NRG REMA, LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015 and 2014

(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, 2015 and 2014, and the related consolidated statements of operations, member's deficit, and cash flows for the years then ended, 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, 2015 and 2014 and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
April 29, 2016

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(In thousands)

Assets		**2015**	**2014**
Current assets:			
Cash and cash equivalents	$	191,894	322,309
Insurance receivable		1,978	101
Inventory		50,672	61,377
Prepayments and other current assets		46,305	44,882
Total current assets		290,849	428,669
Property, plant and equipment:			
In service		423,438	355,197
Under construction		65,960	49,874
Total property, plant and equipment		489,398	405,071
Less accumulated depreciation and amortization		(71,844)	(45,924)
Net property, plant and equipment		417,554	359,147
Other assets:			
Intangible assets, net		170	191
Other noncurrent assets		47,684	30,368
Total other assets		47,854	30,559
Total assets	$	756,257	818,375
Liabilities and Member's Deficit			
Current liabilities:			
Current portion of capital lease	$	313	299
Accounts payable		34,057	34,449
Accounts payable – affiliate		2,170	66,183
Subordinated accounts and interest payable, net – affiliate		797,320	728,820
Subordinated interest payable on subordinated note payable – affiliate		272,176	221,081
Accrued expenses and other current liabilities		7,763	5,913
Total current liabilities		1,113,799	1,056,745
Other liabilities:			
Long-term portion of capital lease		1,863	2,176
Out-of-market contracts		151,828	163,009
Other noncurrent liabilities		54,702	45,855
Subordinated note payable – affiliate		543,563	543,563
Total noncurrent liabilities		751,956	754,603
Total liabilities		1,865,755	1,811,348
Commitments and contingencies (note 10)			
Member's deficit:			
Common Stock; no par value (1,000 shares authorized, issued and outstanding)		—	—
Capital deficit		(1,134,428)	(1,134,428)
Retained earnings		24,930	141,455
Total member's deficit		(1,109,498)	(992,973)
Total liabilities and member's deficit	$	756,257	818,375

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2015 and 2014

(In thousands)

		2015	2014
Operating revenues:			
Operating revenues	$	3,201	3,671
Operating revenues – affiliate		287,475	596,254
Other revenue		10,960	10,309
Total operating revenues		301,636	610,234
Operating costs and expenses:			
Cost of operations		146,001	159,161
Cost of operations – affiliate		78,938	184,484
Facilities leases		29,388	29,388
Depreciation and amortization		28,209	31,425
Selling, general and administrative – affiliate		37,993	40,770
Impairment loss		20,170	—
Total operating costs and expenses		340,699	445,228
Operating (loss) income		(39,063)	165,006
Other income (expense):			
Interest expense		(167)	(117)
Interest expense – affiliate		(77,628)	(72,621)
Other income, net		333	164
Total other expense, net		(77,462)	(72,574)
Net (loss) income	$	(116,525)	92,432

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Member's Deficit

Years ended December 31, 2015 and 2014

(In thousands)

		Common stock	Capital deficit	Retained earnings (accumulated deficit)	Total member's deficit
Balance, December 31, 2013	$	—	(1,134,428)	49,023	(1,085,405)
Net income		—	—	92,432	92,432
Balance, December 31, 2014		—	(1,134,428)	141,455	(992,973)
Net loss		—	—	(116,525)	(116,525)
Balance, December 31, 2015	$	—	(1,134,428)	24,930	(1,109,498)

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

(In thousands)

		2015	2014
Cash flows from operating activities:			
Net (loss) income	$	(116,525)	92,432
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		28,209	31,425
Impairment loss		20,170	—
Accretion of asset retirement obligation		2,694	2,867
Amortization of intangible assets and out-of-market contracts		(11,238)	(11,521)
Changes in assets and liabilities:			
Prepayments and other current assets		(18,718)	(19,081)
Accounts payable – affiliate		(64,013)	36,971
Subordinated accounts and interest payable, net – affiliate		68,500	76,557
Subordinated interest payable on subordinated note payable – affiliate		51,095	51,095
Other		(3,186)	4,455
Net cash (used) provided by operating activities		(43,012)	265,200
Cash flows from investing activities:			
Capital expenditures		(87,090)	(72,925)
Net cash used by investing activities		(87,090)	(72,925)
Cash flows from financing activities:			
Payments for capital lease		(313)	(299)
Net cash used by financing activities		(313)	(299)
Net (decrease) increase in cash and cash equivalents		(130,415)	191,976
Cash and cash equivalents, beginning of period		322,309	130,333
Cash and cash equivalents, end of period	$	191,894	322,309
Supplemental disclosure of noncash investing activities:			
Noncash additions to construction in progress	$	9,796	2,580

See accompanying notes to consolidated financial statements.

(1) Nature of Business

NRG 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 2,777 megawatts (MW).

Name & location of facility	Percentage owned	MW	Primary fuel-type
Blossburg, PA	100	19	Natural Gas
Conemaugh, New Florence, PA	16.45	282	Coal/Oil
Gilbert, Milford, NJ	100	536	Natural Gas
Glen Gardner, NJ	100	160	Natural Gas
Hamilton, East Berlin, PA	100	20	Oil
Hunterstown CTS, Gettysburg, PA	100	60	Natural Gas
Keystone, Shelocta, PA	16.67	285	Coal/Oil
Mountain, Mount Holly Springs, PA	100	40	Oil
Orrtana, PA	100	20	Oil
Portland, Mount Bethel, PA	100	169	Oil
Sayreville, NJ	100	224	Natural Gas
Shawnee, East Stroudsburg, PA	100	20	Oil
Shawville, PA	100	603	Coal/Oil (NG Conversion 2016)
Titus, Birdsboro, PA	100	31	Oil
Tolna, Stewartstown, PA	100	39	Oil
Warren, PA	100	57	Natural Gas
Werner, South Amboy, NJ	100	212	Oil
Total MW Output		2,777	

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

(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.

(Continued)

(b) 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.

(c) 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.

(d) 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.

(e) 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. During the year ended December 31, 2015, the oil conversion project at the Portland facility was suspended indefinitely. In connection with the project suspension, REMA impaired the balance of fixed assets associated with the project and recorded expected losses on contracts totaling $20 million. There was no indicator of impairment in the year ended December 31, 2014.

(f) 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. REMA reported $3 million and $7 million in capitalized interest in 2015 and 2014, 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.

(g) Intangible Assets and Out of Market Contracts

Intangible assets represent contractual rights held by REMA. REMA recognizes specifically identifiable intangible assets, including emission allowances, when specific rights and contracts are acquired. Intangible assets are amortized based on expected volumes, expected delivery or on a straight line basis. A liability for out-of-market contracts was established for the REMA leases. These out-of-market contracts are amortized to cost of operations on a straight-line basis over the term of the leases. Out-of-market contracts are classified as noncurrent liabilities in the consolidated balance sheets.

(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 Parent 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 (benefit)/expense would have been $(48) million and $38 million for the years ended December 31, 2015, and December 31, 2014, 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 consists 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) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, insurance receivable, accounts payable, accounts payable – affiliate, and accrued expenses and other current liabilities approximate fair value because of the short-term maturity of these instruments. See note 4, Fair Value of Financial Instruments, for further discussion.

(k) 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 exist 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.

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 9, Asset Retirement Obligations, for further discussion of AROs.

(l) 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, 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.

(m) 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.

(3) Related Party Transactions

These financial statements include the impact of significant transactions between REMA and GenOn or NRG. 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:

		Year ended December 31	
		2015	**2014**
		(In millions)	
Allocated or charged by GenOn	$	32	38

On January 1, 2011, the employees of REMA were transferred to GenOn Energy Services, LLC, an affiliated entity. 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. During the year ended December 31, 2015 and 2014, $25 million and $32 million, respectively, were recorded as cost of operations – affiliate related to these services.

Procurement and Marketing Services by GenOn and NRG – REMA received services from GenOn Energy Management and NRG which included the bidding and dispatch of the generating units, procurement of fuel and other products and the execution of contracts, including economic hedges, to reduce price risk. These transactions were recorded as operating revenues – affiliate and cost of operations – affiliate, as appropriate, in the consolidated statements of operations. Amounts due to and from GenOn Energy Management under the power, fuel supply and services agreements were recorded as accounts payables – affiliate or accounts receivables – affiliate, as appropriate. Under these agreements, GenOn Energy Management resold REMA's energy products in the PJM spot and forward markets and to other third parties. REMA was paid the amount received by GenOn Energy Management for such capacity and energy. REMA had counterparty credit risk in the event that GenOn Energy Management was unable to collect amounts owed from third parties for the resale of REMA's energy products. Substantially all energy marketing overhead expenses were allocated to GenOn's operating subsidiaries.

		Year ended December 31	
		2015	**2014**
		(In millions)	
Sales to related parties under various commodity agreements (a)	$	287	596
Purchases from related parties under various commodity agreements (b)		53	148
Fees charged by related parties for these services and included in cost of operations – affiliate		1	4

(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 2015 and 2014, the net subordinated accounts and interest payable to affiliates was $797 million and $729 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 $26 million and $26 million during the year ended December 31, 2015 and 2014 respectively. See note 10, 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 9.5% per year. At December 31, 2015 and 2014, REMA had $544 million outstanding under the note. In connection with this note, REMA has accrued subordinated interest payable to affiliate of $272 million and $221 million at December 31, 2015 and 2014, 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 10, 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, 2015. REMA may replace this note with a working capital facility from an unaffiliated lender if then permitted under GenOn's debt agreements. There were no borrowings under the note during the years ended and as of December 31, 2015 and 2014, respectively.

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. At December 31, 2015, the amount of credit support was $36 million.

(4) Fair Value of Financial Instruments

For cash and cash equivalents, insurance receivable, accounts payable, accounts payable – affiliate, and accrued expenses and other 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. There are no financial instruments recorded at fair value on a reoccurring basis at December 31, 2015 and at December 31, 2014.

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.
- 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.

(5) Inventory

Inventory consisted of:

		December 31	
		2015	2014
		(In millions)	
Fuel oil	$	22	23
Coal		—	10
Spare parts		27	27
Other		2	1
Total inventory	$	51	61

(6) Property, Plant and Equipment

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

	December 31 2015	December 31 2014	Depreciable lives
	(In million)		
Facilities and equipment	$ 380	315	4–28 years
Land and improvements	43	40	
Construction in progress	66	50	
Total property, plant and equipment	489	405	
Accumulated depreciation	(72)	(46)	
Net property, plant and equipment	$ 417	359	

(7) 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 deactivated the following generating capacity, primarily coal-fired units, at the referenced times: Gilbert (98 MW) May 2015, Glen Gardner (160 MW) May 2015 and Werner (210 MW) May 2015.

During the fourth quarter of 2015, the oil conversion project at the Portland facility was suspended indefinitely. In connection with the project suspension, REMA wrote off the balance of fixed assets associated with the project and recognized expected losses on related contracts totaling $20 million recorded as impairment losses in the consolidated statement of operations.

NRG deactivated Portland coal Units 1 and 2 (401 MW) effective December 1, 2015.

NRG mothballed the coal-fired Units 1, 2, 3 and 4 at the Shawville generating facility (597 MW) beginning on April 16, 2015, and then will return these units to service no later than the fall of 2016 using natural gas.

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 2013 relating to its excess inventory. At December 31, 2015, the aggregate carrying value of property, plant and equipment, net and spare parts for the generating facilities expected to be deactivated through 2015 was $34 million and $2 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.

(8) Intangible Assets and Out of Market Contracts

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 were held-for-use and amortized on a straight-line basis to depreciation and amortization.

Out-of-market contracts – In connection with the acquisition of GenOn by NRG on December 15, 2012, REMA the off-market component of the operating leases, as described in note 10, *Commitments and Contingencies*, was recorded as an out-of-market liability of $186 million. The out-of-market contracts associated are amortized to cost of operations over their contractual lives. For the year ended December 31, 2015 and December 31, 2014, amortization of out-of-market contracts was $11 million.

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

2016	$	11
2017		11
2018		11
2019		11
2020		11

(9) 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, 2015 and 2014, along with the additions, reductions and accretion related to REMA's ARO obligations for the year ended December 31, 2015 (in millions):

Balance as of December 31, 2014	$	42
Payments		(1)
Accretion – expense		3
Balance as of December 31, 2015	$	44

(10) Commitments and Contingencies

Commitments

(a) REMA Operating Leases

The Company, through its indirect subsidiary, NRG REMA, LLC, leases a 100% interest in the Shawville coal generation facility through 2026 and leases 16.7% and 16.5% interest in the Keystone and Conemaugh coal generation facilities through 2034, respectively, and expects to make payments under the leases through 2029 in accordance with the terms of the leases. The Company accounts for these leases as operating leases and records lease expense on a straight-line basis over the respective lease terms. In connection with the acquisition of GenOn, the Company recorded the out-of-market value as a liability in out-of-market contracts of $186 million. The liability will be amortized through rent expense on a straight-line basis over the respective terms of the leases. The Company expects to record lease expense, net of amortization of the out-of-market liability, of approximately $29 million per year through the term of the leases.

In late April 2014, NRG notified PJM that it no longer intends to place coal-fired Units 1, 2, 3, and 4 at Shawville generating facility (597 MW) in long term protective layup, but instead mothball those units beginning on April 16, 2015, and then return those units to service no later than the summer of 2016, using natural gas. Under the lease agreement for Shawville, NRG'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.

The Company operates the Conemaugh and Keystone facilities under five-year agreements, of which the contract has been renewed for an additional five years effective January 1, 2016, that, subject to certain provisions and notifications, could be terminated annually with one year's notice. The Company is reimbursed by the other owners for the cost of direct services provided to the Conemaugh and Keystone facilities. Additionally, the Company received fees of $11 million and $11 million during 2015 and 2014, respectively. These fees, which are recorded in other revenue in the consolidated statements of operations, are primarily to cover REMA's administrative support costs of providing these services.

Minimum lease commitments under the REMA operating lease for the years ending after December 31, 2015, are as follows (in millions):

2016	$	61
2017		63
2018		55
2019		65
2020		56
Thereafter		278
Total	$	578

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, 2015, REMA was limited by the covenant restricting dividends and the payment of subordinated obligations.

(b) Fuel Commitments

REMA has commitments under coal agreements of various quantities and durations. At December 31, 2015, the maximum remaining term under any individual fuel supply contract is three years.

As of December 31, 2015, REMA's commitments under such outstanding agreements are estimated as follows (in millions):

2016	$	76
2017		74
2018		58
Total	$	208

(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 CAA (Clean Air Act) known as "new source review," or NSR. In January 2009, GenOn received an NOV (Notice of Violation) from the EPA (Environmental Protection Agency) alleging that past work at Keystone, Portland and Shawville generating stations violated regulations regarding NSR. In December 2007, the NJDEP (New Jersey Department of Environmental Protection) filed suit alleging that NSR violations occurred at the Portland generating station, which suit was resolved pursuant to a July 2013 Consent Decree.

(d) 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 in the amount of $25 million at December 31, 2015 and $24 million at December 31, 2014 associated with these environmental liabilities as part of its asset retirement obligations. 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 $19 million and $18 million as of December 31, 2015 and 2014, respectively.

(e) 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 $3 million at December 31, 2015 and 2014, respectively. 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, 2015 and 2014.

(11) 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.

(12) Subsequent Events

These financial statements and notes reflect the Company's evaluation of events occurring subsequent to the balance sheet date through April 29, 2016, the date the financial statements are available to be issued.