KPMG

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

NRG REMA, LLC AND SUBSIDIARIES

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Managers and Member
NRG Northeast Generation, Inc., Sole Member of NRG REMA, LLC:

We have audited the accompanying consolidated financial statements of NRG REMA, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, member's deficit and cash flows for the year ended December 31, 2013 and for the period from December 15, 2012 to December 31, 2012 (Successor period), and for the period from January l, 2012 to December 14, 2012 (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 NRG REMA, LLC and subsidiaries as of December 31, 2013 and 2012 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2013 and 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) in accordance with U.S. generally accepted accounting principles.

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 NRG 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

Philadelphia, Pennsylvania
April 30, 2014

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands)

Assets	**2013**	**2012**
Current assets		
Cash and cash equivalents	$ 130,333	28,272
Insurance receivable	9,089	—
Inventory	65,489	77,293
Prepayments and other current assets	25,788	10,160
Total current assets	230,699	115,725
Property, plant, and equipment:		
In service	249,797	236,688
Under construction	87,809	32,553
Total property, plant, and equipment	337,606	269,241
Less accumulated depreciation and amortization	(15,511)	(1,119)
Net property, plant, and equipment	322,095	268,122
Other assets:		
Intangible assets, net	326	326
Other noncurrent assets	27,564	31,236
Total other assets	27,890	31,562
Total assets	$ 580,684	415,409
Liabilities and Member's Deficit		
Current liabilities:		
Current portion of capital lease	$ 286	275
Accounts payable	28,250	30,873
Accounts payable – affiliate	29,212	22,724
Subordinated accounts and interest payable, net – affiliate	652,263	579,847
Subordinated interest payable on subordinated note payable – affiliate	169,986	118,891
Accrued expenses and other current liabilities	5,755	6,531
Total current liabilities	885,752	759,141
Other liabilities		
Capital lease	2,475	2,738
Derivative instruments – affiliate	—	520
Out-of-market contracts	174,457	187,587
Other noncurrent liabilities	59,842	61,407
Total noncurrent liabilities	236,774	252,252
Subordinated note payable – affiliate	543,563	543,563
Total Liabilities	1,666,089	1,554,956
Member's deficit:		
Common Stock; no par value (1,000 shares authorized, issued and outstanding)	—	—
Additional paid-in deficit	(1,134,428)	(1,134,428)
Retained earning/(deficit)	49,023	(5,119)
Total member's deficit	(1,085,405)	(1,139,547)
Total liabilities and member's deficit	$ 580,684	415,409

See accompanying notes to consolidated financial statements

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

	Successor		Predecessor
	Twelve months ended December 31, 2013	**December 15, 2012 through December 31, 2012**	**January 1, 2012 through December 14, 2012**
Operating revenues:			
Operating revenues	$ 3,511	702	15,441
Operating revenues – affiliate	508,533	15,136	315,679
Total operating revenues	512,044	15,838	331,120
Operating costs and expenses:			
Cost of operations	171,148	8,808	183,728
Cost of operations – affiliate	141,283	5,173	133,905
Facilities leases	29,237	1,333	33,318
Depreciation and amortization	14,406	1,157	56,371
Impairment losses	—	—	47,113
Selling, general, and administrative	—	167	3,544
Selling, general, and administrative – affiliate	26,888	909	20,355
Total operating costs and expenses	382,962	17,547	478,334
Operating income/(loss)	129,082	(1,709)	(147,214)
Other income/(expense):			
Interest expense	(245)	(1)	(1,258)
Interest expense – affiliate	(74,699)	(3,408)	(68,183)
Other income/(expense), net	4	(1)	(26)
Total other expense, net	(74,940)	(3,410)	(69,467)
Net income/(loss)	54,142	(5,119)	(216,681)

See accompanying notes to consolidated financial statements

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Member's Deficit

Years ended December 31, 2013 and 2012

(In thousands)

		Common stock	Additional paid-in deficit	Retained earnings (accumulated deficit)	Total member's deficit
Predecessor					
Balance, December 31, 2011	$	—	(499,910)	(75,039)	(574,949)
Net loss		—	—	(216,681)	(216,681)
Contribution		—	9,265	—	9,265
Balance, December 14, 2012	$	—	(490,645)	(291,720)	(782,365)
Successor					
Balance, December 15, 2012 [a]	$	—	(1,134,428)	—	(1,134,428)
Net loss		—	—	(5,119)	(5,119)
Balance, December 31, 2012		—	(1,134,428)	(5,119)	(1,139,547)
Net income		—	—	54,142	54,142
Balance, December 31, 2013	$	—	(1,134,428)	49,023	(1,085,405)

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

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Successor		Predecessor
	Year ended December 31, 2013	December 15, 2012 through December 31, 2012	January 1, 2012 through December 14, 2012
Cash flows from operating activities:			
Net income/(loss)	$ 54,142	(5,119)	(216,681)
Adjustments to reconcile net income/(loss) and changes in other operating assets and liabilities to net cash provided by operating activities:			
Depreciation and amortization	14,406	1,157	56,371
Amortization of financing costs and debt discount/premiums	—	—	8
Amortization of out-of-market contracts	(13,130)	(521)	(6,761)
Changes in derivative instruments	(520)	(549)	(12,693)
Impairment losses	—	—	47,113
Loss on disposals and sales of assets	—	105	41
Excess materials and supplies inventory reserve	—	—	15,624
Lower of cost or market inventory adjustments	—	—	9,424
Other, net	(194)	—	(118)
Changes in operating assets and liabilities:			
Insurance receivable	(9,089)	939	(1,489)
Accounts receivable – affiliate	—	—	(1,256)
Inventory	11,804	(221)	11,738
Prepayments and other current assets	(15,628)	(1,383)	(15,777)
Accounts payable	(1,633)	148	73
Accounts payable – affiliate	6,488	7,667	1,435
Subordinated accounts and interest payable, net – affiliate	72,416	6,482	70,857
Subordinated interest payable on subordinated note payable – affiliate	51,095	2,380	48,855
Accrued expenses and other current liabilities	(776)	2,036	(1,675)
Other assets and liabilities	2,107	225	12,010
Net cash provided by operating activities	171,488	13,346	17,099
Cash flows from investing activities:			
Capital expenditures	(69,369)	(3,340)	(28,034)
Proceeds from sale of assets	194	(13)	(18)
Increase in restricted cash, net	—	—	(6,545)
Other, net	—	—	267
Net cash used by investing activities	(69,175)	(3,353)	(34,330)
Cash flows from financing activity:			
Payments for capital lease	(252)	—	—
Net cash used by financing activity	(252)	—	—
Net increase/(decrease) in cash and cash equivalents	102,061	9,993	(17,231)
Cash and cash equivalents, beginning of period	28,272	18,279	28,680
Cash and cash equivalents, end of period	$ 130,333	28,272	11,449

See accompanying notes to consolidated financial statements.

(1) Nature of Business

NRG REMA, LLC (REMA LLC or 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 2,935 megawatts MW.

REMA, and its consolidated subsidiaries, is a Delaware limited liability company. NRG REMA LLC is a direct subsidiary of NRG Northeast Generation, Inc. and an indirect subsidiary of GenOn. “GenOn” refers to GenOn Energy, Inc. and its consolidated subsidiaries. On December 15, 2012, NRG Energy, Inc. (NRG) acquired GenOn as further described in note 3, NRG Merger.

(2) Summary of Significant Accounting Policies

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

(a) Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of REMA and its subsidiaries (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities.

(b) Predecessor and Successor Reporting

The NRG Merger is accounted for under the acquisition method of accounting. As such, the assets and liabilities of REMA were 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 statements of operations subsequent to the NRG Merger include 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 the 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 a different basis of accounting between the periods presented.

(c) 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.

(d) 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.

(e) 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 operations.

(f) 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 operations. Fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets and present value techniques. There were no indicators of impairments in the years ended December 31, 2013 and 2012.

(g) 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 NRG 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.

(h) Income Taxes

NRG REMA, LLC is a wholly owned limited liability company (disregarded entity) for federal and state income tax purposes. Therefore, federal and state taxes are assessed at the GenOn level. Accordingly, no provision has been made for federal or state income taxes in the accompanying financial statements. If the Company was a separate tax paying entity, the proforma tax expense/(benefit) would have been $22 million, $(2) million and $(90) million for the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, respectively.

(i) Revenue Recognition

Energy – REMA enters into both physical and financial transactions to optimize the financial performance of its 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 operations. Financial transactions, or the buying and selling of energy for trading purposes, are recorded net within operating revenues in the consolidated statements of operations in accordance with ASC 815.

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 capacity available in order to satisfy system integrity and reliability requirements.

(j) Derivative Financial Instruments

REMA accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging* (ASC 815), which requires entities to recognize all derivative instruments as either assets or liabilities in the consolidated balance sheet at their respective fair values. Changes in the fair value will be immediately recognized in earnings.

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. The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level.

(k) Fair value of Financial Instruments

The carrying amount of cash and cash equivalents, insurance receivable, 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.

(l) 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 three counterparties at December 31, 2013, and exposure to five counterparties at December 31, 2012, that each represented an exposure of more than 10% of its total coal commitments, by volume, and in aggregate represented approximately 55% and 75% of its total coal commitments at December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the single largest counterparty represented an exposure of 28% and 25%, respectively, of these total coal commitments, by volume.

(m) 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 2013, one railroad represented 30% of coal transportation costs.

(n) 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 11, *Asset Retirement Obligations*, for further discussion of AROs,

(o) Business Combinations

REMA accounts for 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 acquired 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.

(p) 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, environmental liabilities, legal costs incurred in connection with recorded loss contingencies, and pushdown accounting in connection with the NRG Merger relative to the assets acquired and liabilities assumed by NRG, 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.

(q) Reclassifications

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

(r) Recently Adopted Accounting Guidance

ASU 2013-02 – In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Other Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, or ASU No. 2013-02. The amendments in ASU No. 2013-02 require REMA to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income, either on the face of the income statement or in the notes, if the amount being reclassified is required to be reclassified in its entirety to net income in the same reporting period. For other amounts not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures, which provide additional information about these amounts. As this guidance provides only presentation requirements, the adoption of this standard did not impact REMA's consolidated results of operations, cash flows, or financial position.

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 consolidated results of operations, cash flows, or financial position.

(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 accounting for the acquisition has been completed as of December 14, 2013.

The acquisition-date fair value of assets and liabilities is as follows (in millions):

Assets:		
Cash	$	18
Other current and noncurrent assets		114
Property, plant, and equipment		220
Total assets		352
Liabilities:		
Other current and noncurrent liabilities		1,345
Out-of-market contracts and leases		190
Derivative liabilities		1
Total liabilities		1,536
Net liabilities	$	1,184

The measurement period adjustments recorded by REMA are as follows (in millions):

Assets:		
Cash	$	—
Other current and noncurrent assets		5
Property, plant, and equipment		44
Total assets		49
Liabilities:		
Other current and noncurrent liabilities		1
Out-of-market contracts and leases		(2)
Derivative liabilities		—
Total liabilities		(1)
Net Assets	$	(50)

Fair Value Measurements

The 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 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 the amount of financial and operating characteristics that are publicly disclosed, the 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.

(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. 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.

Support and Technical Services by GenOn – GenOn provides 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
	Year ended December 31, 2013	**December 15, 2012 through December 31, 2012**	**January 1, 2012 through December 14, 2012**
	(In millions)		(In millions)
Allocated or charged by GenOn	$ 39	2	39

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 year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, $42 million, $1 million and $30 million, respectively, was recorded as cost of operations – affiliate related to these services.

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

	Successor		Predecessor
	Year ended December 31, 2013	**December 15, 2012 through December 31, 2012**	**January 1, 2012 through December 14, 2012**
	(In millions)		(In millions)
Sales to related parties under various commodity agreements (a)	$ 509	15	316
Purchases from related parties under various commodity agreements (b)	90	3	77
Fees charged by related parties for these services and included in cost of operations – affiliate	11	—	7

(Continued)

(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 – REMA records payables to and receivables from GenOn as subordinated amounts. At December 2013 and 2012, the net subordinated accounts and interest payable to affiliates was $652 million and $580 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 payable of $24 million, $1 million and $20 million during the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, respectively. See note 12, *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, 2013 and 2012, REMA had $544 million outstanding under the note. In connection with this note, REMA has accrued subordinated interest payable to affiliate of $170 million and $119 million at December 31, 2013 and 2012, 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 12, 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 3.25% at December 31, 2013. REMA may replace this note with a working capital facility from an unaffiliated lender if then permitted under GenOn's debt agreements. At December 2013 and 2012, there were no borrowings outstanding under the note. During the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, REMA borrowed and repaid on a cumulative basis $37 million, $0 million and $55 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, 2013, the amount of credit support was $54 million.

(5) Fair Value of Financial Instruments

For cash and cash equivalents, insurance receivable, 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.
- 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.
- 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.

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

Derivative Fair Value Measurements

The Company's derivative assets or liabilities are recorded at fair value on a recurring basis. REMA's nonexchange traded contracts are 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. The fair value of REMA's derivative portfolio is based on price quotes from broken inactive markets that 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 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. At December 31, 2013, REMA did not have any outstanding derivative contracts and at December 31, 2012, REMA's credit reserve resulted in an insignificant change in fair value.

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.

There are no derivative assets or liabilities at December 31, 2013. Derivative assets and liabilities at December 31, 2012 carried at fair market value were classified as Level 2 within the fair value hierarchy.

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

(6) Inventory

Inventory consisted of as follows:

	Successor December 31 2013	Successor December 31 2012
	(In millions)	
Fuel oil	$ 18	19
Coal	18	32
Spare parts	28	25
Other	1	1
Total inventory	$ 65	77

(7) Property, Plant, and Equipment

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

	Successor As of December 31 2013	Successor As of December 31 2012	Depreciable Lives
	(In million)		
Facilities and equipment	$ 215	202	4-28 years
Land and improvements	34	34	
Office furnishings and equipment	1	1	3-12 years
Construction in progress	88	32	
Total property, plant, and equipment	338	269	
Accumulated depreciation	(16)	(1)	
Net property, plant, and equipment	$ 322	268	

(8) 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 statues, regulations and permits that address discharge 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 investment 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 has or expects to deactivate the following generating capacity, primarily coal-fired units, at the referenced times: Titus (243 MW) September 2013, Portland Unit 2 (243 MW) December 2013 and Unit 1 (158 MW) June 2014, Shawville (597 MW) place in long-term protective layup in April 2015, Gilbert (98 MW) May 2015, Glen Gardner (160 MW) May 2015, and Werner (212 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 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, 2013, the aggregate carrying value of property, plant, and equipment, net and spare parts for the generating facilities with an aggregate of 1,711 MW expected to be deactivated through 2015 was $99 million and $13 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.

(9) Intangible Assets

REMA's intangible assets are comprised of emission allowances, which are primarily sulfur dioxide emission allowances granted to the REMA generating facilities. These emission allowances are 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, 2013, an insignificant balance remains for emission allowances granted to the REMA generating facilities.

Out-of-market contracts –In connection with the NRG Merger, certain REMA leases were revalued and the related values were pushed down to REMA. The out-of-market contracts associated with the NRG Merger are amortized to cost of operations over their contractual lives. Out-of-market contracts are classified as noncurrent liabilities on the consolidated balance sheets. For the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, amortization of out-of-market contracts was $13 million, $1 million and $7 million, respectively.

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

	(In millions)
2014	$ 11
2015	11
2016	11
2017	11
2018	11

(10) 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 CO2 allowances under a potential cap-and-trade program, (d) timing and extent of generating capacity additions and retirements and 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 to maintain reliability in the longer term. See note 8, *Retirements or Long-Term Protective Layup of Generating Facility*.

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

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

(11) 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, 2013 and 2012, along with the additions, reductions, and accretion related to REMA's ARO obligations for the year ended December 31, 2013 (in millions):

Balance as of December 31, 2012	$	54
Revisions in estimates for current obligations		(2)
Accretion – expense		3
Balance as of December 31, 2013	$	55

(12) Commitments and Contingencies

Commitments

(a) 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% interests 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 $29 million, $1 million, and $33 million for the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012, and the period from January 1, 2012 through December 14, 2012, respectively, and is included in cost of operations. As of December 31, 2013, REMA has recorded $22 million 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 $10 million, $1 million and $9 million for the year ended December 31, 2013, the period from December 15, 2012 through December 31, 2012 and the period from January 1, 2012 through December 14, 2012, 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 $66 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 $186 million, classified in out-of-market contracts. The out-of-market liability will be amortized to cost of operations over the remaining term of the leases.

Further minimum lease commitments under the REMA operating leases for the years ending after December 31, 2013, are as follows (in millions):

2014	$	63
2015		56
2016		61
2017		63
2018		55
Thereafter		400
Total	$	698

REMA's leases 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, 2013, 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 investment 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.

(b) Fuel Commitments

REMA has commitments under coal agreements of various quantities and durations. At December 31, 2013, the maximum remaining term under any individual fuel supply contract is four years.

As of December 31, 2013, REMA's commitments under such outstanding agreements are estimated as follows:

2014	$	88
2015		68
2016		65
2017		66
Total	$	287

(c) 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 cost 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 electric generating facilities with the pre-construction permitting requirements of the Clean Air Act (CAA) known as "new source review." Since 2000, the EPA has made information requests concerning the Conemaugh, Keystone, Portland, Shawville and Titus generating facilities. The Company 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, GenOn received an NOV 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 GenOn in the U.S. District Court for the Eastern District of Pennsylvania, alleging that new source review violations occurred at the Portland generating facility. The suit sought installation of "best available" control technologies for each pollutant, to enjoin GenOn from operating the generating facility if it is not in compliance with the CAA and civil penalties. The suit also named past owners of the plant as defendants, but the claims against the past owners were dismissed. In March 2009, the Connecticut Department of Energy and Environmental Protection became an intervening party to the suit. GenOn believes that the work listed by the EPA and the work subject to the NJDEP suit were conducted in compliance with applicable regulations. In July 2013, the court entered a Consent Decree, which generally requires the cessation of coal combustion at Portland Units 1 and 2 and the payment of $1 million to benefit the environment in New Jersey and Connecticut. The entry of the Consent Decree resolved this matter.

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 SO2 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. The court denied the Petition for Review in July 2013. See note 8, *Retirements and Long-Term Protective Layup of Generating Facilities*, for a discussion of the Portland coal-fired units that REMA expects to deactivate in 2014.

(d) Conemaugh Alleged Clean Streams Law Violations

In September 2012, the Pennsylvania Department of Environmental Protection (PADEP) 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.

(e) 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 of $19 million at December 31, 2013 and $28 million at December 31, 2012 associated with these environmental liabilities as part of its asset retirement obligations. REMA has deposits for the benefit of the Commonwealth of Pennsylvania to guarantee its obligations related to future closures of certain coal ash landfill sites of $20 million and $23 million as of December 31, 2013 and 2012, respectively.

(f) 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 $5 million at December 31, 2013 and 2012. 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, 2013 and 2012.

(13) 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.

(14) Subsequent Events

These financial statements and notes reflect the Company’s evaluation of events occurring subsequent to the balance sheet date through April 30, 2014, the date the financial statements are available to be issued.