	(216,681)	—	(216,681)
Contributions	—	9,265	—	—	9,265
Balance, December 14, 2012[(a)]	$ —	$ (490,645)	$ (291,720)	$ —	$ (782,365)
Successor					
Balance, December 15, 2012[(a)]	$ —	$ (1,184,436)	$ —	$ —	$ (1,184,436)
Net loss	—	—	(5,119)	—	(5,119)
Balance, December 31, 2012	$ —	$ (1,184,436)	$ (5,119)	$ —	$ (1,189,555)

(a) The differences in equity balances at December 14, 2012 and December 15, 2012 are due to the application of push down accounting reflecting the NRG Merger.

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 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In thousands)	(In thousands)	
Cash Flows from Operating Activities:			
Net loss	$ (5,119)	$ (216,681)	$ (81,658)
Adjustments to reconcile net loss and changes in other operating assets and liabilities to net cash provided by operating activities:			
Depreciation and amortization	1,157	56,371	60,438
Amortization of financing costs and debt discount/premiums	—	8	—
Amortization of acquired and out-of-market contracts	(521)	(6,761)	(5,552)
Changes in derivative instruments	(549)	(12,693)	(33,592)
Impairment losses	—	47,113	1,490
Loss on disposals and sales of assets	105	41	2
Excess materials and supplies inventory reserve	—	15,624	—
Lower of cost or market inventory adjustments	—	9,424	—
Other, net	—	(118)	2,500
Changes in operating assets and liabilities:			
Accounts receivable – trade	939	(1,489)	5,465
Accounts receivable – affiliate	—	(1,256)	63,754
Inventory	(221)	11,738	(29,165)
Prepayments and other current assets	(1,383)	(15,777)	(18,446)
Accounts payable	148	73	(13,432)
Accounts payable – affiliate	7,667	1,435	13,714
Subordinated accounts and interest payable, net – affiliate	6,482	70,857	77,868
Subordinated interest payable on subordinated note payable – affiliate	2,380	48,855	6,094
Accrued expenses and other current liabilities	2,036	(1,675)	(11,468)
Other assets and liabilities	225	12,010	6,659
Net cash provided by operating activities	13,346	17,099	44,671
Cash Flows from Investing Activities:			
Capital expenditures	(3,340)	(28,034)	(36,354)
Purchases of emission allowances, net – affiliate	(13)	(18)	(332)
Decrease/(increase) in restricted cash, net	4,102	(6,545)	(466)
Other, net	—	267	16
Net cash provided/(used) by investing activities	749	(34,330)	(37,136)
Cash Flows from Financing Activities:			
Net cash provided by financing activities	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	14,095	(17,231)	7,535
Cash and Cash Equivalents, beginning of period	11,449	28,680	21,145
Cash and Cash Equivalents, end of period	$ 25,544	$ 11,449	$ 28,680
Supplemental Disclosures:			
Cash paid for interest to affiliate, net of amounts capitalized	$ —	$ —	$ 45,006
Cash paid for interest to third parties	1	1,511	353
Cash refunds received for income taxes, net	—	—	3,690
Supplemental Disclosures for Non-Cash Investing and Financing Activities:			
Transfer of employee-related benefit obligations	—	—	39,002
Conversion of intercompany interest payable to equity	—	9,265	798

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of Business

General

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 (as defined below) affiliates. REMA owns or leases interests in 17 generating facilities in Pennsylvania and New Jersey with net electric generating capacity of 3,425 megawatts (MW).

"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.

NRG Merger

On December 14, 2012, GenOn merged with NRG Energy, Inc. (NRG) under the conditions set forth in the merger agreement (NRG Merger). Upon closing of the NRG Merger, GenOn became a wholly-owned subsidiary of NRG. See Note 3, *NRG Merger*.

The NRG Merger qualified as a tax-free reorganization under the Internal Revenue Code of 1986, as amended (IRC), so that none of GenOn Energy, NRG or any of the stockholders generally recognized any gain or loss in the transaction, except that the stockholders will recognize gain with respect to cash received in lieu of fractional shares of NRG common stock.

Mirant /RRI Merger

On December 3, 2010, Mirant Corporation (Mirant) and RRI Energy, Inc. completed the merger contemplated by the merger agreement dated April 11, 2010 (the Mirant/RRI Merger). "RRI Energy" refers to RRI Energy, Inc. and its consolidated subsidiaries. Upon completion of the Mirant/RRI Merger, RRI Energy Holdings, Inc., 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. Additionally, upon the closing of the Mirant/RRI Merger, RRI Energy was renamed GenOn Energy.

Note 2 — Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

REMA's consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The Financial Accounting Standards Board (FASB) or Accounting Standards Codification (ASC) is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include REMA's accounts and operations and those of its subsidiaries in which it has a controlling interest. All significant intercompany transactions and balances have been eliminated in consolidation. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests.

Predecessor and Successor Reporting

Upon completion of the NRG Merger, NRG stockholders had a majority of the voting interest in the combined company. The NRG Merger is accounted for under the acquisition method of accounting. Under the acquisition method of accounting, NRG is treated as the accounting acquirer and GenOn Energy is treated as the acquired company for financial reporting purposes. As such, the assets and liabilities of REMA were provisionally recorded at their respective fair values as of the NRG Merger date. Fair value adjustments related to the NRG Merger have been pushed down to REMA, resulting in certain assets and liabilities of REMA being recorded at fair value at December 15, 2012. See Note 3, *NRG Merger*, for further discussion.

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

As a result of the impact of pushdown accounting, the financial statements and certain note presentations separate REMA's presentations into two distinct periods, the period before the consummation of the NRG Merger (labeled predecessor) and the period after that date (labeled successor), to indicate the application of different basis of accounting between the periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the time of purchase.

Restricted Cash

Restricted cash includes cash at certain subsidiaries, the distribution or transfer of which is restricted by financing and other agreements.

Inventory

Inventory is valued at the lower of weighted average cost or market, and consists principally of fuel oil, coal and raw materials used to generate electricity. REMA removes these inventories as they are used in the production of electricity. Spare parts inventory is valued at a weighted average cost, since REMA expects to recover these costs in the ordinary course of business. REMA removes these inventories when they are used for repairs, maintenance or capital projects. Sales of inventory are classified as an operating activity in the consolidated statements of cash flows.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, in the case of business acquisitions, fair value. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statements of comprehensive loss.

Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360. An impairment loss is recognized if the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured by the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the statements of comprehensive loss. Fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets and present value techniques.

Project Development Costs and Capitalized Interest

Project development costs are expensed in the preliminary stages of a project and capitalized when the project is deemed to be commercially viable. Commercial viability is determined by one or a series of actions including, among others, Board of Director approval pursuant to a formal project plan that subjects REMA to significant future obligations that can only be discharged by the use of an asset of REMA.

During the period from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011, REMA capitalized $0, $2 million and $1 million of interest expense, respectively.

When a project is available for operations, capitalized interest and project development costs are reclassified to property, plant and equipment and amortized on a straight-line basis over the estimated useful life of the project's related assets. Capitalized costs are charged to expense if a project is abandoned or management otherwise determines the costs to be unrecoverable.

Intangible Assets

Intangible assets represent contractual rights held by REMA. REMA recognizes specifically identifiable intangible assets, including emission allowances, when specific rights and contracts are acquired. As a result of the Mirant/RRI Merger, REMA also established fair values for acquired contracts as a result of pushdown accounting. Intangible assets are amortized based on expected volumes, expected delivery or on a straight line basis.

Income Taxes

REMA conducts most of its operations in 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., GenOn Energy and NRG have direct liability for the majority of the federal and state income taxes relating to REMA's operations. REMA LLC's two subsidiaries, GenOn REMA Services, Inc. and GenOn Northeast Management Company, exist as regarded corporate entities for income tax purposes. For the subsidiaries that continue to exist as 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 NRG is reclassified to equity in the same period since REMA does not have a tax sharing agreement with NRG.

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 from 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 generation of taxable income during future periods in which those temporary differences are deductible. In making this determination, management considers 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.

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 accounting guidance for accounting for uncertainty of income taxes. These unrecognized tax benefits may be either a tax liability or an adjustment to their net operating losses (NOLs) 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 their filed or yet to be filed tax returns.

Revenue Recognition

Energy — Both physical and financial transactions are entered into to optimize the financial performance of REMA's generating facilities. Electric energy revenue is recognized upon transmission to the customer. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in REMA's consolidated statements of comprehensive loss. Financial transactions, or the buying and selling of energy for trading purposes, are recorded net within operating revenues in the consolidated statements of comprehensive loss in accordance with ASC 815.

Capacity **—** Capacity revenues are recognized when contractually earned, and consist of revenues billed to a third party at either the market or a negotiated contract price for making installed generation capacity available in order to satisfy system integrity and reliability requirements.

Derivative Financial Instruments

REMA accounts for derivative financial instruments under ASC 815, which requires REMA to record all derivatives on the balance sheet at fair value unless they qualify for a normal purchase normal sale, or NPNS, exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

If certain criteria are met, a derivative financial instrument may be designated as a fair value hedge or cash flow hedge. At December 31, 2012 and 2011, REMA did not have any derivative financial instruments designated as fair value or cash flow hedges for accounting purposes.

REMA's primary derivative instruments are financial power and natural gas contracts, fuels purchase contracts, and other energy related commodities used to mitigate variability in earnings due to fluctuations in market prices.

Revenues and expenses on contracts that qualify for the NPNS exception are recognized when the underlying physical transaction is delivered. While REMA can elect to consider these contracts as derivative financial instruments under ASC 815, they are not recorded at fair value, but on an accrual basis of accounting. If it is determined that a transaction designated as NPNS no longer meets the scope exception, the fair value of the related contract is recorded on the balance sheet and immediately recognized through earnings.

Concentrations of Credit Risk

Financial instruments which potentially subject REMA to concentrations of credit risk consist primarily of accounts receivable and derivatives. Certain accounts receivable and derivative instruments are concentrated within entities engaged in the energy industry. These industry concentrations may impact REMA's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. Receivables and other contractual arrangements are subject to collateral requirements under the terms of enabling agreements. However, REMA believes that the credit risk posed by industry concentration is offset by the diversification and creditworthiness of REMA's customer base. See Note 5, *Fair Value of Financial Instruments,* for further discussion of derivative concentrations.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, restricted cash, accounts receivable - affiliate, accounts payable, accounts payable **–** affiliate, and accrued liabilities approximate fair value because of the short-term maturity of these instruments. See Note 5, *Fair Value of Financial Instruments,* for further discussion of fair value of financial instruments.

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 2014. Excluding the Keystone and Conemaugh generating facilities (which are not 100% owned by REMA), REMA had exposure to five counterparties at December 31, 2012, and exposure to three counterparties at December 31, 2011, that each represented an exposure of more than 10% of its total coal commitments, by volume, and in aggregate represented approximately 75% and 66% of its total coal commitments at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the single largest counterparty represented an exposure of 25% of these total coal commitments, by volume.

Coal Transportation Concentration Risk

The coal to operate REMA's coal-fired facilities is delivered primarily by train with a limited number of railroads transporting such coal. For 2012, one railroad represented 30% of coal transportation costs.

Asset Retirement Obligations

REMA accounts for its Asset Retirement Obligations (AROs) in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 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, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires an entity to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made. REMA's AROs were recorded at fair value in connection with pushdown accounting. See Note 3, *NRG Merger.*

Upon initial recognition of a liability for an ARO, REMA capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See Note 12, *Asset Retirement Obligations*, for further discussion of AROs.

Business Combinations

REMA accounts for the business combinations in accordance with ASC 805, *Business Combinations*, or ASC 805. ASC 805 requires an acquirer to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value at the acquisition date. It also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity's financial statements to evaluate the nature and financial effects of the business combination. In addition, transaction costs are expensed as incurred.

Use of Estimates

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

In recording transactions and balances resulting from business operations, REMA uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, the valuation of energy commodity contracts, environmental liabilities, legal costs incurred in connection with recorded loss contingencies, and pushdown accounting in connection with the NRG Merger, among others. In addition, estimates are used to test long-lived assets for impairment and to determine the fair value of impaired assets. As better information becomes available or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

REMA evaluates events that occur after the balance sheet date but before the financial statements are issued for potential recognition or disclosure. Based on its evaluation, as of the time the financial statements were available to be issued on March 20, 2013, REMA determined that there were no material subsequent events for recognition or disclosure other than those disclosed herein.

Reclassifications

Certain prior-year amounts have been reclassified for comparative purposes. The reclassifications did not affect net income/loss or cash flows from operating activities, cash flows from investing activities or cash flows from financing activities.

Recently Adopted Accounting Guidance

ASU 2011-05 — In June 2011, the FASB issued Accounting Standards Updates (ASU) No. 2011-05, *Comprehensive Income (Topic 220) Presentation of Comprehensive Income*, or ASU No. 2011-05, which was further amended by ASU No. 2011-12, *Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05,* issued in December 2011. The amendments in ASU No.2011-05 require REMA to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single statement of comprehensive income or in two separate but consecutive statements. REMA is required to present, in either option, each component of net income, total net income, each component of other comprehensive income, total other comprehensive income and total comprehensive income. Effective January 1, 2012, REMA adopted the provisions of ASU No. 2011-05 and began presenting the total of comprehensive income, the components of net income and the components of other comprehensive income in a single statement of comprehensive income. The provisions of ASU No. 2011-05 are required to be adopted retroactively. As this guidance provides only presentation requirements, the adoption of this standard did not impact REMA's results of operations, cash flows or financial position.

New Accounting Guidance Not Yet Adopted as of December 31, 2012

ASU 2011-11 — In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities*, or ASU No. 2011-11. The guidance provides enhanced disclosure requirements to evaluate the effect or potential effect of netting arrangements on an entity's financial position by improving information about financial instruments and derivative instruments that either (1) offset in accordance with either ASC 210-20-45 or ASC 810-20-45 or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Reporting entities will be required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The disclosures required by ASU No. 2011-10 are required to be adopted retroactively. REMA adopted this standard on January 1, 2013. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the REMA’s results of operations, cash flows or financial position.

Note 3 — NRG Merger

On December 14, 2012, NRG completed the acquisition of GenOn. The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. As discussed in Note 2, *Summary of Significant Accounting Policies*, the acquisition method of accounting impacts have been pushed down to REMA, resulting in certain assets and liabilities of REMA being recorded at provisional fair value as of December 14, 2012.

The provisional allocation of assets and liabilities is as follows (in millions):

Assets		
Cash	$	11
Other current and non-current assets		121
Property, plant and equipment		220
Total assets		352
Liabilities		
Other current and non-current liabilities		1,345
Out-of-market contracts and leases		190
Derivative liabilities		1
Total liabilities		1,536
Net liabilities	$	1,184

The initial pushdown accounting for the NRG Merger is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. Any changes to the fair value assessments will affect the allocation of the purchase price to REMA and accordingly, will be recorded to REMA’s additional paid in capital. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value assessments.

Fair Value Measurements

The provisional fair values of the property, plant and equipment and operating leases at the acquisition date were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Significant inputs were as follows:

- *Property, Plant and Equipment* - The estimated fair values were determined based on consideration of both an income method using discounted cash flows and a market approach based on recent transactions of comparable assets. The income approach was primarily relied upon as the forecasted cash flows as it more appropriately incorporates differences in regional markets, plant type, age, useful life, equipment condition and environmental controls of each asset. Furthermore, the income approach allows for a more accurate reflection of current and expected market dynamics such as supply and demand, commodity prices, and regulatory environment as of the valuation date. Under this approach, the expected future cash flows associated with each plant were estimated and then discounted to present value at the weighted average cost of capital derived from an independent power producer peer group and risk adjusted to reflect the individual characteristics of each plant. The market approach was computed based on data for transactions announced proximate to the valuation date and analyzed on a $/kW basis for fuel/dispatch type and region. Due to the limited volume of recent transactions and amount of financial and operating characteristics that are publicly disclosed, that market approach was given less weight.

- *Operating leases* - The estimated fair values of the leases were determined utilizing a variation of the income approach under which the fair value of the lease was determined by discounting the future lease payments at an appropriate discount rate and comparing it to the fair value of the property, plant and equipment being leased.

The fair values of the derivative liabilities as of the acquisition date were determined in accordance with ASC 820 and were valued using Level 2 inputs.

Note 4 — 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.

Corporate Allocations. NRG and GenOn provide REMA with various management, personnel and other services which include human resources, regulatory and public affairs, accounting, tax, legal, information systems, treasury, risk management, commercial operations, and asset management. Costs associated with these services are allocated to REMA's subsidiaries based on each operating subsidiary's planned operating expenses relative to all operating subsidiaries of GenOn. These allocations and charges are not necessarily indicative of what would have been incurred had REMA been an unaffiliated entity. Management has concluded that this method of charging overhead costs is reasonable. Payments to GenOn for corporate allocations are subordinated to certain obligations, including the lease obligations, pursuant to the leases.

Support and Technical Services by GenOn. GenOn provided commercial support, technical services and other corporate services to REMA. GenOn allocated 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 charged 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 leases.

The following details the amounts recorded as cost of operations – affiliate or selling, general and administrative – affiliate:

	Successor	Predecessor	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In millions)	(In millions)	
Allocated or charged by GenOn	$ 2	$ 39	$ 51

On January 1, 2011, the employees of REMA were transferred to GenOn Energy Services, LLC. Accordingly, REMA 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. During the period from December 15, 2012 through December 31, 2012, the period from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011, $1 million, $30 million and $35 million, respectively, was recorded as cost of operations – affiliate related to these services.

Procurement and Marketing Services by GenOn. REMA has sales to and purchases from GenOn related to commodity procurement and marketing services. Under the 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 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In millions)	(In millions)	
Sales to GenOn under various commodity agreements[(a)]	$ 15	$ 316	$ 477
Purchases from GenOn under various commodity agreements[(b)]	3	77	106
Fees charged by GenOn for these services and included in cost of operations– affiliate	—	7	7

(a) Recorded in operating revenues – affiliate. These amounts are not subordinated.
(b) Recorded in cost of operations– affiliate. These amounts are not subordinated.

Subordinated Accounts and Interest Payable, Net — Affiliate. Due to some of the transactions discussed above under support and technical services and commodity procurement and marketing, REMA records payables to and receivables from GenOn as subordinated amounts. At December 31, 2012 and 2011, the net subordinated accounts and interest payable to affiliates was $580 million and $512 million, respectively. The outstanding balance is classified as a current liability consistent with the terms of the 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 leases. REMA incurred interest expense in connection with the payables of $1 million, $20 million and $18 million during the period from December 15, 2012 through December 31, 2012, the period from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011, respectively. See Note 14, *Commitments and Contingencies*, 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, 2012 and 2011, REMA had $544 million outstanding under the note. In connection with this note, REMA has accrued subordinated interest payable to affiliate of $119 million and $68 million at December 31, 2012 and 2011, 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 leases. See Note 14, *Commitments and Contingencies*, for a discussion of the leases and restrictions.

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, 2012. 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, 2012 and 2011, there were no borrowings outstanding under the note. During the period from December 15, 2012 through December 31, 2012, the period from January 1, 2012 through December 14, 2012 and the year ended December 31, 2011, REMA borrowed and repaid on a cumulative basis $0, $55 million and $33 million, respectively, and incurred insignificant interest expense in each period.

Letters of Credit. REMA is obligated to provide credit support for its lease obligations 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 facility with NRG subsequent to the NRG Merger. At December 31, 2012, the amount of credit support was $32 million.

Note 5 — Fair Value of Financial Instruments

For cash and cash equivalents, restricted cash, accounts receivable – affiliate, accounts payable, accounts payable – affiliate, and accrued liabilities, the carrying amount approximates fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

Fair Value Accounting under ASC 820

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities that REMA has the ability to access as of the measurement date. REMA's financial assets and liabilities utilizing Level 1 inputs include interest-bearing funds.

- Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. REMA's financial assets and liabilities utilizing Level 2 inputs include exchange-based derivatives, and over the counter derivatives such as swaps, options and forward contracts.

- Level 3 — unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date. REMA's financial assets and liabilities utilizing Level 3 inputs include infrequently-traded and non-exchange-based derivatives which are measured using present value pricing models.

In accordance with ASC 820, REMA determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

Recurring Fair Value Measurements

Derivative assets and liabilities are carried at fair market value and are classified as Level 2 within the fair value hierarchy. There were no transfers between Levels 1 and 2 during the year ended December 31, 2012 or the year ended December 31, 2011.

The following table reconciles the beginning and ending balances for derivatives that are recognized at fair value in REMA's consolidated financial statements at least annually using significant unobservable inputs for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011:

	Successor	Predecessor	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
	Derivatives [(a)]	Derivatives [(a)]	Derivatives [(a)]
	(In millions)	(In millions)	
Balance as of beginning of period [(b)]	$ —	$ —	$ 3
Total gains and losses (realized/unrealized) included in earnings [(c)]	—	(1)	(1)
Settlements	—	—	(2)
Balance as of end of period[(d)]	$ —	$ (1)	$ —
The amount of the total losses for the period included in earnings attributable to the change in unrealized derivatives relating to assets still held at end of period	$ —	$ (1)	$ (3)

(a) Consists of derivatives assets and liabilities, net.
(b) The change in Level 3 balance is primarily driven by the change in accounting policy at the NRG Merger date to include all curves with broker-quoted coal contracts within the Level 2 designation.
(c) Contracts entered into are reported with total gains and losses included in earnings in the predecessor periods.
(d) There were no transfers in or out of Level 3.

Realized and unrealized gains and losses included in earnings that are related to energy derivatives are recorded in operating revenues and cost of operations.

Derivative Fair Value Measurements

REMA's contracts include exchange and non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. To the extent that REMA receives multiple quotes, prices reflect the average of the bid-ask mid-point prices obtained from all sources that REMA believes provide the most liquid market for the commodity. If REMA receives one quote, then the mid-point of the bid-ask spread for that quote is used. The terms for which such price information is available vary by commodity, region and product. A significant portion of the fair value of REMA's derivative portfolio is based on price quotes from brokers in active markets who regularly facilitate those transactions and REMA believes such price quotes are executable. REMA does not use third party sources that derive price based on proprietary models or market surveys. The remainder of the assets and liabilities represents contracts for which external sources or observable market quotes are not available. These contracts are valued based on various valuation techniques including but not limited to internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. At December 31, 2012 and 2011, REMA did not have any derivative assets or liabilities classified as Level 3 in the fair value hierarchy.

The fair value of each contract is discounted using a risk free interest rate. In addition, REMA applies a credit reserve to reflect credit risk which is calculated based on published default probabilities. To the extent that REMA's net exposure under a specific master agreement is an asset, REMA uses the counterparty's default swap rate. If the exposure under a specific master agreement is a liability, REMA uses their default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume REMA's liabilities or that a market participant would be willing to pay for REMA's assets. As of December 31, 2012, REMA's credit reserve resulted in an insignificant change in fair value.

The fair values in each category reflect the level of forward prices and volatility factors as of December 31, 2012, and may change as a result of changes in these factors. Management uses its best estimates to determine the fair value of commodity and derivative contracts REMA holds and sells. These estimates consider various factors including closing exchange and over-the-counter price quotations, time value, volatility factors and credit exposure. It is possible however, that future market prices could vary from those used in recording assets and liabilities from energy marketing and trading activities and such variations could be material.

Note 6 — Accounting for Derivative Instruments and Hedging Activities

ASC 815 requires REMA to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a NPNS exception. REMA may elect to designate certain derivatives as cash flow hedges, if certain conditions are met, and defer the effective portion of the change in fair value of the derivatives to accumulated other comprehensive income, until the hedged transactions occur and are recognized in earnings. The ineffective portion of a cash flow hedge is immediately recognized in earnings.

For derivatives that are not designated as cash flow hedges, the changes in the fair value will be immediately recognized in earnings. Certain derivative instruments may qualify for the NPNS exception and are therefore exempt from fair value accounting treatment. ASC 815 applies to REMA's energy related commodity contracts.

Energy-Related Commodities

To manage the commodity price risk associated with REMA's competitive supply activities and the price risk associated with wholesale power sales from REMA's electric generation facilities, REMA enters into a variety of derivative and non-derivative hedging instruments, utilizing the following:

- Forward contracts, which commit REMA to purchase or sell energy commodities or purchase fuels in the future.
- Futures contracts, which are exchange-traded standardized commitments to purchase or sell a commodity or financial instrument.
- Swap agreements, which require payments to or from counterparties based upon the differential between two prices for a predetermined contractual, or notional, quantity.
- Financial and non-financial option contracts, which convey to the option holder the right but not the obligation to purchase or sell a commodity.

REMA's hedging activities are subject to limits within the risk management policy. These contracts are recognized on the balance sheet at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings.

As of December 31, 2012, REMA's derivative assets and liabilities consisted primarily of forward and financial contracts for the purchase of fuel commodities relating to the forecasted usage of REMA's generation assets through 2014.

As of December 31, 2012 and 2011, REMA had insignificant amounts of notional volumes for derivative financial instruments.

Fair Value of Derivative Instruments

The following table summarizes the fair value within the derivative instrument valuation on the balance sheet:

	Fair Value — Derivative Liabilities	
	Successor	Predecessor
	As of December 31, 2012	As of December 31, 2011
	(In millions)	(In millions)
Derivatives Not Designated as Cash Flow Hedges:		
Commodity contracts current	$ —	$ (14)
Commodity contracts long-term	(1)	—
Total Derivatives	$ (1)	$ (14)

Impact of Derivative Instruments on the Statements of Comprehensive Loss

Unrealized gains and losses associated with changes in the fair value of derivative instruments not accounted for as cash flow hedges are reflected in current period earnings.

The following tables summarize the pre-tax effects of economic hedges that have not been designated as cash flow hedges on REMA's statements of comprehensive loss. These amounts are included within operating revenues and cost of operations.

	Successor	Predecessor	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In millions)	(In millions)	
Unrealized mark-to-market results			
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 1	$ 14	$ 35
Net unrealized losses on open positions related to economic hedges	—	(1)	(1)
Total unrealized gains	$ 1	$ 13	$ 34

	Successor	Predecessor	
	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012	2011
	(In millions)	(In millions)	
Revenue from operations — energy commodities	$ 1	$ 14	$ 37
Cost of operations	—	(1)	(3)
Total impact to net loss	$ 1	$ 13	$ 34

Note 7 — Inventory

Inventory consisted of:

	Successor As of December 31, 2012	Predecessor As of December 31, 2011
	(In millions)	(In millions)
Fuel oil	$ 19	$ 21
Coal	32	48
Spare parts	28	53
Other	1	—
Total Inventory	$ 80	$ 122

Note 8 — Property, Plant and Equipment

Major classes of property, plant and equipment were as follows:

	Successor As of December 31, 2012	Predecessor As of December 31, 2011	Successor Depreciable Lives
	(In millions)	(In millions)	
Facilities and equipment	$ 151	$ 572	4-28 years
Land and improvements	34	44	
Office furnishings and equipment	3	4	3-12 years
Construction in progress	37	25	
Total property, plant and equipment	225	645	
Accumulated depreciation	(1)	(60)	
Net property, plant and equipment	$ 224	$ 585	

Note 9 — Retirements or Long-Term Protective Layup of Generating Facilities

Facilities Announced for Deactivation Due to Returns on Investment

REMA is subject to extensive environmental regulation by federal, state and local authorities under a variety of statutes, regulations and permits that address discharges into the air, water and soil, and the proper handling of solid, hazardous and toxic materials and waste. Complying with increasingly stringent environmental requirements involves significant capital and operating expenses. To the extent forecasted returns on investments necessary to comply with environmental regulations are insufficient for a particular facility, REMA plans to deactivate that facility. In determining the forecasted returns on investments, REMA factors in forecasted energy and capacity prices, expected capital expenditures, operating costs, property taxes and other factors. REMA expects to deactivate the following generating capacity, primarily coal-fired units, at the referenced times: Portland (400 MW) January 2015, Titus (245 MW) April 2015, Shawville (600 MW) place in long-term protective layup in April 2015, Gilbert (190 MW) May 2015, Glen Gardner (160 MW) May 2015 and Werner (210 MW) May 2015.

Expenses, Property, Plant and Equipment, and Materials and Supplies Inventory Related to Deactivations

In connection with the decision to deactivate the generating facilities, REMA evaluated its spare parts inventory and determined that there was excess inventory. REMA established a reserve of $16 million recorded to cost of operations during the first quarter of 2012 relating to its excess inventory. At December 31, 2012, the aggregate carrying value of property, plant and equipment, net and spare parts for the generating facilities with an aggregate of 1,805 MW and are expected to be deactivated in 2015 was $82 million and $15 million, respectively.

If market conditions and/or environmental and regulatory factors or assumptions change in the future, forecasted returns on investments necessary to comply with environmental regulations could change resulting in possible incremental investments if returns improve or deactivation of additional generating units or facilities if returns deteriorate. Such deactivations could result in additional charges, including impairments, severance costs and other plant shutdown costs.

Note 10 — Intangible Assets

REMA's intangible assets are primarily comprised of the following:

- Acquired contracts — At December 31, 2011, these represented contracts that were pushed down to REMA in connection with the Mirant/RRI Merger and consisted of coal contracts. These acquired contracts were amortized to cost of operations over their contractual lives. As a result of the NRG Merger, these balances resulted in negative fair values that were pushed down to REMA as out-of-market contracts. See *Out-of-market contracts* discussion below.

- Emission allowances — At December 31, 2011, these primarily represented sulfur dioxide emission allowances granted to the REMA generating facilities. See Note 11, *Impairments,* for discussion of the impairment of excess emission allowances during 2011. These emission allowances were held-for-use and amortized on a straight-line basis to depreciation and amortization. Effective with the NRG Merger, REMA classifies purchased emission allowances in intangible assets. At December 31, 2012, an insignificant balance remains for emission allowances granted to the REMA generating facilities.

The following table summarizes the components of REMA's intangible assets for the predecessor period. The fair value of the intangible assets recorded in pushdown accounting was $0.

	Predecessor As of December 31, 2011 (In millions)	
	Gross Carrying Amount	**Accumulated Amortization**
Emission allowances	$ 4	$ (3)
Acquired contracts	5	(5)
Total intangible assets	$ 9	$ (8)

The following table presents REMA's amortization of intangible assets:

	Predecessor 2011 (In millions)
Emission allowances	$ 2
Acquired contracts	2
Total amortization	$ 4

REMA did not record any amortization of intangible assets in either the predecessor or successor periods in 2012.

Out-of-market contracts — As a result of the Mirant/RRI Merger, out-of-market contracts (acquired contracts with negative fair values) were pushed down to REMA primarily related to the REMA leases. These out-of-market contracts were amortized to cost of operations over their contractual lives. For the period from January 1, 2012 to December 14, 2012 and for the year ended December 31, 2011, amortization of out-of-market contracts was $7 million and $7 million, respectively. In connection with the NRG Merger, acquired out-of-market contracts were pushed down to REMA primarily related to the REMA leases. These out-of-market contracts are amortized to cost of operations over their contractual lives. For the period from December 15, 2012 to December 31, 2012, amortization of out-of-market contracts was immaterial. Out-of-market contracts are classified as non-current liabilities on the consolidated balance sheets.

The following table summarizes the estimated amortization related to REMA's out-of-market contracts:

	(In millions)
2013	$ 13
2014	12
2015	11
2016	11
2017	11

Note 11 — Impairments

2012 Impairments

Long-Lived Assets Impairments

On July 20, 2012, GenOn entered into the NRG Merger Agreement with NRG and a direct wholly-owned subsidiary of NRG. REMA viewed the execution of the NRG Merger Agreement as a triggering event under accounting guidance and evaluated its long-lived assets for impairment.

For purposes of impairment testing, a long-lived asset must be grouped at the lowest level of identifiable cash flows. Each of REMA's generating facilities is viewed as an individual asset group. Upon completion of the assessment, REMA determined that the Portland and Titus generating facilities were impaired as of September 30, 2012, as the carrying values exceeded the undiscounted cash flows.

REMA's review of the long-lived assets included assumptions about the following: (a) electricity, fuel and emissions prices, (b) capacity prices, (c) impact of environmental regulations, including costs of CO_2 allowances under a potential cap-and-trade program, (d) timing and extent of generating capacity additions and retirements and (e) future capital expenditure requirements related to the generating facilities.

REMA's assumptions related to future prices of electricity, fuel, emission allowances, and capacity were based on observable market prices to the extent available. Longer term power and capacity prices were derived from proprietary fundamental market modeling and analysis. The long-term capacity prices were based on estimated revenue requirements needed to incentivize new generation when needed to maintain reliability standards. For markets with established capacity markets, such as PJM, these estimates are generally consistent with the current structures. The assumptions regarding electricity demand were based on forecasts available from each ISO or NERC region, as applicable. Assumptions for generating capacity additions and retirements included publicly available announcements, which take into account renewable sources of electricity, as well as the need for capacity to maintain reliability in the longer term. In addition, REMA previously announced its plans for deactivation of the Portland and Titus generating facilities. See Note 9, *Retirements or Long-Term Protective Layup of Generating Facilities*.

REMA recorded impairment losses of $37 million and $10 million during the third quarter of 2012 in the consolidated statement of comprehensive loss to reduce the carrying values of the Portland and Titus generating facilities, respectively, to their estimated fair values.

The fair values of the Portland and Titus assets as of September 30, 2012 were $17 million and $15 million, respectively, and were categorized as Level 3 in the fair value hierarchy.

2011 Impairments

Granted Emission Credits

In August 2011, the Environmental Protection Agency (EPA) finalized the Cross-State Air Pollution Rule (CSAPR), which was intended to replace the Clean Air Interstate Rule (CAIR) starting in 2012. Under the CSAPR program, the EPA established new allowances for all of the new CSAPR programs and did not permit any carryover Acid Rain Program or CAIR allowances into the CSAPR trading programs. As a result, the SO_2 allowances used for compliance in the CAIR program (which used the already existing Acid Rain Program allowances that would have continued to be usable for compliance with the Acid Rain Program) would not have been usable for compliance with the CSAPR SO_2 program and RMEA thought it would have negligible value after 2011.

As a result of the CSAPR, REMA recorded impairment losses of $1 million for the write-off of excess SO_2 emission allowances during 2011.

The excess Acid Rain Program SO_2 emission allowances of $2 million were impaired to their estimated fair value of $1 million based on their current market prices obtained from brokers. The excess Acid Rain Program SO_2 emission allowances were categorized in Level 3 in the fair value hierarchy.

Note 12 — Asset Retirement Obligations

REMA's AROs are primarily related to the future dismantlement of equipment on leased property and environmental obligations related to ash site closures, water monitoring and treatment, and fuel storage facilities. In addition, REMA has also identified conditional AROs for asbestos removal and disposal, which are specific to certain power generation operations.

The following table represents the balance of ARO obligations as of December 31, 2012, December 14, 2012 and December 31, 2011, along with the additions, reductions and accretion related to REMA's ARO obligations for the periods from December 15, 2012 through December 31, 2012 and from January 1, 2012 through December 14, 2012 (in millions):

Predecessor		
Balance as of December 31, 2011	$	36
Revisions in estimates for current obligations		10
Accretion — expense		4
Balance as of December 14, 2012(a)	$	50
Successor		
Balance as of December 15, 2012(a)	$	55
Balance as of December 31, 2012	$	55

(a) As a result of the application of pushdown accounting, REMA remeasured its AROs at the time of the NRG Merger.

Note 13 — Income Taxes

REMA's income tax provision consisted of the following:

	Predecessor
	2011
	(In millions)
Current tax provision:	
Federal	$ —
State	1
Provision for income taxes	$ 1

There was no provision for income taxes recorded in either the predecessor or successor periods in 2012.

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

		Predecessor
		As of December 31, 2011
		(In millions)
Deferred Tax Assets:		
Loss carry forwards	$	2
Subtotal		2
Valuation allowance		(2)
Net deferred tax assets	$	—

As a result of the NRG Merger, GenOn experienced an ownership change as defined in IRC § 382. IRC § 382 provides, in general, that an ownership change occurs when there is a greater than 50-percentage point increase in ownership of a company's stock by new or existing stockholders who own (or are deemed to own under IRC § 382) 5% or more of the loss company's stock over a three year testing period. IRC § 382 limits the amount of pre-merger NOLs and built-in losses that can be used during any post-ownership change year to offset taxable income. REMA's annual limitation on the amount of taxable income that can be offset by its pre-merger NOLs has also been determined as a consequence of the GenOn ownership change that resulted from the NRG Merger. REMA has reduced to zero the amount of its pre-NRG Merger NOLs available to offset post-NRG Merger taxable income based on the expected limits determined in accordance with IRC § 382.

Tax Uncertainties

The recognition of contingent losses for tax uncertainties requires management to make significant assumptions about the expected outcomes of certain tax contingencies. Under the accounting guidance, REMA must reflect in its income tax provision the full benefit of all positions that will be taken in REMA's income tax returns, except to the extent that such positions are uncertain and fall below the benefit recognition requirements. In the event that REMA determines that a tax position meets the uncertainty criteria, an additional liability or an adjustment to REMA's NOLs, determined under the measurement criteria, will result. REMA periodically reassesses the tax positions in its tax returns for open years based on the latest information available and determines whether any portion of the tax benefits reflected should be treated as unrecognized.

Included in the unrecognized tax benefits balance at December 31, 2012 and 2011, REMA had $1 million of unrecognized tax benefits that would affect the effective tax rate if they were recognized. REMA's tax provision in each period includes an insignificant amount for interest and penalties related to unrecognized tax benefits. The amounts recorded in REMA's balance sheet for interest and penalties related to the unrecognized tax benefits at December 31, 2012 and 2011 are insignificant.

REMA continues to be subject to audit for tax years 2007 to 2011 by taxing authorities in various jurisdictions. Considerable judgment is required to determine the tax treatment of particular items that involve interpretations of complex tax laws. A tax liability is recorded for filing positions with respect to which the outcome is uncertain and the recognition criteria under the accounting guidance for uncertainty in income taxes has been met. Such liabilities are based on judgment and it can take many years to resolve a recorded liability such that the related filing position is no longer subject to question. REMA has not recorded a liability for those proposed tax adjustments related to current tax audits when REMA thinks its filing position meets the more-likely-than-not threshold prescribed in the accounting guidance related to accounting for uncertainty in income taxes. Any adverse outcomes arising from these matters would not result in a material change in the amount of REMA's deferred taxes.

Pro Forma Income Tax Disclosures

REMA is not subject to income taxes except for those subsidiaries that are separate taxpayers. GenOn Northeast Generation, Inc., GenOn Energy and NRG 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. Pro forma income taxes attributable to income before tax would consist of the following:

	Predecessor 2011 (In millions)
Current tax provision:	
Federal	$ —
State	1
Provision for income taxes	$ 1

There was no pro forma provision for income taxes recorded in either the predecessor or successor periods in 2012.

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:

	Successor As of December 31, 2012 (In millions)	Predecessor As of December 31, 2011 (In millions)
Deferred Tax Assets:		
Derivative contracts	$ —	$ 6
Reserves	4	4
Loss carry forwards	4	159
Property and intangible assets	309	168
Out-of-market contracts and other, net	79	56
Subtotal	396	393
Valuation allowance	(396)	(392)
Net deferred tax assets	—	1
Deferred Tax Liabilities:		
Other, net	—	(1)
Net deferred tax liabilities	—	(1)
Net deferred taxes	$ —	$ —

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 considers 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.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. REMA evaluates this position quarterly, and makes its judgment based on the facts and circumstances at that time. REMA's evaluation requires that its net deferred tax assets are fully offset by a valuation allowance for the periods presented.

As a result of the NRG merger, GenOn experienced an ownership change as defined in IRC § 382. IRC § 382 provides, in general, that an ownership change occurs when there is a greater than 50-percentage point increase in ownership of a company's stock by new or existing stockholders who own (or are deemed to own under IRC § 382) 5% or more of the loss company's stock over a three year testing period. IRC § 382 limits the amount of pre-merger NOLs that can be used during any post-ownership change year to offset taxable income. The annual limitation on the amount of taxable income that can be offset by GenOn's pre-NRG Merger NOLs has been redetermined as of the date of the NRG Merger. REMA's annual limitation on the amount of taxable income that can be offset by its pre-merger pro forma NOLs has also been redetermined as a consequence of the GenOn ownership change that resulted from the NRG Merger. REMA has reduced to zero the amount of its pre-NRG Merger pro forma NOLs available to offset post-NRG Merger taxable income based on the expected limits determined in accordance with IRC § 382. In addition, based on the allocation of the provisional fair values in connection with the NRG Merger, REMA reduced its tax basis in depreciable assets by $44 million for financial reporting purposes due to the inability to utilize future tax depreciation deductions that are limited as built-in losses under IRC § 382.

Note 14 — Commitments and Contingencies

Commitments

REMA Operating Leases

REMA leases a 100% interest in the Shawville coal generation facility through 2026, and expects to make payments under the Shawville lease through that date, and leases 16.45% and 16.67% interest in the Keystone and Conemaugh coal generation facilities, respectively, through 2034, and expects to make payments under the Keystone and Conemaugh leases through 2029. At the expiration of these leases, there are several renewal options related to fair value. REMA accounts for these leases as operating leases and records lease expense on a straight-line basis over the lease term. Rent expense totaled $2 million, $33 million and $35 million for the period from December 15, 2012 through December 31, 2012, for the period from January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011, respectively, and is included in cost of operations. As of December 31, 2012 and 2011, REMA has classified $0 and $18 million, respectively, in prepayments and other current assets on the consolidated balance sheets related to these leases.

REMA operates the Conemaugh and Keystone generating 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, $9 million and $10 million for the period from December 15, 2012 through December 31, 2012, for the period for January 1, 2012 through December 14, 2012 and for the year ended December 31, 2011, respectively. These fees received, which are recorded as reductions in cost of operations, are primarily used to cover REMA's administrative support costs of providing these services.

As further described in Note 3, *NRG Merger*, as a result of pushdown accounting, REMA recorded the acquisition date fair value of the leasehold improvements of $79 million, classified in property, plant and equipment. In addition, REMA recorded the acquisition date fair value of the leasehold interests, net of present value of the lease obligation, equal to an out-of-market liability of $188 million, classified in out-of-market contracts.

Future minimum lease commitments under the REMA operating leases for the years ending after December 31, 2012, are as follows (in millions):

2013	$ 64
2014	63
2015	56
2016	61
2017	63
Thereafter	455
Total	$ 762

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, 2012, REMA was limited by the covenant restricting dividends and the payment of subordinated obligations.

During 2011, REMA completed an analysis of the cost of environmental controls required for the Shawville generating facility, including the installation of cooling towers. After evaluation of the forecasted energy and capacity prices, expected capital expenditures, operating costs, property taxes and other factors, REMA concluded that the forecasted returns on investments necessary to comply with the environmental regulations are insufficient. Accordingly, REMA plans to place the coal-fired units at the Shawville generating facility, which are leased, in a long-term protective layup in April 2015. Under the lease agreement for Shawville, REMA's obligations generally are to pay the required rent and to maintain the leased assets in accordance with the lease documentation, including in compliance with prudent competitive electric generating industry practice and applicable laws. REMA will continue to evaluate options under the lease, including termination of the lease for economic obsolescence, long-term protective layup during the term of the lease.

Fuel Commitments

REMA has commitments under coal agreements of various quantities and durations. At December 31, 2012, the maximum remaining term under any individual fuel supply contract is five years.

As of December 31, 2012, REMA's commitments under such outstanding agreements are estimated as follows:

	(In millions)
2013	$ 83
2014	72
2015	68
2016	70
2017	73
Thereafter	—
Total	$ 366

Contingencies

Set forth below is a description of REMA's material legal proceedings. REMA believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. Pursuant to the requirements of ASC 450, *Contingencies*, and related guidance, REMA records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, REMA is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of REMA's liabilities and contingencies could be at amounts that are different from currently recorded reserves and that such difference could be material.

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

New Source Review Matters

The EPA and various states are investigating compliance of coal-fueled electric generating facilities with the pre-construction permitting requirements of the Federal Clean Air Act known as "new source review." Since 2000, the EPA has made information requests concerning the Conemaugh, Keystone, Portland, Shawville and Titus generating facilities. REMA continues to correspond with the EPA regarding some 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 from the EPA alleging that past work at its Shawville, Portland and Keystone generating facilities violated regulations regarding new source review.

In December 2007, the New Jersey Department of Environmental Protection (NJDEP) sued 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 Federal

Clean Air Act and civil penalties. The suit also names 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 NJDEP suit were conducted in compliance with applicable regulations. However, any final finding that REMA violated the new source review requirements could result in fines or penalties. The case is currently scheduled for a liability trial on April 22, 2013.

In addition, the NJDEP filed two administrative petitions with the EPA in 2010 alleging that the Portland generating facility's emissions were significantly contributing to nonattainment and/or interfering with the maintenance of certain National Ambient Air Quality Standards in New Jersey. In November 2011, the EPA published a final rule in response to one of the petitions that will require REMA to reduce maximum allowable SO_2 emissions from the two coal-fired units by about 60% starting in January 2013 and by about 80% starting in January 2015. In January 2012, REMA challenged the rule in the United States Court of Appeals for the Third Circuit. In 2013 and 2014, REMA has several compliance options that include using lower sulfur coals (although this may at times reduce how much REMA is able to generate) or running just one unit at a time. Starting in January 2015, these units will be subject to more stringent rate limits, which will require either material capital expenditures and higher operating costs or the retirement of these two units. See Note 9, *Retirements or Long-Term Protective Layup of Generating Facilities*, for a discussion of the Portland coal-fired units that REMA expects to deactivate in 2015.

Conemaugh Alleged Clean Streams Law Violations

In September 2012, the Pennsylvania Department of Environmental Protection filed a lawsuit in the Commonwealth Court of Pennsylvania alleging that several violations of the Pennsylvania Clean Streams Law occurred at the Conemaugh generating facility. REMA agreed to a consent decree to resolve the allegations and paid a civil penalty of $500,000. GenOn was responsible for 16.45% of this amount.

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 ($28 million at December 31, 2012 and $16 million at December 31, 2011) associated with these environmental liabilities as part of its AROs. REMA has deposits for the benefit of the State of Pennsylvania to guarantee its obligations related to future closures of certain coal ash landfill sites of $23 million and $22 million as of December 31, 2012 and 2011, respectively. In addition, at December 31, 2012 and 2011, GenOn Energy provided credit support in the form of surety bonds under which $17 million of cash was posted with the Pennsylvania Department of Environmental Protection related to these environmental obligations.

New Jersey Remediation Obligations

REMA is responsible under the Industrial Site Recovery Act 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 $6 million at December 31, 2012 and 2011. REMA has deposits for the benefit of the State of New Jersey to satisfy its obligations to remediate site contamination under the Industrial Site Recovery Act of $8 million as of December 31, 2012 and 2011.

Note 15 — Guarantees

REMA enters into various contracts that include indemnification and guarantee provisions as a routine part of their business activities. Examples of these contracts include asset purchases and sale agreements, commodity sale and purchase agreements, engineering, procurement and construction agreements, operation and maintenance agreements, service agreements, settlement agreements, and other types of contractual agreements with vendors and other third parties, as well as affiliates. These contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in these 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.