NRG ENERGY, INC.
Form 10-Q
November 08, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended: September 30, 2018

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-15891
NRG Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	41-1724239
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
804 Carnegie Center, Princeton, New Jersey	08540
(Address of principal executive offices)	(Zip Code)

(609) 524-4500
(Registrant’s telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
As of September 30, 2018, there were 289,930,024 shares of common stock outstanding, par value $0.01 per share.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under Item 1A — Risk Factors Related to NRG Energy, Inc., in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and the following:

- NRG's ability to achieve the expected benefits of its Transformation Plan;
- NRG's ability to engage in successful sales and divestitures as well as mergers and acquisitions activity;
- The potential adverse effects of the GenOn Entities' filings under Chapter 11 of the Bankruptcy Code and restructuring transactions on NRG's operations, management and employees and the risks associated with operating NRG's business during the restructuring process;
- Risks and uncertainties associated with the GenOn Entities' Chapter 11 Cases including the ability to achieve anticipated benefits therefrom;
- NRG's ability to obtain and maintain retail market share;
- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Changes in law, including judicial decisions;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of NRG's risk management policies and procedures, and the ability of NRG's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- NRG's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including changes in market rules, rates, tariffs and environmental laws;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately and fairly compensate NRG's generation units;
- NRG's ability to mitigate forced outage risk for units subject to capacity performance requirements in PJM, performance incentives in ISO-NE, and scarcity pricing in ERCOT;
- NRG's ability to borrow funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness going forward;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in the indentures governing NRG's outstanding notes, in NRG's Senior Credit Facility, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- Cyber terrorism and inadequate cybersecurity, or the occurrence of a catastrophic loss and the possibility that NRG may not have adequate insurance to cover losses resulting from such hazards or the inability of NRG's insurers to provide coverage;
- NRG's ability to develop and build new power generation facilities;
- NRG's ability to develop and innovate new products as retail and wholesale markets continue to change and evolve;

- NRG's ability to implement its strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources while taking advantage of business opportunities;
- NRG's ability to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout NRG to reduce costs or generate revenues;
- NRG's ability to complete the sale of certain assets to Clearway Energy, Inc.;

- NRG's ability to achieve its strategy of regularly returning capital to stockholders;
- NRG's ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives;
- NRG's ability to successfully integrate, realize cost savings and manage any acquired businesses; and
- NRG's ability to develop and maintain successful partnering relationships.

Forward-looking statements speak only as of the date they were made, and NRG Energy, Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in any forward-looking statements included in this Quarterly Report on Form 10-Q should not be construed as exhaustive.

GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

2017 Form 10-K	NRG’s Annual Report on Form 10-K for the year ended December 31, 2017
2023 Term Loan Facility	The Company's $1.9 billion term loan facility due 2023, a component of the Senior Credit Facility
Adjusted EBITDA	Adjusted earnings before interest, taxes, depreciation and amortization
ARO	Asset Retirement Obligation
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASU	Accounting Standards Updates - updates to the ASC
Average realized prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
BACT	Best Available Control Technology
Bankruptcy Code	Chapter 11 of Title 11 the U.S. Bankruptcy Code
Bankruptcy Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
BETM	Boston Energy Trading and Marketing LLC
BTU	British Thermal Unit
Business Solutions	NRG's business solutions group, which includes demand response, commodity sales, energy efficiency and energy management services
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
Carlsbad	Collectively, Carlsbad Energy Holdings LLC and Carlsbad Energy Center LLC
CASPR	Competitive Auctions with Sponsored Resources
CDD	Cooling Degree Day
CDWR	California Department of Water Resources
CEC	California Energy Commission
CenterPoint	CenterPoint Energy Houston Electric, LLC
CFTC	U.S. Commodity Futures Trading Commission
Chapter 11 Cases	Voluntary cases commenced by the GenOn Entities under the Bankruptcy Code in the Bankruptcy Court
C&I	Commercial industrial and governmental/institutional
Cleco	Cleco Energy LLC
COD	Commercial Operation Date
ComEd	Commonwealth Edison
Company	NRG Energy, Inc.
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CVSR	California Valley Solar Ranch
CWA	Clean Water Act
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Distributed Solar	Solar power projects that primarily sell power to customers for usage on site, or are interconnected to sell power into a local distribution grid
DNREC	Delaware Department of Natural Resources and Environmental Control
DSI	Dry Sorbent Injection
Economic gross margin	Sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales

El Segundo Energy Center	NRG West Holdings LLC, the subsidiary of Natural Gas Repowering LLC, which owns the El Segundo Energy Center project
EME	Edison Mission Energy
Energy Plus Holdings	Energy Plus Holdings LLC
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction
EPSA	The Electric Power Supply Association
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESP	Electrostatic Precipitator
ESPP	NRG Energy, Inc. Amended and Restated Employee Stock Purchase Plan
ESPS	Existing Source Performance Standards
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
Fresh Start	Reporting requirements as defined by ASC-852, Reorganizations
FTRs	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the U.S.
GenConn	GenConn Energy LLC
GenOn	GenOn Energy, Inc.
GenOn Americas Generation	GenOn Americas Generation, LLC
GenOn Americas Generation Senior Notes	GenOn Americas Generation's $395 million outstanding unsecured senior notes consisting of $208 million of 8.5% senior notes due 2021 and $187 million of 9.125% senior notes due 2031
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, including GenOn Americas Generation. that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court on June 14, 2017
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC and, except where the context indicates otherwise, its subsidiaries, which include the coal generation units at two generating facilities under operating leases
GenOn Senior Notes	GenOn's $1.8 billion outstanding unsecured senior notes consisting of $691 million of 7.875% senior notes due 2017, $649 million of 9.5% senior notes due 2018, and $489 million of 9.875% senior notes due 2020
GenOn Settlement	A settlement agreement and any other documents necessary to effectuate the settlement among NRG, GenOn, and certain holders of senior unsecured notes of GenOn Americas Generation and GenOn, and certain of GenOn's direct and indirect subsidiaries
GHG	Greenhouse Gas
GIP	Global Infrastructure Partners
GW	Gigawatt
GWh	Gigawatt Hour
HAP	Hazardous Air Pollutant
HDD	Heating Degree Day
Heat Rate	A measure of thermal efficiency computed by dividing the total BTU content of the fuel burned by the resulting kWhs generated. Heat rates can be expressed as either gross or net heat rates, depending whether the electricity output measured is gross or net generation and is generally expressed as BTU per net kWh
HLBV	Hypothetical Liquidation at Book Value
IASB	International Accounting Standards Board

IFRS	International Financial Reporting Standards
IPA	Illinois Power Agency
IPPNY	Independent Power Producers of New York

ISO	Independent System Operator, also referred to as RTOs
ISO-NE	ISO New England Inc.
ITC	Investment Tax Credit
kWh	Kilowatt-hour
LaGen	Louisiana Generating, LLC
LIBOR	London Inter-Bank Offered Rate
LTIPs	Collectively, the NRG LTIP and the NRG GenOn LTIP
Marsh Landing	NRG Marsh Landing, LLC (formerly known as GenOn Marsh Landing, LLC)
Mass Market	Residential and small commercial customers
MATS	Mercury and Air Toxics Standards promulgated by the EPA
MDth	Thousand Dekatherms
Midwest Generation	Midwest Generation, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MOPR	Minimum Offer Price Rule
MW	Megawatts
MWh	Saleable megawatt hour net of internal/parasitic load megawatt-hour
MWt	Megawatts Thermal Equivalent
NAAQS	National Ambient Air Quality Standards
NEPGA	New England Power Generators Association
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Generation	The net amount of electricity produced, expressed in kWhs or MWhs, that is the total amount of electricity generated (gross) minus the amount of electricity used during generation
NOL	Net Operating Loss
NOV	Notice of Violation
NO_x	Nitrogen Oxides
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
NRG Yield, Inc.	NRG Yield, Inc., which changed it's name to Clearway Energy, Inc. following the sale by NRG of NRG Yield and the Renewables Platform to GIP
NSR	New Source Review
Nuclear Decommissioning Trust Fund	NRG's nuclear decommissioning trust fund assets, which are for the Company's portion of the decommissioning of the STP, units 1 & 2
NYAG	State of New York Office of Attorney General
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
NYSPSC	New York State Public Service Commission
OCI/OCL	Other Comprehensive Income/(Loss)
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on the system
PER	Peak Energy Rent
Petition Date	June 14, 2017
Pipeline	Projects that range from identified lead to shortlisted with an offtake and represent a lower level of execution certainty.
PJM	PJM Interconnection, LLC

PML	NRG Power Marketing LLC
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PTC	Production Tax Credit
PUCT	Public Utility Commission of Texas
PUHCA	Public Utility Holding Company Act of 2005
RCRA	Resource Conservation and Recovery Act of 1976
REMA	NRG REMA LLC, which leases a 100% interest in the Shawville generating facility and 16.7% and 16.5% interests in the Keystone and Conemaugh generating facilities, respectively
Renewables	Consists of the following projects retained by NRG: Agua, Ivanpah, Guam, NFL stadiums
Renewables Platform	The renewable operating and development platform sold to GIP with NRG's interest in NRG Yield.
Restructuring Support Agreement	Restructuring Support and Lock-Up Agreement, dated as of June 12, 2017 and as amended on October 2, 2017, by and among GenOn Energy, Inc., GenOn Americas Generation, LLC, and subsidiaries signatory thereto, NRG Energy, Inc. and the noteholders signatory thereto
Retail	Reporting segment that includes NRG's residential and small commercial businesses which go to market as Reliant, NRG and other brands owned by NRG, as well as Business Solutions
Revolving Credit Facility	The Company’s $2.4 billion revolving credit facility, a component of the Senior Credit Facility. The revolving credit facility consists of $169 million of Tranche A Revolving Credit Facility, due 2021, and $2.2 billion of Tranche B Revolving Credit Facility, due 2021
RFO	Request for Offer
RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
ROFO	Right of First Offer
ROFO Agreement	Second Amended and Restated Right of First Offer Agreement by and between NRG Energy, Inc. and NRG Yield, Inc.
RPM	Reliability Pricing Model
RPV Holdco	NRG RPV Holdco 1 LLC
RTO	Regional Transmission Organization
RTR	Renewable Technology Resource
SCE	Southern California Edison
SDG&E	San Diego Gas & Electric
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	NRG's senior secured credit facility, comprised of the Revolving Credit Facility and the 2023 Term Loan Facility
Senior Notes	As of December 31, 2017, NRG’s $4.8 billion outstanding unsecured senior notes consisting of $992 million of 6.25% senior notes due 2022, $733 million of 6.25% senior notes due 2024, $1.0 billion of 7.25% senior notes due 2026, $1.25 billion of 6.625% senior notes due 2027, and $870 million of 5.75% senior notes due 2028.
Services Agreement	NRG provided GenOn 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, as set forth in the services agreement with GenOn.
SIFMA	Securities Industry and Financial Markets Association
SO_2	Sulfur Dioxide
South Central	NRG's South Central business, which owns and operates a 3,555-MW portfolio of generation assets consisting of 225-MW Bayou Cove, 430-MW Big Cajun-I, 1,461-MW Big Cajun-II, 1,263-MW Cottonwood and 176-MW Sterlington, and serves a customer base of cooperatives,

	municipalities and regional utilities under load contracts.
S&P	Standard & Poor's
SREC	Solar renewable energy credit

TCPA	Telephone Consumer Protection Act
TSA	Transportation Services Agreement
TWCC	Texas Westmoreland Coal Co.
U.S.	United States of America
U.S. DOE	U.S. Department of Energy
Utility Scale Solar	Solar power projects, typically 20 MW or greater in size (on an alternating current basis), that are interconnected into the transmission or distribution grid to sell power at a wholesale level.
VaR	Value at Risk
VCP	Voluntary Clean-Up Program
VIE	Variable Interest Entity
WECC	Western Electricity Coordinating Council
WST	Washington-St. Tammany Electric Cooperative, Inc.
Yield Operating	NRG Yield Operating LLC

PART I — FINANCIAL INFORMATION
ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES
NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except for per share amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating Revenues				
Total operating revenues	$3,061	$2,740	$7,795	$7,246
Operating Costs and Expenses				
Cost of operations	2,307	2,072	5,730	5,589
Depreciation and amortization	112	163	370	490
Impairment losses	—	—	74	60
Selling, general and administrative	212	190	591	634
Reorganization costs	27	12	70	18
Development costs	1	6	9	18
Total operating costs and expenses	2,659	2,443	6,844	6,809
Other income - affiliate	—	—	—	87
Gain on sale of assets	14	—	30	4
Operating Income	416	297	981	528
Other Income/(Expense)				
Equity in earnings/(losses) of unconsolidated affiliates	20	9	26	(20)
Other income/(expense), net	17	19	(4)	43
Loss on debt extinguishment, net	(19)	—	(22)	—
Interest expense	(121)	(139)	(361)	(432)
Total other expense	(103)	(111)	(361)	(409)
Income from Continuing Operations Before Income Taxes	313	186	620	119
Income tax expense	7	1	19	3
Income from Continuing Operations	306	185	601	116
Loss from discontinued operations, net of income tax	(354)	(22)	(320)	(798)
Net (Loss)/Income	(48)	163	281	(682)
Less: Net income/(loss) attributable to noncontrolling interest and redeemable noncontrolling interests	24	(8)	1	(63)
Net (Loss)/Income Attributable to NRG Energy, Inc. common stockholders	$(72)	$171	$280	$(619)
(Loss)/Earnings per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding — basic	299	317	309	317
Income from continuing operations per weighted average common share — basic	$0.94	$0.61	$1.94	$0.56
Loss from discontinued operations per weighted average common share — basic	$(1.18)	$(0.07)	$(1.03)	$(2.51)
(Loss)/Earnings per Weighted Average Common Share — Basic	$(0.24)	$0.54	$0.91	$(1.95)
Weighted average number of common shares outstanding — diluted	299	322	313	317
Income from continuing operations per weighted average common share — diluted	$0.94	$0.60	$1.91	$0.56
Loss from discontinued operations per weighted average common share — diluted	$(1.18)	$(0.07)	$(1.02)	$(2.51)
(Loss)/Earnings per Weighted Average Common Share — Diluted	$(0.24)	$0.53	$0.89	$(1.95)
Dividends Per Common Share	$0.03	$0.03	$0.09	$0.09

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In millions)			
Net (loss)/income	$(48)	$163	$281	$(682)
Other comprehensive income/(loss), net of tax				
Unrealized gain on derivatives, net of income tax expense of $0, $0, $1, and $0	4	7	24	7
Foreign currency translation adjustments, net of income tax expense of $0, $0, $0, and $0	(2)	2	(8)	9
Available-for-sale securities, net of income tax expense of $0, $0, $0, and $0	—	1	1	2
Defined benefit plans, net of income tax expense of $0, $0, $0, and $0	(1)	(1)	(3)	25
Other comprehensive income	1	9	14	43
Comprehensive (loss)/income	(47)	172	295	(639)
Less: Comprehensive income/(loss) attributable to noncontrolling interest and redeemable noncontrolling interest	26	(5)	15	(61)
Comprehensive (loss)/income attributable to NRG Energy, Inc. common stockholders	$(73)	$177	$280	$(578)

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018	December 31, 2017[(a)]
(In millions, except shares)	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,359	$ 767
Funds deposited by counterparties	30	37
Restricted cash	28	279
Accounts receivable, net	1,297	960
Inventory	408	486
Derivative instruments	683	624
Cash collateral paid in support of energy risk management activities	209	171
Accounts receivable - affiliate	19	186
Prepayments and other current assets	248	179
Current assets - held for sale	—	116
Current assets - discontinued operations	4	705
Total current assets	4,285	4,510
Property, plant and equipment, net	3,599	6,435
Other Assets		
Equity investments in affiliates	452	182
Notes receivable, less current portion	10	2
Goodwill	539	539
Intangible assets, net	602	507
Nuclear decommissioning trust fund	719	692
Derivative instruments	392	159
Deferred income taxes	11	6
Other non-current assets	281	294
Non-current assets held-for-sale	—	43
Non-current assets - discontinued operations	560	10,181
Total other assets	3,566	12,605
Total Assets	$ 11,450	$ 23,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 593	$ 204
Accounts payable	824	711
Accounts payable - affiliate	14	57
Derivative instruments	550	537
Cash collateral received in support of energy risk management activities	30	37
Accrued expenses and other current liabilities	659	769
Accrued expenses and other current liabilities - affiliate	1	161
Current liabilities - held-for-sale	—	72
Current liabilities - discontinued operations	52	864
Total current liabilities	2,723	3,412
Non-Current Liabilities		
Long-term debt and capital leases	6,658	9,180
Nuclear decommissioning reserve	278	269
Nuclear decommissioning trust liability	432	415

Deferred income taxes	18	21
Derivative instruments	357	143
Out-of-market contracts, net	177	195
Other non-current liabilities	1,177	1,002
Non-current liabilities - held-for-sale	—	8
Non-current liabilities - discontinued operations	547	6,859
Total non-current liabilities	9,644	18,092
Total Liabilities	12,367	21,504
Redeemable noncontrolling interest in subsidiaries	19	78
Commitments and Contingencies		
Stockholders' Equity		
Common stock	4	4
Additional paid-in capital	8,453	8,377
Accumulated deficit	(6,001)	(6,269)
Less treasury stock, at cost - 129,948,876 and 101,580,045 shares, at September 30, 2018 and December 31, 2017, respectively	(3,334)	(2,386)
Accumulated other comprehensive loss	(58)	(72)
Noncontrolling interest	—	2,314
Total Stockholders' Equity	(936)	1,968
Total Liabilities and Stockholders' Equity	$ 11,450	$ 23,550

(a) Retrospectively adjusted as discussed in Note 1, Basis of Presentation.

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
(In millions)	2018	2017
Cash Flows from Operating Activities		
Net income/(loss)	$281	$(682)
Loss from discontinued operations, net of income tax	(320)	(798)
Income from continuing operations	601	116
Adjustments to reconcile net income to net cash provided by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	10	—
Depreciation, amortization and accretion	403	490
Provision for bad debts	57	57
Amortization of nuclear fuel	38	37
Amortization of financing costs and debt discount/premiums	21	15
Adjustment for debt extinguishment	22	3
Amortization of intangibles and out-of-market contracts	21	79
Amortization of unearned equity compensation	36	27
Impairment losses	89	60
Changes in deferred income taxes and liability for uncertain tax benefits	(6)	(1)
Changes in nuclear decommissioning trust liability	50	20
Changes in derivative instruments	(17)	36
Changes in collateral deposits in support of energy risk management activities	(30)	(103)
Gain on sale of emission allowances	(20)	21
Gain on sale of assets	(30)	(4)
GenOn settlement in July 2018	(125)	—
Loss on deconsolidation of business	13	—
Changes in other working capital	(375)	(295)
Cash provided by continuing operations	758	558
Cash provided by discontinued operations	324	178
Net Cash Provided by Operating Activities	1,082	736
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(209)	(12)
Capital expenditures	(345)	(172)
Purchases of emission allowances	(30)	(47)
Proceeds from sale of emission allowances	54	104
Investments in nuclear decommissioning trust fund securities	(449)	(402)
Proceeds from the sale of nuclear decommissioning trust fund securities	398	382
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	1,555	309
Deconsolidation of business	(268)	—
Changes in investments in unconsolidated affiliates	(62)	24
Other	—	30
Cash provided by continuing operations	644	216
Cash used by discontinued operations	(703)	(638)
Net Cash (Used) by Investing Activities	(59)	(422)
Cash Flows from Financing Activities		
Payment of dividends to common stockholders	(28)	(28)

Payment for treasury stock	(1,000)	—
Proceeds from issuance of long-term debt	995	308
Payments for short and long-term debt	(970)	(343)
Receivable from affiliate	(26)	(125)
Net distributions to noncontrolling interests from subsidiaries	(17)	(18)
Payment of debt issuance costs	(19)	(39)
Other	(4)	(8)
Cash used by continuing operations	(1,069)	(253)
Cash provided by discontinued operations	403	39
Net Cash Used by Financing Activities	(666)	(214)
Effect of exchange rate changes on cash and cash equivalents	1	(10)
Change in Cash from discontinued operations	24	(421)
Net Increase in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	334	511
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	1,083	860
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$1,417	$1,371

See accompanying notes to condensed consolidated financial statements.

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NRG ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Basis of Presentation

General

NRG Energy, Inc., or NRG or the Company, is a customer-driven integrated power company built on a portfolio of dynamic retail electricity brands and diverse generation assets. NRG is continuously focused on serving the energy needs of end-use residential, commercial and industrial customers in competitive markets through multiple brands and channels. The Company:

- directly sells energy and innovative, sustainable products and services to retail customers under the names "NRG", "Reliant" and other retail brand names owned by NRG;
- owns approximately 26,000 MW of generation;
- engages in the trading of wholesale energy, capacity and related products; and
- transacts in and trades fuel and transportation services.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the consolidated financial statements in the Company's 2017 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of September 30, 2018, and the results of operations, comprehensive income/(loss) and cash flows for the three and nine months ended September 30, 2018 and 2017.

Discontinued Operations

On August 31, 2018, as described in Note 3, Acquisitions, Discontinued Operations and Dispositions, NRG deconsolidated NRG Yield, Inc. and its Renewables Platform for financial reporting purposes. The financial information for all historical periods has been recast to reflect the presentation of these entities, as well as the Carlsbad project, as discontinued operations. As a result of the sale of NRG Yield, the Company no longer controls the Agua Caliente project. Due to this change in control, the Company has also deconsolidated the Agua Caliente project from its financial results and has accounted for the project as an equity method investment.

GenOn Chapter 11 Cases

On June 14, 2017, GenOn, along with GenOn Americas Generation and certain of their directly and indirectly-owned subsidiaries, or collectively the GenOn Entities, filed voluntary petitions for relief under Chapter 11, or the Chapter 11 Cases, of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division, or the Bankruptcy Court. GenOn Mid-Atlantic, as well as its consolidated subsidiaries, REMA and certain other subsidiaries, did not file for relief under Chapter 11.

As a result of the bankruptcy filings and beginning on June 14, 2017, GenOn and its subsidiaries were deconsolidated from NRG's consolidated financial statements. NRG determined that this disposal of GenOn and its subsidiaries is a discontinued operation and, accordingly, the financial information for all historical periods has been recast to reflect GenOn as a discontinued operation.

Use of Estimates

The preparation of financial statements in conformity with 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.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassifications did not affect results from operations, net assets or cash flows.

Note 2 — Summary of Significant Accounting Policies

Other Balance Sheet Information

The following table presents the allowance for doubtful accounts included in accounts receivable, net; accumulated depreciation included in property, plant and equipment, net; accumulated amortization included in intangible assets, net and accumulated amortization included in out-of-market contracts, net:

	September 30, 2018	December 31, 2017
	(In millions)	
Accounts receivable allowance for doubtful accounts	$ 37	$ 28
Property, plant and equipment accumulated depreciation	2,652	3,013
Intangible assets accumulated amortization	1,194	1,572
Out-of-market contracts accumulated amortization	372	354

Restricted Cash

The following table provides a reconciliation of cash and cash equivalents, restricted cash and funds deposited by counterparties reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	September 30, 2018	December 31, 2017	September 30, 2017	December 31, 2016
	(In millions)			
Cash and cash equivalents	$ 1,359	$ 767	$ 1,022	$ 591
Funds deposited by counterparties	30	37	31	2
Restricted cash	28	279	318	267
Cash and cash equivalents, funds deposited by counterparties and restricted cash shown in the statement of cash flows	$ 1,417	$ 1,083	$ 1,371	$ 860

Funds deposited by counterparties consist of cash held by the Company as a result of collateral posting obligations from its counterparties. Some amounts are segregated into separate accounts that are not contractually restricted but, based on the Company's intention, are not available for the payment of general corporate obligations. Depending on market fluctuations and the settlement of the underlying contracts, the Company will refund this collateral to the hedge counterparties pursuant to the terms and conditions of the underlying trades. Since collateral requirements fluctuate daily and the Company cannot predict if any collateral will be held for more than twelve months, the funds deposited by counterparties are classified as a current asset on the Company's balance sheet, with an offsetting liability for this cash collateral received within current liabilities.

Restricted cash consists primarily of funds held to satisfy the requirements of certain debt agreements and funds held within the Company's projects that are restricted in their use.

Pension and Post Retirement Benefit Plan Amendments

In the fourth quarter of 2018, the Company will recognize a loss of $17 million related to curtailment of certain of the Company's pension plan. The Company also amended the post retirement benefit plan and, as a result of the subsequent plan remeasurement, will recognize a gain of $2 million.

Noncontrolling Interest

The following table reflects the changes in NRG's noncontrolling interest balance:

	(In millions)
Balance as of December 31, 2017	$ 2,314
Dividends paid to NRG Yield, Inc. public shareholders	(61)
Distributions to noncontrolling interest	(43)
Net income attributable to noncontrolling interest - continuing operations	5
Net income attributable to noncontrolling interest - discontinued operations	21
Other comprehensive income attributable to noncontrolling interest - discontinued operations	14
Non-cash adjustments to noncontrolling interest	10
Contributions from noncontrolling interest	296
Sale of assets to NRG Yield, Inc.	(8)
Deconsolidation of Ivanpah[a]	(89)
Deconsolidation of Agua Caliente[b]	(279)
Deconsolidation of NRG Yield and the Renewables Platform[b]	(2,180)
Balance as of September 30, 2018	$ —

(a) See Note 9, Variable Interest Entities, or VIEs for further information regarding the deconsolidation of Ivanpah effective April 2018.

(b) See Note 3, Acquisitions, Discontinued Operations and Dispositions for further information regarding the sale of NRG Yield and the Renewables Platform and the deconsolidation of Agua Caliente.

Redeemable Noncontrolling Interest

The following table reflects the changes in the Company's redeemable noncontrolling interest balance:

	(In millions)
Balance as of December 31, 2017	$ 78
Distributions to redeemable noncontrolling interest	(3)
Contributions from redeemable noncontrolling interest	26
Non-cash adjustments to redeemable noncontrolling interest	(9)
Net income attributable to redeemable noncontrolling interest - continuing operations	1
Net income attributable to redeemable noncontrolling interest - discontinued operations	(26)
Deconsolidation of NRG Yield and the Renewables Platform[a]	(48)
Balance as of September 30, 2018	$ 19

(a) See Note 3, Acquisitions, Discontinued Operations and Dispositions for further information regarding the sale of NRG Yield and the Renewables Platform.

Revenue Recognition

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the guidance in ASC 606 using the modified retrospective method applied to contracts that were not completed as of the adoption date. The Company recognized the cumulative effect of initially applying the new standard as a credit to the opening balance of accumulated deficit, resulting in a decrease of approximately $16 million. The adjustment primarily related to costs incurred to obtain a contract with customers and customer incentives. Following the adoption of the new standard, the Company's revenue recognition of its contracts with customers remains materially consistent with its historical practice. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Retail Revenues

Gross revenues for energy sales and services to retail customers are recognized as the Company transfers the promised goods and services to the customer. For the majority of its electricity contracts, the Company's performance obligation with the customer is satisfied over time and performance obligations for its electricity products are recognized as the customer takes possession of the product. The Company also allocates the contract consideration to distinct performance obligation in a contract for which the timing of the revenue recognized is different. Additionally, customer discounts and incentives reduce the contract consideration and are recognized over the term of the contract.

Energy sales and services that have been delivered but not billed by period end are estimated. Accrued unbilled revenues are based on estimates of customer usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on daily forecasted volumes and estimated customer usage by class. Unbilled revenues are calculated by multiplying these volume estimates by the applicable rate by customer class. Estimated amounts are adjusted when actual usage is known and billed.

As contracts for retail electricity can be for multi-year periods, the Company has performance obligations under these contracts that have not yet been satisfied. These performance obligations have transaction prices that are both fixed and variable, and that vary based on the contract duration, customer type, inception date and other contract-specific factors. For the fixed price contracts, the amount of any unsatisfied performance obligations will vary based on customer usage, which will depend on factors such as weather and customer activity and therefore it is not practicable to estimate such amounts.

Energy Revenue

Both physical and financial transactions are entered into to optimize the financial performance of the Company's generating facilities. Electric energy revenue is recognized upon transmission to the customer over time, using the output method for measuring progress of satisfaction of performance obligations. Physical transactions, or the sale of generated electricity to meet supply and demand, are recorded on a gross basis in the Company's consolidated statements of operations. The Company applies the invoicing practical expedient, where applicable, in recognizing energy revenue. Under the practical expedient, revenue is recognized based on the invoiced amount which is equal to the value to the customer of NRG’s performance obligation completed to date. 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 Revenue

Capacity revenues consist of revenues billed to a third party at either the market or a negotiated contract price for making installed generation and demand response capacity available in order to satisfy system integrity and reliability requirements. Capacity revenues are recognized over time, using the output method for measuring progress of satisfaction of performance obligations. The Company applies the invoicing practical expedient, where applicable, in recognizing capacity revenue. Under the practical expedient, revenue is recognized based on the invoiced amount which is equal to the value to the customer of NRG’s performance obligation completed to date.

Capacity revenue contracts mainly consist of:

Capacity auctions — The Company's largest sources of capacity revenues are capacity auctions in PJM, ISO-NE, and NYISO. Both ISO-NE and PJM operate a pay-for-performance model where capacity payments are modified based on real-time performance, where NRG's actual revenues will be the combination of revenues based on the cleared auction MWs plus the net of any over- and under-performance of NRG's fleet. In addition, MISO has an annual auction, known as the Planning Resource Auction, or PRA. The Gulf Coast assets situated in the MISO market may participate in this auction. Estimated future revenues for cleared auction MWs in the various capacity auctions are $152 million, $610 million, $459 million, $528 million and $244 million for fiscal years 2018, 2019, 2020, 2021 and 2022, respectively.

Resource adequacy and bilateral contracts — In California, there is a resource adequacy requirement that is primarily satisfied through bilateral contracts. Such bilateral contracts are typically short-term resource adequacy contracts. When bilateral contracting does not satisfy the resource adequacy need, such shortfalls can be addressed through procurement tools administered by the CAISO, including the capacity procurement mechanism or reliability must-run contracts. Demand payments from the current long-term contracts are tied to summer peak demand and provide a mechanism for recovering a portion of the costs associated with new or changed environmental laws or regulations. In Texas, capacity and contracted revenues are through bilateral contracts with load serving entities.

Renewable Energy Credits

As stated above, renewable energy credits are usually sold through long-term PPAs. Revenue from the sale of self-generated RECs is recognized when related energy is generated and simultaneously delivered even in cases where there is a certification lag as it has been deemed to be perfunctory.

In a bundled contract to sell energy, capacity and/or self-generated RECs, all performance obligations are deemed to be delivered at the same time and hence, timing of recognition of revenue for all performance obligations is the same and occurs over time. In such cases, it is often unnecessary to allocate transaction price to multiple performance obligations.

Sale of Emission Allowances

The Company records its inventory of emission allowances as part of intangible assets. From time to time, management may authorize the transfer of emission allowances in excess of expected usage from the Company's emission bank to intangible assets held-for-sale for trading purposes. The Company records the sale of emission allowances on a net basis within operating revenue in the Company's consolidated statements of operations.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the three and nine months ended September 30, 2018, along with the reportable segment for each category:

	Three months ended September 30, 2018					
		Generation				
(In millions)	Retail	Gulf Coast	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue[a]	$—	$680	$ 278	$ 958	$ (479)	$479
Capacity revenue[a]	—	66	187	253	1	254
Retail revenue						
Mass customers	1,768	—	—	—	(2)	1,766
Business Solutions customers	434	—	—	—	—	434
Total retail revenue	2,202	—	—	—	(2)	2,200
Mark-to-market for economic hedging activities[b]	1	268	27	295	(241)	55
Contract amortization	—	5	—	5	—	5
Other revenue[a][c]	—	36	32	68	—	68
Total operating revenue	2,203	1,055	524	1,579	(721)	3,061
Less: Lease revenue	3	—	3	3	—	6
Less: Derivative revenue	1	1,160	55	1,215	(241)	975
Less: Contract amortization	—	5	—	5	—	5
Total revenue from contracts with customers	$2,199	$(110)	$ 466	$ 356	$ (480)	$2,075

(a) The following amounts of energy and capacity revenue relate to derivative instruments and are accounted for under ASC 815.

	Retail	Gulf Coast	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue	$—	$896	$ (25)	$ 871	$ —	$871
Capacity revenue	—	—	45	45	—	45
Other revenue	—	(4)	8	4	—	4

(b) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.

(c) Included in other revenue is lease revenue of $3 million for both Retail and East/West/Other, respectively.

	Nine months ended September 30, 2018					
		Generation				
(In millions)	Retail	Gulf Coast	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue[(a)]	$—	$1,558	$ 735	$2,293	$ (890)	$1,403
Capacity revenue[(a)]	—	201	487	688	—	688
Retail revenue						
Mass customers	4,321	—	—	—	(4)	4,317
Business Solutions customers	1,181	—	—	—	—	1,181
Total retail revenue	5,502	—	—	—	(4)	5,498
Mark-to-market for economic hedging activities[(b)]	(5)	(7)	2	(5)	(21)	(31)
Contract amortization	—	12	—	12	—	12
Other revenue[(c)]	—	164	64	228	(3)	225
Total operating revenue	5,497	1,928	1,288	3,216	(918)	7,795
Less: Lease revenue	10	—	6	6	—	16
Less: Derivative revenue	(5)	1,871	135	2,006	—	2,001
Less: Contract amortization	—	12	—	12	—	12
Total revenue from contracts with customers	$5,492	$45	$ 1,147	$1,192	$ (918)	$5,766

(a) The following amounts of energy and capacity revenue relate to derivative instruments and are accounted for under ASC 815.

	Retail	Gulf Coast	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue	$—	$1,877	$ 7	$1,884	$ —	$1,884
Capacity revenue	—	—	110	110	—	110
Other revenue	—	1	16	17	—	17

(b) Revenue relates entirely to unrealized gains and losses on derivative instruments accounted for under ASC 815.

(c) Included in other revenue is lease revenue of $10 million and $6 million for Retail and East/West/Other, respectively.

Contract Amortization

Assets and liabilities recognized from power sales agreements assumed at Fresh Start and through acquisitions related to the sale of electric capacity and energy in future periods for which the fair value has been determined to be significantly less (more) than market are amortized to revenue over the term of each underlying contract based on actual generation and/or contracted volumes.

Lease Revenue

Certain of the Company’s revenues are obtained through leases of rooftop residential solar systems, which are accounted for as operating leases in accordance with ASC 840, Leases. Pursuant to the lease agreements, the customers’ monthly payments are pre-determined fixed monthly amounts and may include an annual fixed percentage escalation to reflect the impact of utility rate increases over the lease term, which is 20 years. The Company records operating lease revenue on a straight-line basis over the life of the lease term. Certain customers made initial down payments that are being amortized over the life of the lease. The difference between the payments received and the revenue recognized is recorded as deferred revenue.

Contract Balances

The following table reflects the contract assets and liabilities included in the Company's balance sheet as of September 30, 2018:

(In millions)	September 30, 2018
Deferred customer acquisition costs	$ 104
Accounts receivable, net - Contracts with customers	1,265
Accounts receivable, net - Derivative instruments	32
Total accounts receivable, net	$ 1,297
Unbilled revenues (included within Accounts receivable, net - Contracts with customers)	385
Deferred revenues	60

The Company's customer acquisition costs consist of broker fees, commission payments and other costs that represent incremental costs of obtaining the contract with customers for which the Company expects to recover. The Company amortizes these amounts over the estimated life of the customer contract. As a practical expedient, the Company expenses the incremental costs of obtaining a contract if the amortization period of the asset would have been one year or less.

When the Company receives consideration from the customer that is in excess of the amount due, such consideration is reclassified to deferred revenue, which represents a contract liability. Generally, the Company will recognize revenue from contract liabilities in the next period as the Company satisfies its performance obligations.

Recent Accounting Developments - Guidance Adopted in 2018

ASU 2017-07 — In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, or ASU No. 2017-07. Current GAAP does not indicate where the amount of net benefit cost should be presented in an entity's income statement and does not require entities to disclose the amount of net benefit cost that is included in the income statement. The amendments of ASU No. 2017-07 require an entity to report the service cost component of net benefit costs in the same line item as other compensation costs arising from services rendered by the related employees during the applicable service period. The other components of net benefit cost are required to be presented separately from the service cost component and outside the subtotal of income from operations. Further, ASU No. 2017-07 prescribes that only the service cost component of net benefit costs is eligible for capitalization. The Company adopted the amendments of ASU No. 2017-07 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance retrospectively which resulted in an increase in cost of operations of $4 million and $13 million with a corresponding increase in other income, net on the statement of operations for the three and nine months ended September 30, 2017, respectively.

ASU 2016-01 - In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU No. 2016-01. The amendments of ASU No. 2016-01 eliminate available-for-sale classification of equity investments and require that equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) be generally measured at fair value with changes in fair value recognized in net income. Further, the amendments require that financial assets and financial liabilities be presented separately in the notes to the financial statements, grouped by measurement category and form of financial asset. The guidance in ASU No. 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The Company adopted the amendments of ASU No. 2016-01 effective January 1, 2018. In connection with the adoption of the standard, the Company has applied the guidance on a modified retrospective basis, which resulted in no material adjustments recorded to the consolidated results of operations, cash flows, and statement of financial position.

Recent Accounting Developments - Guidance Not Yet Adopted
ASU 2018-15 - In August 2018, the FASB issued ASU No. 2018-15, Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, or ASU No. 2018-15. The amendments of ASU No. 2018-15 addresses customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU No. 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The amendments in ASU No. 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is evaluating the impact of adopting this guidance on the consolidated financial statements and disclosures.

ASU 2018-14 - In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement benefits (Topic 715-20): Disclosure Framework - Changes to Disclosure Requirements for Defined Benefit Plans, or ASU No. 2018-14. The guidance in ASU No. 2018-14 adds, removes and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. The amendments in ASU No. 2018-14 eliminate the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year. The guidance also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2020 and must be applied on a retrospective basis. As the amendment contemplates changes in disclosures only, it will have no material impact on the Company's results of operations, cash flows, or statement of financial position.

ASU 2018-13 - In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirement for Fair value Measurement), or ASU No. 2018-13. The guidance in ASU No. 2018-13 eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. The amendments in ASU No. 2018-13 add new disclosure requirements for Level 3 measurements. ASU No. 2018-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. Certain disclosures in ASU No. 2018-13 are required to be applied on a retrospective basis and others on a prospective basis. As the amendment contemplates changes in disclosures only, it will have no material impact on the Company's results of operations, cash flows, or statement of financial position.

ASU 2016-02 — In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), or Topic 842, with the objective to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and to improve financial reporting by expanding the related disclosures. The guidance in Topic 842 provides that a lessee that may have previously accounted for a lease as an operating lease under current GAAP should recognize the assets and liabilities that arise from a lease on the balance sheet. In addition, Topic 842 expands the required quantitative and qualitative disclosures with regards to lease arrangements. The Company will adopt the standard effective January 1, 2019, and expects to elect certain of the practical expedients permitted, including the expedient that permits the Company to retain its existing lease assessment and classification. The Company is currently working through an adoption plan which includes the evaluation of lease contracts compared to the new standard. While the Company is currently evaluating the impact the new guidance will have on its financial position and results of operations, the Company expects to recognize lease liabilities and right of use assets. The extent of the increase to assets and liabilities associated with these amounts remains to be determined pending the Company’s review of its existing lease contracts and service contracts which may contain embedded leases. While this review is still in process, NRG believes the adoption of Topic 842 will have a material impact on its financial statements. The Company is also monitoring recent changes to Topic 842 and the related impact on the implementation process.

Note 3 — Acquisitions, Discontinued Operations and Dispositions

This footnote should be read in conjunction with the complete description under Note 3, Discontinued Operations, Acquisitions and Dispositions, to the Company's 2017 Form 10-K.

Acquisitions

XOOM Energy Acquisition — On June 1, 2018, the Company completed the acquisition of XOOM Energy, LLC, an electricity and natural gas retailer operating in 19 states, Washington, D.C. and Canada for approximately $219 million in cash, inclusive of approximately $54 million in payments for estimated working capital, which is subject to further adjustment. The acquisition increased NRG's retail portfolio by approximately 300,000 customers. The purchase price was provisionally allocated as follows: $2 million to cash, $8 million to restricted cash, $45 million to accounts receivable, $42 million to derivative assets, $170 million to customer relationships and contracts, $26 million to current and non-current assets, $25 million to accounts payable, $31 million to derivative liabilities, and $18 million to current and non-current liabilities.

Small Book Acquisitions — Through the end of October 2018, the Company has agreed to acquire several books of customers totaling approximately 115,000 customers, along with brand names, for $44 million.

Discontinued Operations

Sale of Ownership in NRG Yield, Inc. and Renewables Platform

On August 31, 2018, the Company completed the sale of its interests in NRG Yield, Inc. and its Renewables Platform to GIP, for total cash consideration of $1.348 billion. The Company has concluded that the divested businesses meet the criteria for discontinued operations, as the dispositions represent a strategic shift in the markets in which NRG operates. As such, all prior period results for the transaction have been reclassified as discontinued operations. In connection with the transaction, NRG entered into a transition services agreement to provide certain corporate services to the divested businesses.

As a result of the sale of NRG Yield, Inc., the Company's indirect ownership interest in the Agua Caliente solar project was reduced from 51% to 35%. As such, the Company no longer controls the project; and accordingly, no longer consolidates the project for financial reporting purposes. The Company recorded its ownership interest as an equity method investment upon deconsolidation resulting in a gain of $8 million.

As part of the agreement to sell NRG Yield and the Renewables Platform, the Company agreed to indemnify NRG Yield for any increase in property taxes for certain solar properties. The indemnity term will expire at various dates between 2029 and 2039. NRG has determined that the payment of this indemnity is probable and has recorded the estimated present value of the obligation as of the closing date of the transaction of $153 million to other non-current liabilities with a corresponding loss from discontinued operations. In addition to the California property tax indemnity, there were additional commitments and advisory fees totaling approximately $50 million. The Company will also retain all costs associated with the development and ownership of the Patriot Wind project until its sale to a third party pursuant to a sale agreement.

Carlsbad

On February 6, 2018, NRG entered into an agreement with NRG Yield to sell 100% of the membership interests in Carlsbad Energy Holdings LLC, which owns the Carlsbad project, for $365 million of cash consideration. Though construction is not yet complete, the primary condition to close the Carlsbad transaction was the completion of the sale of NRG Yield and the Renewables Platform. As the sale of NRG Yield and the Renewables Platform has closed, the Company has concluded that the Carlsbad project meets the criteria for discontinued operations and accordingly, the financial information for all current and historical periods has been recast to reflect Carlsbad as a discontinued operation. The Company will continue to consolidate Carlsbad until the transaction is closed, which is currently anticipated for the first quarter of 2019. After the transaction closes, Carlsbad will continue to have a ground lease and easement agreement with NRG. The agreement has an initial term ending in 2039 with two ten year extensions. As a result of the transaction, additional commitments related to the project totaled $23 million.

Summarized results of discontinued operations were as follows:

(In millions)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating revenues	$ 280	$ 315	$ 925	$ 906
Operating costs and expenses	(212)	(242)	(682)	(690)
Other expenses	(44)	(64)	(165)	(210)
Gain/(loss) from operations of discontinued components, before tax	24	9	78	6
Income tax expense	9	4	4	2
Gain/(loss) from discontinued operations, net of tax	15	5	74	4
Loss on deconsolidation, net of tax	(139)	—	(139)	—
California property tax indemnification	(153)	—	(153)	—
Other Commitments, Indemnification and Fees	(77)	—	(77)	—
Loss on disposal of discontinued operations, net of tax	(369)	—	(369)	—
Gain/(Loss) from discontinued operations, net of tax	$ (354)	$ 5	$ (295)	$ 4

The following table summarizes the major classes of assets and liabilities classified as discontinued operations as follows:

(In millions)	September 30, 2018 (a)	December 31, 2017 (b)
Cash and cash equivalents	$ —	$ 224
Restricted Cash	—	229
Accounts receivable, net	—	119
Other current assets	4	133
Current assets - discontinued operations	4	705
Property, plant and equipment, net	547	7,473
Equity investments in affiliates	—	856
Intangible assets, net	8	1,240
Other non-current assets	5	612
Non-current assets - discontinued operations	560	10,181
Current portion of long term debt and capital leases	14	484
Accounts payable	37	169
Other current liabilities	1	211
Current liabilities - discontinued operations	52	864
Long-term debt and capital leases	545	6,673
Other non-current liabilities	2	186
Non-current liabilities - discontinued operations	$ 547	$ 6,859

(a) Represents the Carlsbad project.
(b) Represents the discontinued operations of NRG Yield, NRG's Renewable Platform and the Carlsbad project.

Sale of Assets to NRG Yield, Inc. Prior to Discontinued Operations

On June 19, 2018, the Company completed the UPMC Thermal Project and received cash consideration from NRG Yield of $84 million.

On March 30, 2018, as part of the Transformation Plan, the Company sold to NRG Yield, Inc. 100% of NRG's interests in Buckthorn Renewables, LLC, which owns a 154 MW construction-stage utility-scale solar generation project, located in Texas. NRG Yield, Inc. paid cash consideration of approximately $42 million, excluding working capital adjustments, and assumed non-recourse debt of approximately $183 million.

On March 27, 2017, the Company sold to NRG Yield, Inc.: (i) a 16% interest in the Agua Caliente solar project, representing ownership of approximately 46 net MW of capacity and (ii) NRG's interests in seven utility-scale solar projects located in Utah representing 265 net MW of capacity, which have reached commercial operations. NRG Yield, Inc. paid cash consideration of $130 million, plus $1 million in working capital adjustments, and assumed non-recourse debt of approximately $328 million.

GenOn

On June 14, 2017, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. As a result of the bankruptcy filings, NRG has concluded that it no longer controls GenOn as it is subject to the control of the Bankruptcy Court; and, accordingly, NRG no longer consolidates GenOn for financial reporting purposes.

By eliminating a large portion of its operations in the PJM market with the deconsolidation of GenOn, NRG has concluded that GenOn meets the criteria for discontinued operations, as this represents a strategic shift in the markets in which NRG operates. As such, all prior period results for GenOn have been reclassified as discontinued operations. Summarized results of discontinued operations were as follows:

(In millions)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating revenues	$ —	$ —	$ —	$ 646
Operating costs and expenses	—	—	—	(700)
Other expenses	—	—	—	(98)
Loss from operations of discontinued components, before tax	—	—	—	(152)
Income tax expense	—	—	—	9
Loss from discontinued operations	—	—	—	(161)
Interest income - affiliate	—	—	3	6
Loss from discontinued operations, net of tax	—	—	3	(155)
Pre-tax loss on deconsolidation	—	—	—	(208)
Settlement consideration and services credit	—	—	1	(289)
Pension and post-retirement liability assumption	—	(25)	(2)	(144)
Other	—	(2)	(27)	(6)
Loss on disposal of discontinued operations, net of tax	—	(27)	(28)	(647)
Loss from discontinued operations, net of tax	$ —	$ (27)	$ (25)	$ (802)

GenOn Settlement

Effective July 16, 2018, NRG and GenOn consummated the GenOn Settlement which accelerated certain terms contemplated by the plan of reorganization, as further described below. As a result, the Company paid GenOn approximately $125 million, which included (i) the settlement consideration of $261 million, (ii) the transition services credit of $28 million and (iii) the return of $15 million of collateral posted to NRG; offset by the (i) $151 million in borrowings under the intercompany secured revolving credit facility, (ii) related accrued interest and fees of $12 million, (iii) remaining payments due under the transition services agreement of $10 million and (iv) certain other balances due to NRG totaling $6 million. The Company has reserved for all amounts deemed to be uncollectible.

In order to facilitate the consummation of the GenOn Settlement, among other items, NRG assigned to GenOn approximately $8 million of historical claims against REMA in exchange for $4.2 million, which was credited as a reduction of the settlement payment. GenOn also indemnified NRG for any potential claims by REMA up to the amount of $10 million, and posted a letter of credit in that amount in favor of NRG as security for the indemnification. That letter of credit was subsequently released upon REMA's election to participate in the releases under GenOn's chapter 11 plan in favor of NRG. Other than those obligations which survive or are independent of the releases described herein, the GenOn Settlement and the GenOn chapter 11 plan provide NRG releases from GenOn and each of its debtor and non-debtor subsidiaries. On October 16, 2018, REMA and its subsidiaries filed voluntary petitions for chapter 11 relief and a prepackaged plan of reorganization in the United States Bankruptcy Court for the Southern District of Texas. The REMA debtors' plan of reorganization has been formally accepted by REMA's voting creditors and is consistent with the releases NRG receives under the GenOn Settlement and the GenOn plan.

Restructuring Support Agreement

Prior to the filing of GenOn's bankruptcy case, NRG, GenOn and certain holders representing greater than 93% in aggregate principal amount of GenOn’s Senior Notes and certain holders representing greater than 93% in aggregate principal amount of GenOn Americas Generation’s Senior Notes entered into a Restructuring Support Agreement that provided for a restructuring and recapitalization of the GenOn Entities through a prearranged plan of reorganization. In December 2017, the Bankruptcy Court approved the plan of reorganization, pursuant to an order of confirmation. Consummation of the plan of reorganization has not yet occurred and remains subject to the satisfaction or waiver of certain conditions precedent. Certain principal terms of the plan of reorganization are detailed below:

1) The dismissal of certain prepetition litigation and full releases from GenOn and each of its debtor and non-debtor subsidiaries in favor of NRG, excluding REMA.

2) NRG provided settlement cash consideration to GenOn of $261.3 million, paid in cash less amounts owed to NRG under the intercompany secured revolving credit facility. See Note 14, Related Party Transactions for further discussion of the intercompany secured revolving credit facility. The net liability for these amounts, along with the services credit described below, is recorded in accrued expenses and other current liabilities - affiliate as of September 30, 2018 and December 31, 2017.

3) NRG will retain the pension liability, including payment of approximately $13 million of 2017 pension contributions, for GenOn employees for service provided prior to the completion of the reorganization, which was paid in September 2017. GenOn’s pension liability as of September 30, 2018, was approximately $76 million. NRG will also retain the liability for GenOn’s post-employment and retiree health and welfare benefits, in an amount up to $25 million. These liabilities are recorded within other non-current liabilities as of September 30, 2018 and December 31, 2017.

4) The shared services agreement between NRG and GenOn was terminated and replaced as of the plan confirmation date with a transition services agreement. Under the transition services agreement, NRG provided the shared services and other separation services at an annualized rate of $84 million, subject to certain credits and adjustments. See Note 14, Related Party Transactions, for further discussion of the Services Agreement.

5) NRG provided a credit of $28 million to GenOn to apply against amounts owed under the transition services agreement. The unused credit of approximately $18 million was paid in cash to GenOn. The credit was intended to reimburse GenOn for its payment of financing costs.

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