NRG YIELD, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion analyzes the Company's historical financial condition and results of operations which were recast to include the effect of the Acquired ROFO Assets and EME-NYLD-Eligible Assets on June 30, 2014, and January 2, 2015, respectively. As further discussed in Note 1, *Nature of Business* to the consolidated financial statements, the purchase of these assets was accounted for in accordance with *ASC 850-50, Business Combinations - Related Issues*, whereas the assets and liabilities transferred to the Company relate to interests under common control by NRG and accordingly, were recorded at historical cost. The difference between the cash proceeds and historical value of the net assets was recorded as a distribution to NRG and reduced the balance of its noncontrolling interest. The guidance requires retrospective combination of the entities for all periods presented as if the combination has been in effect since the inception of common control.

As you read this discussion and analysis, refer to the Company's Consolidated Statements of Operations to this Form 10-Q, which present the results of operations for the three months ended March 31, 2015, and 2014. Also refer to the Company's 2014 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition.

The discussion and analysis below has been organized as follows:

- Executive Summary, including a description of the business and significant events that are important to understanding the results of operations and financial condition;
- Results of operations, including an explanation of significant differences between the periods in the specific line items of the consolidated statements of operations;
- Financial condition addressing liquidity position, sources and uses of cash, capital resources and requirements, commitments, and off-balance sheet arrangements;
- Known trends that may affect the Company’s results of operations and financial condition in the future; and
- Critical accounting policies which are most important to both the portrayal of the Company's financial condition and results of operations, and which require management's most difficult, subjective or complex judgment.

Executive Summary

Introduction and Overview

The Company is a dividend growth-oriented company formed to serve as the primary vehicle through which NRG owns, operates and acquires contracted renewable and conventional generation and thermal infrastructure assets. The Company believes it is well positioned to be a premier company for investors seeking stable and growing dividend income from a diversified portfolio of lower-risk high-quality assets.

The Company owns a diversified portfolio of contracted renewable and conventional generation and thermal infrastructure assets in the U.S. The Company's contracted generation portfolio collectively represents 3,630 net MW. Each of these assets sells substantially all of its output pursuant to long-term offtake agreements with creditworthy counterparties. The average remaining contract duration of these offtake agreements was approximately 17 years as of March 31, 2015, based on cash available for distribution. The Company also owns thermal infrastructure assets with an aggregate steam and chilled water capacity of 1,310 net MWt and electric generation capacity of 123 net MW. These thermal infrastructure assets provide steam, hot water and/or chilled water, and in some instances electricity, to commercial businesses, universities, hospitals and governmental units in multiple locations, principally through long-term contracts or pursuant to rates regulated by state utility commissions.

Regulatory Matters

As owners of power plants and participants in wholesale and thermal energy markets, certain of the Company's subsidiaries are subject to regulation by various federal and state government agencies. These include Federal Energy Regulatory Commission, or FERC, and the Public Utility Commission of Texas, or PUCT, as well as other public utility commissions in certain states where the Company's assets are located. Each of the Company's U.S. generating facilities qualifies as an exempt wholesale generator, or an EWG. In addition, the Company is subject to the market rules, procedures and protocols of the various independent system operators, or ISO, and renewable transmission originators, or RTO, or markets in which it participates. Likewise, the Company must also comply with the mandatory reliability requirements imposed by NERC and the regional reliability entities in the regions where the Company operates.

The Company's operations within the Electric Reliability Council of Texas, or ERCOT, footprint are not subject to rate regulation by FERC, as they are deemed to operate solely within the ERCOT market and not in interstate commerce. These operations are subject to regulation by PUCT.

Environmental Matters

The Company is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of facilities. The Company is also subject to laws and regulations surrounding the protection of wildlife, including migratory birds, eagles and threatened and endangered species. Environmental laws have become increasingly stringent and the Company expects this trend to continue. The electric generation industry is likely to face new requirements to address various emissions, including greenhouse gases, and threatened and endangered species.

Significant Events During 2015

EME-NYLD-Eligible Assets Acquisition

On January 2, 2015, Yield Operating acquired the following projects from NRG: (i) Laredo Ridge, an 80 MW wind facility located in Petersburg, Nebraska; (ii) the Tapestry projects, which include Buffalo Bear, a 19 MW wind facility in Oklahoma; Taloga, a 130 MW wind facility in Oklahoma; and Pinnacle, a 55 MW wind facility in West Virginia; and (iii) Walnut Creek, a 485 MW natural gas facility located in City of Industry, California, for total cash consideration of $489 million including adjustments of $9 million for working capital, plus assumed project level debt of $737 million. The Company funded the acquisition with cash on hand and approximately $210 million borrowed under the Company's revolving credit facility.

Recapitalization and Amended ROFO Agreement

On February 24, 2015, Yield, Inc.'s board of directors approved amendments to the certificate of incorporation that would adjust the capital structure by creating two new classes of capital stock, Class C common stock and Class D common stock and distribute shares of the proposed Class C and Class D common stock to holders of Yield, Inc.'s outstanding Class A and Class B common stock, respectively, through a stock split. The amendments were approved by the stockholders at the Annual Meeting of Stockholders held on May 5, 2015 and the recapitalization became effective on May 14, 2015. The recapitalization enhances Yield, Inc.'s and its subsidiaries' ability to focus on growth opportunities without the constraints of NRG's capital allocation, while maintaining Yield, Inc.'s relationship with NRG. The recapitalization preserves NRG's management and operational expertise, asset development and acquisition track record, financing experience and provides flexibility for Yield, Inc. to raise capital to fund its growth.

The Class C common stock and Class D common stock will have the same rights and privileges and rank equally, share ratably and be identical in all respects to the shares of Class A common stock and Class B common stock, respectively, as to all matters, except that each share of Class C common stock and Class D common stock will be entitled to 1/100th of a vote on all stockholder matters.

In connection with the amendments described above, Yield, Inc. and NRG agreed to amend the ROFO Agreement, effective upon the recapitalization, to make additional assets available to the Company should NRG choose to sell them, including (i) two natural gas facilities totaling 795 MW of net capacity that are expected to reach COD in 2017 and 2020, (ii) an equity interest in a wind portfolio that includes wind facilities totaling approximately 934 MW of net capacity, and (iii) up to $250 million of equity interests in one or more residential or distributed solar generation portfolios developed by affiliates of NRG.

Residential Solar Partnership with NRG

On April 9, 2015, NRG Yield RPV Holding LLC, a subsidiary of the Company, and NRG Residential Solar Solutions LLC, a subsidiary of NRG, entered into a partnership that will invest in and hold operating portfolios of residential solar assets developed by NRG Home Solar, a subsidiary of NRG, including: (i) an existing, unlevered portfolio of over 2,200 leases across nine states representing approximately 17 MW with a weighted average remaining lease term of approximately 17 years; (ii) an in-development, tax equity financed portfolio of between 6,000 to 7,000 leases across at least ten states representing approximately 48 MW with a lease term of 20 years; and (iii) an in-development tax equity financed portfolio of 5,500 to 6,500 leases representing approximately 42 MW with a lease term of 20 years. Through the partnership, the Company will invest equity in NRG RPV Holdco and receive an allocation of 95% of the partnership's taxable income and cash distributions over the contracted life of the investments. NRG will retain a 5% residual economic interest in the portfolio and will act as managing member of the partnership. The Company has committed to invest up to an additional $150 million of cash contributions with respect to the tax equity financed portfolios into the partnership over time and expects to realize an average unlevered CAFD yield of approximately 7.5% over the contracted life of these investments. Once the Company reaches its expected return on its investment, which is expected to be achieved consistent with the expiry of the remaining lease term, allocations of taxable income and cash distributions thereafter will be 95% to NRG and 5% to the Company.

Distributed Generation Partnership

The Company and NRG plan to form a new partnership that will invest in and hold operating portfolios of distributed solar assets developed by NRG. The partnership will allow NRG to periodically monetize its distributed solar investments and the Company to invest in a growing segment of the solar market.

Under the terms of the partnership agreement, the Company will receive 95% of the economics until achieving a targeted return, expected to be achieved commensurate with the end of the customer contract period, after which NRG will receive 95% of the economics. The Company has initially committed to invest up to $100 million of cash equity into the partnership over time. While none of the commitment has been utilized to date, the partnership is expected to be fully invested over the next 18 months.

El Segundo Forced Outage

In January 2015, El Segundo experienced a steam turbine water intrusion resulting in a forced outage on Units 5 and 6. The Company has undertaken a root cause analysis and is reviewing the financial impact of repair costs and capacity revenue loss that are not otherwise covered by warranty or available insurance coverage. The units returned to service in April 2015.

Wind Resource Availability

In the first quarter of 2015, the Company's results were impacted by lower than normal wind resource availability. While the Company's wind facilities were available, adverse weather trends had a negative impact on wind resources. The Company cannot predict the impact of this trend on future performance or results.

Basis of Presentation

The acquisitions of the TA High Desert, Kansas South, and El Segundo projects from NRG on June 30, 2014, and the Laredo Ridge, Tapestry, and Walnut Creek projects on January 2, 2015, were accounted for as a transfer of entities under common control. The guidance requires retrospective combination of the entities for all periods presented as if the combination has been in effect since the inception of common control. Accordingly, the Company prepared its consolidated financial statements to reflect the transfer as if it had taken place on January 1, 2014, or from the date the entities were under common control, which was May 13, 2013, for Kansas South, March 28, 2013, for TA High Desert, and April 1, 2014, for the EME-NYLD-Eligible Assets. Members' equity represents NRG's equity in the subsidiaries, and accordingly, in connection with their acquisition by the Company, the balance was reclassified to noncontrolling interest. The Company reduces net income attributable to its Class A common stockholders by the pre-acquisition net income for the Acquired ROFO Assets as it is not available to the stockholders.

Consolidated Results of Operations

The following table provides selected financial information:

	Three months ended March 31,		
(In millions, except otherwise noted)	2015	2014	Change %
Operating Revenues			
Total operating revenues	$ 180	$ 140	29
Operating Costs and Expenses			
Cost of fuels	22	35	(37)
Other costs of operations	53	25	112
Depreciation and amortization	54	24	125
General and administrative — affiliate	3	2	50
Total operating costs and expenses	132	86	53
Operating Income	48	54	(11)
Other Income (Expense)			
Equity in earnings of unconsolidated affiliates	1	1	—
Other income, net	1	1	—
Interest expense	(69)	(26)	165
Total other expense, net	(67)	(24)	179
Net (Loss) Income	(19)	30	(163)

	Three months ended March 31,	
Business metrics:	2015	2014
Renewable MWh sold (in thousands) [(a)]	723	211
Thermal MWt sold (in thousands) [(b)]	617	667

(a) Volumes sold do not include the MWh generated by the Company's equity method investments, Avenal and CVSR.

(b) Volumes sold do not include MWh of 44 thousand and 72 thousand for thermal generation for the three months ended March 31, 2015, and 2014, respectively.

Management's Discussion of the Results of Operations for the Three Months ended March 31, 2015 and 2014

Gross Margin

(In millions)	Conventional	Renewables	Thermal	Total
Three months ended March 31, 2015				
Operating revenues	$ 76	$ 57	$ 47	$ 180
Cost of fuels	(1)	—	(21)	(22)
Gross margin	$ 75	$ 57	$ 26	$ 158
Three months ended March 31, 2014				
Operating revenues	$ 56	$ 19	$ 65	$ 140
Cost of fuels	(1)	—	(34)	(35)
Gross margin	$ 55	$ 19	$ 31	$ 105

Gross margin increased by $53 million during the three months ended March 31, 2015 compared to the same period in 2014 due to:

Increase in Renewables gross margin from the acquisition of the Alta Wind Portfolio in August 2014 and the acquisition of the Tapestry and Laredo Ridge, which were acquired by NRG in April 2014 and sold to the Company on January 2, 2015	$ 38
Increase in Conventional gross margin from Walnut Creek, which was acquired by NRG in April 2014 and sold to the Company on January 2, 2015, partially offset by reduced revenues at El Segundo due to the forced outage in the first quarter of 2015	20
Decrease in Thermal gross margin due to milder weather conditions in the first quarter of 2015 compared to 2014	(5)
	$ 53

Other Operating Costs

(In millions)	Conventional	Renewables	Thermal	Total
Three months ended March 31, 2015	$ 20	$ 20	$ 13	$ 53
Three months ended March 31, 2014	9	4	12	25

Other operating costs increased by $28 million during the three months ended March 31, 2015, compared to the same period in 2014 due to:

Increase primarily due to operations and maintenance expense for the Alta Wind Portfolio acquired in August 2014 and the Walnut Creek, Tapestry Wind and Laredo Ridge projects, which were acquired by NRG in April 2014 and sold to the Company on January 2, 2015	$ 23
Increase in costs associated with operations and maintenance expense at El Segundo due to the forced outage in the first quarter of 2015	5
	$ 28

Depreciation and Amortization

Depreciation and amortization increased by $30 million during the three months ended March 31, 2015, compared to the same period in 2014, due to the acquisition of the Alta Wind Portfolio in August 2014 and the acquisitions of Walnut Creek, Tapestry Wind and Laredo Ridge, which were completed by NRG in April 2014 and subsequently sold to the Company on January 2, 2015.

Interest Expense

Interest expense increased by $43 million during the three months ended March 31, 2015, compared to the same period in 2014 due to:

(In millions)		
Increase due to the acquisition of the Alta Wind Portfolio in August 2014 and the acquisitions of Walnut Creek, Tapestry Wind and Laredo Ridge, which were acquired by NRG in April 2014 and sold to the Company on January 2, 2015	$	35
Increase from the issuance of intercompany debt with Yield Inc. due 2019 and the Senior Notes due 2024		9
Increase from borrowings under the Company's revolving credit facility		2
Decrease from repricing of project-level financing arrangements as well as repayments of principal		(3)
	$	43

Liquidity and Capital Resources

The Company's principal liquidity requirements are to meet its financial commitments, finance current operations, fund capital expenditures, including acquisitions from time to time, to service debt and to pay distributions. Historically, the Company's predecessor operations were financed as part of NRG's integrated operations and largely relied on internally generated cash flows as well as corporate and/or project-level borrowings to satisfy its capital expenditure requirements. As a normal part of the Company's business, depending on market conditions, the Company will from time to time consider opportunities to repay, redeem, repurchase or refinance its indebtedness. Changes in the Company's operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may cause the Company to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions.

Liquidity Position

As of March 31, 2015, and December 31, 2014, the Company's liquidity was approximately $379 million and $863 million, respectively, comprised of cash, restricted cash, and availability under the Company's revolving credit facility. The decrease primarily relates to the acquisition of the EME-NYLD-Eligible Assets. On January 2, 2015, the Company borrowed $210 million under its revolving credit facility to fund the acquisition of Walnut Creek, Laredo Ridge and the Tapestry projects. On February 2, 2015, the Company made an optional repayment of $15 million. The Company's various financing arrangements are described in Note 8, *Long-term Debt.*

Management believes that the Company's liquidity position, cash flows from operations and availability under its revolving credit facility will be adequate to meet the Company's financial commitments, debt service obligations, finance growth, operating and maintenance capital expenditures, and to fund distributions to Yield, Inc. and NRG. Management continues to regularly monitor the Company's ability to finance the needs of its operating, financing and investing activity within the dictates of prudent balance sheet management.

Credit Ratings

Credit rating agencies rate a firm's public debt securities. These ratings are utilized by the debt markets in evaluating a firm's credit risk. Ratings influence the price paid to issue new debt securities by indicating to the market the Company's ability to pay principal, interest and preferred dividends. Rating agencies evaluate a firm's industry, cash flow, leverage, liquidity, and hedge profile, among other factors, in their credit analysis of a firm's credit risk. The Company's Senior Notes are rated BB+ by S&P and Ba1 by Moody's.

Sources of Liquidity

The Company's principal sources of liquidity include cash on hand, cash generated from operations, borrowings under new and existing financing arrangements, and the issuance of additional equity securities by Yield, Inc. as appropriate given market conditions. As described in Note 8, *Long-term Debt*, the Company's financing arrangements consist of the revolving credit facility, the Senior Notes, its intercompany borrowings with Yield Inc. and project-level financings for its various assets.

Recapitalization

As discussed in *Significant Events During 2015* above, amendments to the Yield, Inc.'s certificate of incorporation were approved by the stockholders at the Annual Meeting of Stockholders held on May 5, 2015 and the recapitalization became effective on around May 14, 2015.

The Class C common stock and Class D common stock will have the same rights and privileges and rank equally, share ratably and be identical in all respects to the shares of Class A common stock and Class B common stock, respectively, as to all matters, except that each share of Class C common stock and Class D common stock will be entitled to 1/100th of a vote on all stockholder matters.

Uses of Liquidity

The Company's requirements for liquidity and capital resources, other than for operating its facilities, are categorized as: (i) debt service obligations, as described more fully in Note 8, *Long-term Debt*; (ii) capital expenditures; (iii) acquisitions and investments; and (iv) distributions.

Capital Expenditures

The Company's capital spending program is mainly focused on maintenance capital expenditures, or costs to maintain the assets currently operating, such as costs to replace or refurbish assets during routine maintenance. The Company develops annual capital spending plans based on projected requirements for maintenance capital. For the three months ended March 31, 2015 and 2014, the Company used approximately $3 million and $22 million, respectively, to fund capital expenditures. The capital expenditures in the first quarter of 2015 primarily related to maintenance expense. During the first quarter of 2015, the Company did not incur significant growth capital expenditures related to the construction of new assets and/or the completion of the construction of new assets if already in process.

In January 2015, El Segundo experienced a steam turbine water intrusion resulting in a forced outage on Units 5 and 6. The Company has undertaken a root cause analysis and is reviewing the financial impact of repair costs and capacity revenue loss that are not otherwise covered by warranty or available insurance coverage. The units returned to service in April 2015.

Acquisitions and Investments

The Company intends to acquire generation assets developed and constructed by NRG in the future, as well as generation and thermal infrastructure assets from third parties where the Company believes its knowledge of the market, operating expertise and access to capital provides a competitive advantage, and to utilize such acquisitions as a means to grow its cash available for distribution.

On January 2, 2015, Yield Operating acquired the following projects from NRG: (i) Laredo Ridge, a 80 MW wind facility located in Petersburg, Nebraska; (ii) the Tapestry projects, which include Buffalo Bear, a 19 MW wind facility in Oklahoma; Taloga, a 130 MW wind facility in Oklahoma; and Pinnacle, a 55 MW wind facility in West Virginia; and (iii) Walnut Creek, a 485 MW natural gas facility located in City of Industry, California, for total cash consideration of $489 million including adjustments of $9 million for working capital, plus assumed project level debt of $737 million. The Company funded the acquisition with cash on hand and approximately $210 million borrowed under the Company's revolving credit facility.

On May 7, 2015, Yield Operating acquired a majority interest in Spring Canyon II, a 34 MW wind facility, and Spring Canyon III, a 29 MW wind facility, each located in Logan County, Colorado, from Invenergy Wind Global LLC. The purchase price was funded with cash on hand. Power generated by Spring Canyon II and Spring Canyon III is sold to Platte River Power Authority under long-term PPAs with approximately 25 years of remaining contract life.

On April 9, 2015, NRG Yield RPV Holding LLC, a subsidiary of the Company, and NRG Residential Solar Solutions LLC, a subsidiary of NRG, entered into a partnership that will invest in and hold operating portfolios of residential solar assets developed by NRG Home Solar, a subsidiary of NRG, including: (i) an existing, unlevered portfolio of over 2,200 leases across nine states representing approximately 17 MW with a weighted average remaining lease term of approximately 17 years; (ii) an in-development, tax equity financed portfolio of between 6,000 to 7,000 leases across at least ten states representing approximately 48 MW with a lease term of 20 years; and (iii) an in-development tax equity financed portfolio of 5,500 to 6,500 leases representing approximately 42 MW with a lease term of 20 years. Through the partnership, the Company will invest equity in NRG RPV Holdco and receive an allocation of 95% of the partnership's taxable income and cash distributions over the contracted life of the investments. NRG will retain a 5% residual economic interest in the portfolio and will act as managing member of the partnership. The Company has committed to invest up to an additional $150 million of cash contributions with respect to the tax equity financed portfolios into the partnership over time and expects to realize an average unlevered CAFD yield of approximately 7.5% over the contracted life of these investments. Once the Company reaches its expected return on its investment, which is expected to be achieved consistent with the expiry of the remaining lease term, allocations of taxable income and cash distributions thereafter will be 95% to NRG and 5% to the Company.

The Company invested $26 million in NRG RPV Holdco in April 2015 related to the existing, unlevered portfolio of leases. The Company also invested $7 million of the $150 million investment in the tax equity financed portfolios. Its maximum exposure will be limited to its equity investment.

Cash Distributions to Yield, Inc. and NRG

The Company intends to distribute to its unit holders in the form of a quarterly distribution all of the cash available for distribution that is generated each quarter less reserves for the prudent conduct of the business, including among others, maintenance capital expenditures to maintain the operating capacity of the assets. Cash available for distribution is defined as earnings before income taxes, depreciation and amortization, excluding contract amortization, cash interest paid, income taxes paid, maintenance capital expenditures, investments in unconsolidated affiliates, growth capital expenditures, net of capital and debt funding, and principal amortization of indebtedness, and including cash distributions from unconsolidated affiliates. Distributions on units are subject to available capital, market conditions, and compliance with associated laws, regulations and other contractual obligations. The Company expects that, based on current circumstances, comparable distributions will continue to be paid in the foreseeable future.

The following table lists the distributions paid on the Company's Class A and Class B units during the three months ended March 31, 2015:

	First Quarter 2015
Distributions per unit	$ 0.39

As a result of the recapitalization, the Company will adjust its dividend policy to reflect the additional number of shares of Class C common stock that will be outstanding. The Company expects to pay a quarterly dividend of $0.20 per share (representing $0.80 per share annualized on a post-split basis, or $1.60 per share annualized on a pre-split basis) beginning on June 15, 2015 to stockholders of record of Class A and Class C common stock as of June 1, 2015.

Cash Flow Discussion

The following table reflects the changes in cash flows for the three months ended March 31, 2015, compared to 2014:

Three months ended March 31, (In millions)	2015	2014	Change
Net cash provided by operating activities	$ 78	$ 25	$ 53
Net cash (used in) provided by investing activities	(489)	125	(614)
Net cash provided by financing activities	119	225	(106)

Net Cash Provided By Operating Activities

Changes to net cash provided by operating activities were driven by:	(In millions)
Higher net distributions from unconsolidated affiliates for the period ending March 31, 2015, compared to the same period in 2014, primarily due to distributions from one of the Company's equity method investments	$ 35
Increase in operating income adjusted for non-cash items and changes in working capital	18
	$ 53

Net Cash Used In Investing Activities

Changes to net cash used in investing activities were driven by:	(In millions)
Payments to acquire businesses, net of cash acquired	$ (490)
Decrease in capital expenditures as the prior year reflected construction costs for projects placed in service in early 2014	19
Changes in restricted cash	(35)
Proceeds from renewable grants in 2014	(96)
Other	(12)
	$ (614)

Net Cash Used in Financing Activities

Changes in net cash used in financing activities were driven by:	(In millions)
Dividends and returns of capital to NRG in the first quarter of 2014	$ 23
Decrease in cash received from the issuance of affiliate debt and other long term debt, net of payments	(121)
Increase in distributions paid	(8)
	$ (106)

Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

The Company may enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties.

Retained or Contingent Interests

The Company does not have any material retained or contingent interests in assets transferred to an unconsolidated entity.

Obligations Arising Out of a Variable Interest in an Unconsolidated Entity

Variable interest in equity investments — As of March 31, 2015, the Company has several investments with an ownership interest percentage of 50% or less in energy and energy-related entities that are accounted for under the equity method. One of these investments, GenConn Energy LLC, is a variable interest entity for which the Company is not the primary beneficiary.

The Company's pro-rata share of non-recourse debt held by unconsolidated affiliates was approximately $580 million as of March 31, 2015. This indebtedness may restrict the ability of these subsidiaries to issue dividends or distributions to the Company. See also Note 5, *Variable Interest Entities, or VIEs*.

Contractual Obligations and Commercial Commitments

The Company has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to our capital expenditure programs, as disclosed in the Company's 2014 financial statements. See also Note 8, *Long-term Debt* for additional discussion of contractual obligations incurred during the three months ended March 31, 2015.

Fair Value of Derivative Instruments

The Company may enter into fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at certain generation facilities. In addition, in order to mitigate interest rate risk associated with the issuance of variable rate and fixed rate debt, the Company enters into interest rate swap agreements.

The tables below disclose the activities that include non-exchange traded contracts accounted for at fair value in accordance with ASC 820. Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values at March 31, 2015, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at March 31, 2015. For a full discussion of the Company's valuation methodology of its contracts, see *Derivative Fair Value Measurements* in Note 6, *Fair Value of Financial Instruments*.

Derivative Activity Gains/(Losses)	(In millions)
Fair value of contracts as of December 31, 2014	$ (115)
Contracts realized or otherwise settled during the period	10
Changes in fair value	(32)
Fair Value of Contracts as of March 31, 2015	$ (137)

Fair value hierarchy Gains/(Losses)	Fair Value of Contracts as of March 31, 2015 — Maturity: 1 Year or Less	Greater Than 1 Year to 3 Years	Greater Than 3 Years to 5 Years	Greater Than 5 Years	Total Fair Value
			(In millions)		
Level 2	$ (40)	$ (53)	$ (20)	$ (24)	$ (137)

The Company has elected to disclose derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. As discussed below in *Quantitative and Qualitative Disclosures about Market Risk - Commodity Price Risk,* NRG, on behalf of the Company, measures the sensitivity of the portfolio to potential changes in market prices using VaR, a statistical model which attempts to predict risk of loss based on market price and volatility. NRG's risk management policy places a limit on one-day holding period VaR, which limits the net open position.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of the financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements and related disclosures in compliance with U.S. GAAP requires the application of appropriate technical accounting rules and guidance as well as the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges, and the fair value of certain assets and liabilities. These judgments, in and of themselves, could materially affect the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may also have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies has not changed.

On an ongoing basis, the Company evaluates these estimates, utilizing historic experience, consultation with experts and other methods the Company considers reasonable. In any event, actual results may differ substantially from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the information that gives rise to the revision becomes known.

The Company's significant accounting policies are summarized in Note 2, *Summary of Significant Accounting Policies*. The Company identifies its most critical accounting policies as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. The Company's critical accounting policies include impairment of long lived assets and other intangible assets and acquisition accounting.

Recent Accounting Developments

See Note 2, *Summary of Significant Accounting Policies*, to the audited financial statements for a discussion of recent accounting developments.