NRG REMA LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015 and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, GenOn Energy, Inc. (the Company's parent) does not have sufficient liquidity to satisfy its' obligations as of December 31, 2016 and as a result raises substantial doubt about its ability to continue as a going concern. The potential outcomes as described in Note 1 related to GenOn Energy, Inc. further raises substantial doubt about GenOn Energy, Inc.'s wholly owned subsidiary, NRG REMA, LLC's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
March 24, 2017

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands)

Assets	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 99,500	191,894
Insurance receivable	—	1,978
Accounts receivable	1,877	—
Accounts receivable—affiliate	21,147	—
Inventory	50,506	50,672
Prepayments and other current assets	41,628	46,305
Total current assets	214,658	290,849
Property, plant and equipment:		
In service	406,835	423,438
Under construction	4,597	65,960
Total property, plant and equipment	411,432	489,398
Less accumulated depreciation and amortization	(68,977)	(71,844)
Net property, plant and equipment	342,455	417,554
Other assets:		
Intangible assets, net	157	170
Other noncurrent assets	63,207	47,684
Total other assets	63,364	47,854
Total assets	$ 620,477	756,257
Liabilities and Member's Deficit		
Current liabilities:		
Current portion of capital lease	$ 328	313
Accounts payable	19,183	34,057
Accounts payable – affiliate	—	2,170
Subordinated accounts and interest payable, net – affiliate	879,634	797,320
Subordinated interest payable on subordinated note payable – affiliate	323,271	272,176
Accrued expenses and other current liabilities	7,705	7,763
Total current liabilities	1,230,121	1,113,799
Other noncurrent liabilities:		
Long-term portion of capital lease	1,535	1,863
Out-of-market contracts	140,647	151,828
Other noncurrent liabilities	49,241	54,702
Subordinated note payable – affiliate	543,563	543,563
Total noncurrent liabilities	734,986	751,956
Total liabilities	1,965,107	1,865,755
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)
(Accumulated deficit) / retained earnings	(210,202)	24,930
Total member's deficit	(1,344,630)	(1,109,498)
Total liabilities and member's deficit	$ 620,477	756,257

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Operating revenues:			
Operating revenues	$	3,029	3,201
Operating revenues – affiliate		181,115	287,475
Other revenue		11,340	10,960
Total operating revenues		195,484	301,636
Operating costs and expenses:			
Cost of operations		132,879	146,001
Cost of operations – affiliate		32,846	78,938
Facilities leases		29,388	29,388
Depreciation and amortization		22,435	28,209
Impairment loss		107,017	20,170
General and administrative – affiliate		29,230	37,993
Total operating costs and expenses		353,795	340,699
Operating loss		(158,311)	(39,063)
Other (expense)/income:			
Interest expense		(908)	(167)
Interest expense – affiliate		(76,507)	(77,628)
Other income, net		594	333
Total other expense, net		(76,821)	(77,462)
Net loss	$	(235,132)	(116,525)

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Member's Deficit

Years ended December 31, 2016 and 2015

(in thousands)

		Common stock	Capital deficit	Retained earnings (Accumulated deficit)	Total member's (deficit)
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)
Net loss		—	—	(235,132)	(235,132)
Balance, December 31, 2016	$	—	(1,134,428)	(210,202)	(1,344,630)

See accompanying notes to consolidated financial statements.

NRG REMA, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Year ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Cash flows from operating activities:			
Net loss	$	(235,132)	(116,525)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		22,435	28,209
Impairment loss		107,017	20,170
Accretion of asset retirement obligation		2,466	2,694
Amortization of intangible assets and out-of-market contracts		(11,168)	(11,238)
Changes in assets and liabilities:			
Prepayments and other current assets		4,677	(1,422)
Accounts receivable and payable – affiliate		(23,317)	(64,013)
Subordinated accounts and interest payable, net – affiliate		82,314	68,500
Subordinated interest payable on subordinated note payable – affiliate		45,257	51,095
Other		(17,104)	(20,482)
Net cash used by operating activities		(22,555)	(43,012)
Cash flows from investing activities:			
Capital expenditures		(69,511)	(87,090)
Net cash used by investing activities		(69,511)	(87,090)
Cash flows from financing activities:			
Payments for capital lease		(328)	(313)
Net cash used by financing activities		(328)	(313)
Net decrease in cash and cash equivalents		(92,394)	(130,415)
Cash and cash equivalents, beginning of period		191,894	322,309
Cash and cash equivalents, end of period	$	99,500	191,894
Supplemental disclosure for noncash investing activities:			
(Decrease) increase in accounts payable for capital expenditures	$	(14,445)	9,796

See accompanying notes to consolidated financial statements.

(1) Nature of Business

General

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 15 generating facilities in Pennsylvania and New Jersey with net electric generating capacity of 2,300 megawatts (MW).

Name and location of facility	Percentage owned (%)	MW (a)	Primary fuel-type
Blossburg, PA	100	19	Natural Gas
Conemaugh, New Florence, PA **(b)**	16.45	282	Coal/Oil
Gilbert, Milford, NJ	100	438	Natural Gas
Hamilton, East Berlin, PA	100	20	Oil
Hunterstown CTs, Gettysburg, PA **(b)**	100	60	Natural Gas
Keystone, Shelocta, PA **(b)**	16.67	285	Coal/Oil
Mountain, Mount Holly Springs, PA	100	40	Oil
Orrtanna, PA	100	20	Oil
Portland, Mount Bethel, PA	100	169	Oil
Sayreville, NJ	100	217	Natural Gas
Shawnee, East Stroudsburg, PA	100	20	Oil
Shawville, PA **(b)(c)**	100	603	Natural Gas/Oil
Titus, Birdsboro, PA	100	31	Oil
Tolna, Stewartstown, PA	100	39	Oil
Warren, PA	100	57	Natural Gas
Total MW Output		2,300	

(a) Actual capacity can vary depending on factors including weather conditions, operational conditions, and other factors.

(b) REMA leases and operates 100%, 16.67% and 16.45% interests in three Pennsylvania facilities (Shawville, Keystone and Conemaugh, respectively) through facility lease agreements expiring in 2026, 2034 and 2034, respectively. The table includes REMA’s net share of the capacity of these facilities.

(c) REMA added natural gas capabilities at the Shawville facility, which was completed in the fourth quarter of 2016.

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.

Liquidity and Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming REMA will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business. As such, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should REMA be unable to continue as a going concern. Such adjustments could have a material adverse impact on REMA's results of operations, cash flows and financial position.

On February 28, 2017, GenOn disclosed factors giving rise to substantial doubt about GenOn's ability to continue as a going concern in its Form 10-K for the year ended December 31, 2016. With respect to REMA, management has determined that while it has sufficient cash on hand to fund current obligations including operating lease payments due under the REMA operating leases as of December 31, 2016, REMA may become adversely impacted by the financial stresses at its parent company which could result in insufficient liquidity to settle its outstanding subordinated accounts payable due to affiliates of $880 million if required. As such, there is substantial doubt about REMA's ability to continue as a going concern.

(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).The Accounting Standards Codification, or ASC established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

(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) 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 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. The Company removes these inventories when they are used for repairs, maintenance or capital projects. The Company expects to recover these costs in the ordinary course of business.

(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, *Property, Plant and Equipment*. An impairment loss is indicated 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 third-party appraisals, sales prices of similar assets and present value techniques. See note 7, *Impairments*, for a further discussion of impairments.

(f) Capitalized Interest

Interest incurred on funds borrowed to finance capital projects are capitalized until the capital project under construction is ready for its intended use. The amount of interest capitalized were $6 million and $3 million during the years ended December 31, 2016 and 2015, respectively. When a project is available for operations, capitalized interest is reclassified to property, plant and equipment and depreciated 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. See note 9, *Intangible Assets and Out of Market Contracts*, for further discussion.

(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 pro forma income tax benefit would have been $97 million and $48 million for the years ended December 31, 2016 and December 31, 2015, 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.

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 due to the liquidity and 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 10, *Asset Retirement Obligations*, for further discussion.

(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.

(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, Support and Technical Services by GenOn and NRG – GenOn and NRG, pursuant to the Services Agreement between GenOn and NRG, provide REMA with commercial support, technical services and 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. GenOn allocates these costs to REMA based on REMA's planned operating expenses relative to the all operating subsidiaries to which GenOn provides similar services and also charges REMA for certain other services based on usage. Management thinks this method of allocation is reasonable. These allocations and charges are not necessarily indicative of what would have been incurred had REMA been an unaffiliated entity. Payments for support services are subordinated to certain obligations, including the lease obligations, and are subject to the restricted payments test in the leases. See note 11, *Commitments*, for a discussion of the leases and restrictions

The following details the amounts recorded as cost of operations – affiliate or selling, general and administrative – affiliate related to Corporate Allocations, Support and Technical Services Provided by GenOn and NRG:

		Year ended December 31	
		2016	2015
		(In millions)	
Allocated or charged by GenOn	$	23	32

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, 2016 and 2015, $17 million and $25 million, respectively, were recorded as cost of operations – affiliate related to these services.

Procurement and Marketing Services by GenOn and NRG – REMA receives services from GenOn Energy Management and NRG which include 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	
	2016	**2015**
	(In millions)	
Sales to related parties under various commodity agreements (a)	$ 181	287
Purchases from related parties under various commodity agreements (b)	5	53
Fees charged by related parties for these services and included in cost of operations – affiliate (c)	2	1
Fees charged by related parties for these services and included in general and administrative – affiliate (c)	6	6

(a) Recorded in operating revenues – affiliate. These amounts are not subordinated.

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

(c) These amounts are subordinated.

Subordinated Accounts and Interest Payable, Net-Affiliate – REMA records payables to and receivables from GenOn as subordinated amounts. At December 31, 2016 and 2015, the net subordinated accounts and interest payable to affiliates was $880 million and $797 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 $29 million and $26 million during the year ended December 31, 2016 and 2015 respectively. See note 10, Commitments, 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, 2016 and 2015, REMA had $544 million outstanding under the note. In connection with this note, REMA has accrued subordinated interest payable to affiliate of $323 million and $272 million at December 31, 2016 and 2015, 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, 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 has the ability to borrow on this note and would repay any borrowing amounts throughout the year. The note accrues interest (which is paid monthly) at the prime rate plus 1.75%, which was 3.75% at December 31, 2016. 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, 2016 and 2015, 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, 2016, the amount of credit support available was $36 million. Fees incurred under this arrangement were $2 million and $1 million for the years ended December 31, 2016 and 2015, respectively, and were recorded as interest expense – affiliate

(4) Fair Value of Financial Instruments

For cash and cash equivalents, insurance receivable, accounts receivable, accounts receivable – affiliate, accounts payable, accounts payable – affiliate, and accrued expenses and other current 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, 2016 and at December 31, 2015.

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 held by the Company consisted of the following:

	December 31 2016	December 31 2015
	(In millions)	
Fuel oil	$ 20	22
Spare parts	30	27
Limestone	1	2
Total inventory	$ 51	51

(6) Property, Plant and Equipment

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

	As of December 31 2016	As of December 31 2015	Depreciable lives
	(In millions)		
Facilities and equipment	$ 361	380	2–28 years
Land and improvements	45	43	Shorter of life of lease or estimate
Construction in progress	5	66	
Total property, plant and equipment	411	489	
Accumulated depreciation	(69)	(72)	
Net property, plant and equipment	$ 342	417	

(7) Impairments

In accordance with ASC 360, Property, Plant, and Equipment, or ASC 360, REMA evaluates property, plant and equipment for impairment whenever indicators of impairment exist. Examples of such indicators or events are:

- Significant decrease in the market price of a long-lived asset;
- Significant adverse change in the manner an asset is being used or its physical condition;
- Adverse business climate;

- Accumulation of costs significantly in excess of the amount originally expected for the construction or acquisition of an asset;
- Current period loss combined with a history of losses or the projection of future losses; and
- Change in management's intent about an asset from an intent to hold to a greater than 50% likelihood that an asset will be sold or disposed of before the end of its previously estimated useful life.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset, through considering project specific assumptions for long-term power pool prices, escalated future project operating costs and expected plant operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets by factoring in the probability weighting of different courses of action available to the Company. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows. REMA uses its best estimates in making these evaluations and considers various factors, including forward price curves for energy, fuel costs and operating costs. However, actual future market prices and project costs could vary from the assumptions used in REMA's estimates, and the impact of such variations could be material. For assets to be held and used, if REMA determines that the undiscounted cash flows from the asset are less than the carrying amount of the asset, the Company must estimate fair value to determine the amount of any impairment loss. The estimation of fair value under ASC 360 is, by its nature, subjective. REMA considers quoted market prices in active markets to the extent they are available. REMA will also discount the estimated future cash flows associated with the asset using a single interest rate representative of the risk involved with such an investment or employ an expected present value method that probability-weights a range of possible outcomes. Annually, during the fourth quarter, REMA revises their views of power and fuel prices including the Company's fundamental view for long term prices, estimated generation, and forecasted operating expenses and capital expenditures in connection with the preparation of its annual budget. Changes to REMA's view of long term power and fuel prices impacted the Company's projections of profitability, based on management's estimate of supply and demand within the sub-markets for each plant and the physical and economic characteristics of each plant. The following are the long-lived impairments recognized by REMA for the years ended December 31, 2016, and 2015

Keystone and Conemaugh Leased Interest – During the year ended December 31, 2016, REMA revised its forecasted cash flows in connection with the preparation of its annual budget. REMA noted the cash flows for the leased interests in Keystone and Conemaugh were below the carrying value of the related assets, primarily driven by a reduction in long-term energy and capacity prices in PJM, and the assets were impaired. The fair value of the interests in Keystone and Conemaugh were determined using the income approach which utilizes estimates of discounted future cash flows, which were Level 3 fair value measurements and include key inputs such as forecasted power, capacity and fuel prices, forecasted operating expenses, contractual lease payments and discount rates. REMA recorded impairment losses of $10 million and $97 million for Keystone and Conemaugh, respectively, for the year ended December 31, 2016.

Portland– During the year ended December 31, 2015, the oil 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 recorded expected losses on contracts totaling $20 million.

(8) Intangible Assets and Out of Market Contracts

REMA's intangible assets are comprised of emission allowances, which are primarily SO_2 emission allowances granted to the REMA generating facilities. These emission allowances were held-for-use and amortized to cost of operations on a straight-line basis.

Out-of-market contracts – In connection with the acquisition of GenOn by NRG on December 15, 2012, the out-of-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 years ended December 31, 2016 and December 31, 2015, amortization of out-of-market contracts was $11 million per year.

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

2017	$	11
2018		11
2019		11
2020		11
2021		11

(9) Asset Retirement Obligations

REMA's AROs are primarily related to 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. ARO balances are included in other current liabilities and other noncurrent liabilities on the balance sheets as of December 31, 2016 and 2015, respectively. Liabilities associated with AROs on the consolidated balance sheets include $5 million and $4 million which are included in other current liabilities and $32 million and $40 million which are included in other noncurrent liabilities for the years ended December 31, 2016 and 2015, respectively.

The following table represents the balance of ARO obligations as of December 31, 2016 and 2015, along with the additions, reductions and accretion related to REMA's ARO obligations for the year ended December 31, 2016 (in millions):

Balance as of December 31, 2015	$	44
Payments		(2)
Accretion – expense		2
Revisions		(7)
Balance as of December 31, 2016	$	37

(10) Commitments

(a) REMA Operating Leases

REMA leases a 100% interest in the Shawville 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 in accordance with the terms of the leases. At the expiration of these leases, there are several renewal options based on fair value at expiration. 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 for each of the years ended December 31, 2016 and 2015, respectively, net of annual amortization of out-of-market liability of $11 million. Rent expense is included in cost of operations. REMA has paid $82 million and $61 million of lease payments in excess of rent expense recognized, which is included in prepaid rent and other current assets and other noncurrent assets on the consolidated balance sheets as of December 31, 2016 and 2015, respectively. Of these amounts, $41 million is included, for both 2016 and 2015, in prepaid rent and other current assets.

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. These units were returned to service during the fourth quarter of 2016 at the completion of the addition of natural gas capabilities.

REMA operates the Conemaugh and Keystone generating facilities under 5-year agreements that initially expired in December 2015 and were renewed through December 2020. Under certain provisions and notifications, the agreements could be terminated annually with 1 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 $11 million for each of the years ended December 31, 2016, and 2015, and are recorded in other revenue in the consolidated statements of operations.

Minimum lease commitments under the REMA operating lease for the years ending after December 31, 2016, are as follows (in millions):

2017	$	63
2018		55
2019		65
2020		56
2021		47
Thereafter		231
Total	$	517

Pursuant to the terms of the lease, REMA's is restricted from, among other actions, (a) encumbering assets, (b) entering into business combinations or divesting assets, (c) incurring additional debt, (d) entering into transactions with affiliates on other than an arm's length basis or (e) materially change its business. In addition, Under its operating lease REMA is not permitted to make any distributions or 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. In the event of a default under the respective operating lease or if the respective restricted payment test is not satisfied, REMA would not be able to distribute cash. At December 31, 2016, REMA did not satisfy the restricted payment test and was limited by the covenant restricting dividends and the payment of subordinated obligations.

(b) Fuel and Fuel Transportation Commitments

REMA has commitments under coal and limestone agreements and natural gas transportation contracts. At December 31, 2016, the maximum remaining term under any individual fuel supply contract is two years and any transportation contract is ten years.

As of December 31, 2016, REMA's commitments under such outstanding agreements are estimated as follows (*in millions*):

2017	$	93
2018		58
2019		2
2020		1
2021		1
Thereafter		6
Total	$	161

(c) 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 $22 million and $25 million at December 31, 2016 and December 31, 2015, respectively, 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 $14 million and $19 million as of December 31, 2016 and 2015, respectively.

(d) 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 and 3 million at December 31, 2016 and 2015, 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, 2016 and 2015.

(11) 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.

(12) 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.

REMA's maximum potential exposure under these indemnifications can range from a specified dollar amount to an indeterminate amount, depending on the nature of the transaction. Total maximum potential exposure under these indemnifications is not estimable due to uncertainty as to whether claims will be made or how they will be resolved. REMA does not have any reason to believe that the Company will be required to make any material payments under these indemnity provisions.

(13) Subsequent Events

These financial statements and notes reflect the Company's evaluation of events occurring subsequent to the balance sheet date through March 24, 2017, the date the financial statements are available to be issued.