NRG ENERGY, INC.
Form 10-Q
November 05, 2014

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, 2014

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.)
211 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting 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

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 October 31, 2014, there were 338,108,633 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, 2013, including, but not limited to, the following:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- 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;
- The collateral demands of counterparties and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently, manage capital expenditures and costs tightly, 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 compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate NRG's generation units for all of its costs;
- NRG's ability to borrow additional funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness going forward;
- NRG's ability to receive Federal loan guarantees or cash grants to support development projects;
- 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;
- NRG's ability to implement its strategy of developing and building new power generation facilities, including new renewable projects;
- NRG's ability to implement its econrg strategy of finding ways to address environmental challenges while taking advantage of business opportunities;
- NRG's ability to implement its FORNRG strategy to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout the company to reduce costs or generate revenues;
- NRG's ability to achieve its strategy of regularly returning capital to stockholders;
- NRG's ability to maintain retail market share;
- NRG's ability to successfully evaluate investments 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 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.

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GLOSSARY OF TERMS

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

2013 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2013
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative U.S. GAAP
ASU	Accounting Standards Updates which reflect updates to the ASC
BTU	British Thermal Unit
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
Capital Allocation Program	NRG's plan of allocating capital between debt reduction, reinvestment in the business, investment in acquisition opportunities, share repurchases and shareholder dividends
CCF	Carbon Capture Facility
CCPI	Clean Coal Power Initiative
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries prior to August 31, 2002
Cirro Energy	Cirro Energy, Inc.
CO_2	Carbon dioxide
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
Distributed Solar	Solar power projects that primarily sell power produced to customers for usage on site, or are interconnected to sell power into the local distribution grid
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
EME	Edison Mission Energy
Energy Plus Holdings	Energy Plus Holdings LLC
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESPP	NRG Energy, Inc. Amended and Restated Employee Stock Purchase Plan
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GenConn	GenConn Energy LLC
GenOn	GenOn Energy, Inc.
GenOn Americas Generation	GenOn Americas Generation, LLC
GenOn Americas Generation Senior Notes	GenOn Americas Generation's $850 million outstanding unsecured senior notes consisting of $450 million of 8.50% senior notes due 2021 and $400 million of 9.125% senior notes due 2031
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 $2.0 billion outstanding unsecured senior notes consisting of $725 million of 7.875% senior notes due 2017, $675 million of 9.5% senior notes due 2018, and $550 million of 9.875% senior notes due 2020
GHG	Greenhouse gases
Goal Zero	Goal Zero LLC
Green Mountain Energy	Green Mountain Energy Company
GWh	Gigawatt hour

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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
High Desert	TA - High Desert, LLC
ISO	Independent System Operator
ITC	Investment Tax Credit
Kansas South	NRG Solar Kansas South LLC
kWh	Kilowatt-hours
LaGen	Louisiana Generating LLC
LIBOR	London Inter-Bank Offered Rate
LDEQ	Louisiana Department of Environmental Quality
LTIPs	Collectively, the NRG Long-Term Incentive Plan and the NRG GenOn Long-Term Incentive Plan
Marsh Landing	NRG Marsh Landing, LLC (formerly known as GenOn Marsh Landing, LLC)
Mass	Residential and small business
MATS	Mercury and Air Toxics Standards promulgated by the EPA
MDE	Maryland Department of the Environment
Midwest Generation	Midwest Generation, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MVA	Megavolt ampere
MW	Megawatt
MWh	Saleable megawatt hours, net of internal/parasitic load megawatt-hours
MWt	Megawatts Thermal Equivalent
NAAQS	National Ambient Air Quality Standards
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Generation	The net amount of electricity produced, expressed in kWh 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 oxide
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG Yield	Reporting segment including the following projects: Alpine, Alta Wind, Avenal, Avra Valley, AZ DG Solar, Blythe, Borrego, CVSR, El Segundo, GenConn, High Desert, Kansas South, Marsh Landing, PFMG DG Solar, Roadrunner, South Trent and the Thermal Business
NSPS	New Source Performance Standards
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
NYISO	New York Independent System Operator
NYSPSC	New York State Public Service Commission
OCI	Other comprehensive income
PADEP	Pennsylvania Department of Environmental Protection
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on the system

PG&E	Pacific Gas & Electric Company
PJM	PJM Interconnection, LLC

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PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
Pure Energies	Pure Energies Group Inc.
Reliant Energy	Reliant Energy Retail Services, LLC
REMA	NRG REMA LLC (formerly known as GenOn REMA, LLC)
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, generally to achieve a substantial emissions reduction, increase facility capacity, and improve system efficiency
Retail Business	NRG's retail energy business, including the following retail energy brands: Cirro Energy, Reliant Energy, Green Mountain Energy, Energy Plus, Goal Zero and NRG Residential Solutions
Revolving Credit Facility	The Company's \$2.5 billion revolving credit facility due 2018, a component of the Senior Credit Facility
RGGI	Regional Greenhouse Gas Initiative
RTO	Regional Transmission Organization
Senior Credit Facility	NRG's senior secured facility, comprised of the Term Loan Facility and the Revolving Credit Facility
Senior Notes	The Company’s \$6.4 billion outstanding unsecured senior notes, consisting of \$1.1 billion of 7.625% senior notes due 2018, \$1.1 billion of 8.25% senior notes due 2020, \$1.1 billion of 7.875% senior notes due 2021, \$1.1 billion of 6.25% senior notes due 2022, \$990 million of 6.625% senior notes due 2023, and \$1.0 billion of 6.25% senior notes due 2024
SO_2	Sulfur dioxide
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
Term Loan Facility	The Company's \$2.0 billion term loan facility due 2018, a component of the Senior Credit Facility
Thermal Business	NRG Yield’s thermal business, which consists of thermal infrastructure assets that provide steam, hot water and/or chilled water, and in some instances electricity, to commercial businesses, universities, hospitals and governmental units
U.S.	United States of America
U.S. DOE	U.S. Department of Energy
U.S. GAAP	Accounting principles generally accepted in the United States
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
VIE	Variable Interest Entity
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)

	Three months ended September 30,		Nine months ended September 30,	
(In millions, except for per share amounts)	2014	2013	2014	2013
Operating Revenues				
Total operating revenues	$4,569	$3,490	$11,676	$8,500
Operating Costs and Expenses				
Cost of operations	3,278	2,373	8,828	6,177
Depreciation and amortization	375	327	1,096	947
Impairment losses	70	—	70	—
Selling, general and administrative	258	213	752	670
Acquisition-related transaction and integration costs	17	26	69	95
Development activity expenses	22	24	62	63
Total operating costs and expenses	4,020	2,963	10,877	7,952
Gain on sale of assets	—	—	19	—
Operating Income	549	527	818	548
Other Income/(Expense)				
Equity in earnings/(loss) of unconsolidated affiliates	18	(5)	39	6
Other (expense)/income, net	(3)	5	13	9
Loss on debt extinguishment	(13)	(1)	(94)	(50)
Interest expense	(280)	(228)	(809)	(630)
Total other expense	(278)	(229)	(851)	(665)
Income/(Loss) Before Income Taxes	271	298	(33)	(117)
Income tax expense/(benefit)	89	160	(68)	(55)
Net Income/(Loss)	182	138	35	(62)
Less: Net income attributable to noncontrolling interest	14	19	20	27
Net Income/(Loss) Attributable to NRG Energy, Inc.	168	119	15	(89)
Dividends for preferred shares	2	2	7	7
Income/(Loss) Available for Common Stockholders	$166	$117	$8	$(96)
Earnings/(Loss) Per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding — basic	338	323	333	323
Earnings/(Loss) per Weighted Average Common Share — Basic	$0.49	$0.36	$0.02	$(0.30)
Weighted average number of common shares outstanding — diluted	343	327	338	323
Earnings/(Loss) per Weighted Average Common Share — Diluted	$0.48	$0.36	$0.02	$(0.30)
Dividends Per Common Share	$0.14	$0.12	$0.40	$0.33

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Net Income/(Loss)	$182	$138	$35	$(62)
Other Comprehensive (Loss)/Income, net of tax				
Unrealized gain/(loss) on derivatives, net of income tax expense/(benefit) of $4, $(5), $(11), and $(2)	4	(16)	(24)	8
Foreign currency translation adjustments, net of income tax benefit of $(6), $(1), $(2), and $(13)	(6)	5	(3)	(14)
Available-for-sale securities, net of income tax (benefit)/expense of $(1), $0, $0, and $1	(2)	—	2	2
Defined benefit plans, net of tax expense/(benefit) of $0, $0, $(7), and $4	(3)	—	9	25
Other comprehensive (loss)/income	(7)	(11)	(16)	21
Comprehensive Income/(Loss)	175	127	19	(41)
Less: Comprehensive income attributable to noncontrolling interest	17	18	14	26
Comprehensive Income/(Loss) Attributable to NRG Energy, Inc.	158	109	5	(67)
Dividends for preferred shares	2	2	7	7
Comprehensive Income/(Loss) Available for Common Stockholders	$156	$107	$(2)	$(74)

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except shares)	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$1,953	$2,254
Funds deposited by counterparties	3	63
Restricted cash	339	268
Accounts receivable — trade, less allowance for doubtful accounts of $27 and $40	1,554	1,214
Inventory	1,051	898
Derivative instruments	1,397	1,328
Cash collateral paid in support of energy risk management activities	375	276
Deferred income taxes	79	258
Renewable energy grant receivable, net	614	539
Current assets held-for-sale	32	19
Prepayments and other current assets	475	479
Total current assets	7,872	7,596
Property, plant and equipment, net of accumulated depreciation of $7,584 and $6,573	22,181	19,851
Other Assets		
Equity investments in affiliates	797	453
Notes receivable, less current portion	80	73
Goodwill	2,452	1,985
Intangible assets, net of accumulated amortization of $1,333 and $1,977	2,880	1,140
Nuclear decommissioning trust fund	569	551
Derivative instruments	427	311
Deferred income taxes	1,476	1,202
Non-current assets held-for-sale	54	—
Other non-current assets	1,281	740
Total other assets	10,016	6,455
Total Assets	$40,069	$33,902
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$854	$1,050
Accounts payable	1,098	1,038
Derivative instruments	1,365	1,055
Cash collateral received in support of energy risk management activities	3	63
Current liabilities held-for-sale	23	—
Accrued expenses and other current liabilities	1,200	998
Total current liabilities	4,543	4,204
Other Liabilities		
Long-term debt and capital leases	19,919	15,767
Nuclear decommissioning reserve	306	294
Nuclear decommissioning trust liability	323	324
Deferred income taxes	24	22
Derivative instruments	326	195
Out-of-market contracts	1,245	1,177

Non-current liabilities held-for-sale	31	—
Other non-current liabilities	1,385	1,201
Total non-current liabilities	23,559	18,980
Total Liabilities	28,102	23,184
3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)	249	249
Redeemable noncontrolling interest in subsidiaries	28	2
Commitments and Contingencies		
Stockholders' Equity		
Common stock	4	4
Additional paid-in capital	8,314	7,840
Retained earnings	3,564	3,695
Less treasury stock, at cost — 77,219,145 and 77,347,528 shares, respectively	(1,939)	(1,942)
Accumulated other comprehensive (loss)/income	(5)	5
Noncontrolling interest	1,752	865
Total Stockholders' Equity	11,690	10,467
Total Liabilities and Stockholders' Equity	$40,069	$33,902

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2014	2013
	(In millions)	
Cash Flows from Operating Activities		
Net Income/(loss)	$35	$(62)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	32	23
Depreciation and amortization	1,096	947
Provision for bad debts	49	49
Amortization of nuclear fuel	33	27
Amortization of financing costs and debt discount/premiums	(9)	(22)
Adjustment for debt extinguishment	24	(15)
Amortization of intangibles and out-of-market contracts	52	75
Amortization of unearned equity compensation	32	32
Changes in deferred income taxes and liability for uncertain tax benefits	(75)	39
Changes in nuclear decommissioning trust liability	12	25
Changes in derivative instruments	248	189
Changes in collateral deposits supporting energy risk management activities	(100)	(59)
Loss/(gain) on sale of emission allowances	2	(8)
Gain on sale of assets	(26)	—
Impairment losses	70	—
Cash used by changes in other working capital	(361)	(417)
Net Cash Provided by Operating Activities	1,114	823
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(2,832)	(374)
Capital expenditures	(675)	(1,581)
Increase in restricted cash, net	(52)	(67)
Decrease/(increase) in restricted cash to support equity requirements for U.S. DOE funded projects	21	(20)
Decrease/(increase) in notes receivable	21	(22)
Investments in nuclear decommissioning trust fund securities	(475)	(369)
Proceeds from sales of nuclear decommissioning trust fund securities	463	344
Proceeds from renewable energy grants	431	52
Proceeds from sale of assets, net of cash disposed of	153	13
Cash proceeds to fund cash grant bridge loan payment	57	—
Other	(70)	(7)
Net Cash Used by Investing Activities	(2,958)	(2,031)
Cash Flows from Financing Activities		
Payment of dividends to common and preferred stockholders	(140)	(113)
Payment for treasury stock	—	(25)
Net (payments for)/receipts from settlement of acquired derivatives that include financing elements	(64)	177
Proceeds from issuance of long-term debt	4,456	1,605

Contributions and sale proceeds from noncontrolling interest in subsidiaries	639	504
Proceeds from issuance of common stock	15	14
Payment of debt issuance costs	(57)	(43)
Payments for short and long-term debt	(3,308)	(868)
Net Cash Provided by Financing Activities	1,541	1,251
Effect of exchange rate changes on cash and cash equivalents	2	(1)
Net (Decrease)/Increase in Cash and Cash Equivalents	(301)	42
Cash and Cash Equivalents at Beginning of Period	2,254	2,087
Cash and Cash Equivalents at End of Period	$1,953	$2,129

See accompanying notes to condensed consolidated financial statements.

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

Note 1 — Basis of Presentation

NRG Energy, Inc., or NRG or the Company, is a competitive power company that produces, sells and delivers energy and energy services in major competitive power markets in the U.S. while positioning itself as a leader in the way residential, industrial and commercial consumers think about and use energy products and services. As one of the largest power generators in the U.S., the Company owns and operates approximately 53,000 MWs of generation; engages in the trading of wholesale energy, capacity and related products around those generation assets; transacts in and trades fuel and transportation services; and directly sells energy, services, and innovative, sustainable products and services to retail customers under the name “NRG” and various other retail brand names owned by NRG.

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 2013 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, 2014, and the results of operations, comprehensive loss and cash flows for the three and nine months ended September 30, 2014, and 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Certain prior year depreciation amounts have been recast to revise provisional purchase accounting estimates for the GenOn acquisition.

Reclassifications

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

Note 2 — Summary of Significant Accounting Policies

Other Cash Flow Information

NRG’s investing activities exclude capital expenditures of $148 million which were accrued and unpaid at September 30, 2014.

Noncontrolling Interest

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

	(In millions)
Balance as of December 31, 2013	$865
Acquisition of EME	353
Sale of assets to NRG Yield, Inc.	(41)
Non-cash adjustments for equity component of NRG Yield, Inc. convertible notes	23
Non-cash adjustments to noncontrolling interest	(75)
Contributions from NRG Yield, Inc. public offering	630
Contributions from noncontrolling interest	20
Distributions to noncontrolling interest	(37)
Comprehensive income attributable to noncontrolling interest	14
Balance as of September 30, 2014	$1,752

As described in Note 3, Business Acquisitions and Dispositions, in order to fund the purchase price of the Alta Wind Assets acquisition, NRG Yield, Inc. issued 12,075,000 shares of its Class A common stock on July 29, 2014 for net proceeds of $630 million. NRG Yield, Inc. utilized the proceeds of the offering to acquire additional units of NRG Yield LLC. Following the offering, the Company owned 55.3% of NRG Yield LLC and as a result continues to consolidate NRG Yield, Inc. through its controlling interest. The contributions are reflected as an increase to the Company's noncontrolling interest balance.

Cash Proceeds from Wind Tax Equity Arrangement

On November 3, 2014, the Company sold an economic interest in a portfolio of wind assets for gross proceeds of approximately $195 million, in order to monetize cash and tax benefits associated with the projects. The Company will continue to manage the portfolio of wind assets, which were primarily acquired in connection with the acquisition of EME, and will continue to consolidate the assets, with the contributions presented as noncontrolling interests in the Company’s consolidated balance sheet.

Impairment Losses

During the three months ended September 30, 2014, the Company determined that it will pursue mothballing the 463 MW natural gas-fired Osceola facility, in Saint Cloud, Florida. The Company considered this to be an indicator of impairment and performed an impairment test for these assets under ASC 360, Property, Plant and Equipment. The carrying amount of the assets was lower than the future net cash flows expected to be generated by the assets and as a result, the assets are considered to be impaired. The Company measured the impairment loss as the difference between the carrying amount and the fair value of the assets. Due to the location of the facility, it was determined that the best indicator of fair value is the market value of the combustion turbines. The Company recorded an impairment loss of approximately $60 million, which represents the excess of the carrying value over the fair market value. In addition, during the three months ended September 30, 2014, the Company recorded an impairment loss of $10 million to reduce the carrying value of certain solar panels to their approximate fair value.

Assets and Liabilities Held for Sale

During the three months ended September 30, 2014, the Company entered into separate agreements to sell its 50% interest in Sabine Cogen, L.P. and its 50% interest in the American Bituminous Power Partners, L.P. waste coal facility. These transactions are expected to close in the fourth quarter of 2014. As a result, the Company has classified the related assets and liabilities as "held-for-sale" in the consolidated balance sheet as of September 30, 2014.

Redeemable Noncontrolling Interest in Subsidiaries

Redeemable noncontrolling interest in subsidiaries represent third-party interests in the net assets under certain arrangements that the Company has entered into to finance the cost of solar energy systems under operating leases. To the extent that the third-party has the right to redeem their interests for cash or other assets, the Company has included the noncontrolling interest attributable to the third party as a component of temporary equity in the mezzanine section of the consolidated balance sheet.

Recent Accounting Developments

ASU 2014-09 - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU No. 2014-09. The amendments of ASU No. 2014-09 complete the joint effort between the FASB and the International Accounting Standards Board, or IASB, to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards, or IFRS, and to improve financial reporting. The guidance in ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services provided and establishes the following steps to be applied by an entity: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. The guidance of ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods therein. Early adoption is not permitted. The Company is currently evaluating the impact of the standard on the Company's results of operations, cash flows and financial position.

ASU 2013-11 - In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, or ASU No. 2013-11. The amendments of ASU No. 2013-11, which were adopted on January 1, 2014, require an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction of a deferred tax asset for a net operating loss, or NOL, a similar tax loss or tax credit carryforward rather than a liability when the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and the entity intends to use the deferred tax asset for that purpose. The adoption of this standard did not impact the Company's results of operations or cash flows as the unrecognized tax benefits relate to state issues and the Company either has no NOLs or the NOLs are limited for that particular jurisdiction.

Note 3 — Business Acquisitions and Dispositions

The Company has completed the following business acquisitions and dispositions that are material to the Company's financial statements:

Acquisition of Alta Wind

On August 12, 2014, NRG Yield, Inc., through its subsidiary Yield Operating, completed the acquisition of 100% of the membership interests of Alta Wind Asset Management Holdings, LLC, Alta Wind Company, LLC, Alta Wind X Holding Company, LLC, and Alta Wind XI Holding Company, LLC, which collectively own seven wind facilities that total 947 MWs located in Tehachapi, California and a portfolio of land leases, or the Alta Wind Assets. Power generated by the Alta Wind facility is sold to Southern California Edison under long-term power purchase agreements with 21 years of remaining contract life for Alta I-V and 22 years, beginning in 2016, for Alta X and XI.

The purchase price of the Alta Wind Assets was $923 million, which was comprised of purchase price of $870 million and $53 million paid for working capital balances. In order to fund the purchase price of the acquisition, NRG Yield, Inc. issued 12,075,000 shares of its Class A common stock on July 29, 2014 for net proceeds of $630 million. In addition, on August 5, 2014, Yield Operating issued $500 million in aggregate principal amount at par of 5.375% senior notes due August 2024. Interest on the notes is payable semi-annually on February 15 and August 15 of each year, commencing on February 15, 2015. The notes are senior unsecured obligations of Yield Operating and are guaranteed by NRG Yield LLC, Yield Operating’s parent company, and by certain of Yield Operating’s wholly owned subsidiaries.

The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The initial accounting for the business combination is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed. The purchase price of $923 million was provisionally allocated as follows:

	(In millions)
Assets	
Cash	$22
Current and non-current assets	49
Property, plant and equipment	1,057
Intangible assets	1,420
Total assets acquired	2,548
Liabilities	
Debt	1,591
Current and non-current liabilities	34
Total liabilities assumed	1,625
Net assets acquired	$923

Fair value measurements

The provisional fair values of the property, plant and equipment and intangible assets at the acquisition date were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Significant inputs were as follows:

Property, plant and equipment — The estimated fair values were determined primarily based on an income method using discounted cash flows and validated using a cost approach based on the replacement cost of the assets less economic obsolescence. The income approach was applied by determining the enterprise value for each acquired entity and subtracting the fair value of the intangible assets and working capital to determine the implied value of the tangible fixed assets. This methodology was primarily relied upon as the forecasted cash flows incorporate the specific attributes of each asset including age, useful life, equipment condition and technology. The income approach also allows for an accurate reflection of current and expected market dynamics such as supply and demand and regulatory environment as of the acquisition date.

Intangible assets — The fair values of the PPAs acquired were determined utilizing a variation of the income approach where the incremental future cash flows resulting from the acquired PPAs compared to the cash flows based on current market prices were discounted to present value at the weighted average cost of debt of the utility off-taker, as the PPA was determined to be a debt-like instrument for the off-taker. The values were corroborated with available market data. The PPA values will be amortized over an average period of 22 years.

Disposition of 50% Interest in Petra Nova Parish Holdings LLC

On July 3, 2014, the Company, through its wholly owned subsidiary Petra Nova Holdings LLC, sold 50% of its interest in Petra Nova Parish Holdings LLC to JX Nippon Oil Exploration (EOR) Limited, JX Nippon, a wholly owned subsidiary of JX Nippon Oil & Gas Exploration Corporation. As a result of the sale, the Company no longer has a controlling interest in and has deconsolidated Petra Nova Parish Holdings LLC as of the date of the sale. On July 7, 2014, the Company made its initial capital contribution into the partnership of $35 million, which was funded with the sale proceeds of $76 million. On March 3, 2014, Petra Nova CCS I LLC, a wholly owned subsidiary of Petra Nova Parish Holdings LLC, entered into a fixed-price agreement to build and operate a CCF at the W.A. Parish facility with a consortium of Mitsubishi Heavy Industries America, Inc. and TIC - The Industrial Company. Notice to proceed for the construction on the CCF was issued on July 15, 2014, and commercial operation is expected in late 2016.

Petra Nova Parish Holdings LLC also owns a 75 MW peaking unit at W.A. Parish, which achieved commercial operations on June 26, 2013. The peaking unit will be converted into a cogeneration facility to provide power and steam to the CCF. The CCF is being financed by: (i) up to $167 million from a U.S. DOE CCPI grant of which $7 million has already been received from the grant in the initial design and engineering phase and $26 million has already been received from the grant under the construction phase, (ii) $250 million in loans provided by the Japan Bank for International Cooperation and Mizuho Bank, Ltd., and (iii) approximately $300 million in equity contributions from each of the Company and JX Nippon. The Company's contribution will include investments already made during the development of the project.

On July 14, 2014, Petra Nova Parish Holdings LLC entered into two credit facilities, or the Petra Nova Parish Credit Agreements, to fund the cost of construction of the CCF at the W.A. Parish facility. The Petra Nova Parish Credit Agreements are comprised of a $75 million Nippon Export and Investment Insurance, or NEXI, covered loan and a $175 million Japan Bank for International Cooperation, or JBIC, facility. The NEXI covered loan has an interest rate of LIBOR plus an applicable margin of 1.75% and the JBIC facility has an interest rate of LIBOR plus an applicable margin of 0.50% during the construction phase which escalates to an applicable margin of 1.50% upon completion of the CCF. Both credit facilities mature in April 2026. NRG has guaranteed its 50% share of the obligations under the Petra Nova Parish Credit Agreements through mechanical completion as defined by the credit agreements.

Sales of Assets to NRG Yield, Inc.

On June 30, 2014, the Company sold the following facilities to NRG Yield, Inc.: High Desert, Kansas South, and El Segundo Energy Center. NRG Yield, Inc. paid total cash consideration of $357 million, which represents a base purchase price of $349 million and $8 million of working capital adjustments, plus assumed project level debt of approximately $612 million. The sale was recorded as a transfer of entities under common control and the related assets were transferred at carrying value.

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Acquisition of Dominion's Competitive Electric Retail Business
On March 31, 2014, the Company acquired the competitive retail electricity business of Dominion Resources, Inc., or Dominion. The acquisition of Dominion's competitive retail electricity business is expected to increase NRG's retail portfolio by approximately 540,000 customers in the aggregate by the end of 2014. The acquisition supports NRG's ongoing efforts to expand the Company's retail footprint in the Northeast and to grow its retail position in Texas. The Company paid approximately $192 million as cash consideration for the acquisition, including $165 million of purchase price and $27 million paid for working capital balances, which was funded by cash on hand. The purchase price was provisionally allocated to the following: $40 million to accounts receivable-trade, $62 million to customer relationships, $9 million to trade names, $14 million to current assets, $21 million to derivative assets, $45 million to current and non-current liabilities, and goodwill of $91 million of which $8 million is deductible for U.S. income tax purposes in future periods. The factors that resulted in goodwill arising from the acquisition include the revenues associated with new customers in new regions and through the synergies associated with combining a new retail business with the Company's generation assets. The acquired assets and liabilities are included within the Retail segment. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. Any changes to the fair value assessments will affect the value of goodwill. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed.
EME Acquisition
On April 1, 2014, the Company acquired substantially all of the assets of EME. EME, through its subsidiaries and affiliates, owned or leased and operated a portfolio of approximately 8,000 MW consisting of wind energy facilities and coal- and gas-fired generating facilities. The Company paid an aggregate purchase price of $3.5 billion, which was comprised of the following:

	Original Purchase Price	Purchase Price on Acquisition Date
Cash and equivalents [(a)]	$2,285	$3,016
Common shares [(b)]	350	401
Liabilities acquired	—	57
Total purchase price	2,635	3,474
Less: cash acquired		1,422
Net purchase price		$2,052

(a) The increase in cash paid relates to an increase in acquired cash on hand as well as changes in cash collateral, restricted cash and cash related to unconsolidated subsidiaries. It also reflects lease and debt payments in 2014.
(b) The increase in the value of the common shares reflects an increase in trading price of NRG common shares between October 18, 2013 and April 1, 2014. The shares of NRG common stock were given a value of $350 million in determining the cash purchase price, which was based upon the volume-weighted average trading price over the 20 trading days prior to October 18, 2013.
The purchase price was funded through the issuance of 12,671,977 shares of NRG common stock on April 1, 2014, the issuance of $700 million in newly-issued corporate debt, as described in Note 7, Debt and Capital Leases, and cash on hand. The Company also assumed non-recourse debt of approximately $1.2 billion.
In connection with the transaction, NRG agreed to certain conditions with the parties to the Powerton and Joliet, or POJO, sale-leaseback transaction subject to which an NRG subsidiary assumed the POJO leveraged leases and NRG guaranteed the remaining payments under each lease, which total $485 million through 2034. In connection with this agreement, NRG has committed to fund up to $350 million in capital expenditures for plant modifications at Powerton and Joliet to comply with environmental regulations, as discussed further in Note 15, Environmental Matters. In addition, NRG assumed certain long-term contractual arrangements for fuel and transportation. Commitments under these arrangements totaled approximately $490 million.
On April 30, 2014, subsequent to the acquisition, the Company acquired the remaining 50% ownership of Mission Del Sol LLC, which owns the Sunrise facility, a 586 MW natural gas facility in Fellows, California, from Chevron Power

Holdings Inc. increasing the Company's ownership interest to 100% in exchange for the Company's 50% interest in six cogeneration facilities, previously co-owned with Chevron Power Holdings Inc.

The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The initial accounting for the business combination is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed. The purchase price of $3.5 billion was provisionally allocated as follows:

	Acquisition Date	Measurement period adjustments	Revised Acquisition Date
	(In millions)		
Assets			
Cash	1,422	—	$1,422
Current assets	676	(8)	668
Property, plant and equipment	2,475	(144)	2,331
Intangible assets	312	11	323
Goodwill	—	200	200
Non-current assets	813	18	831
Total assets acquired	5,698	77	5,775
Liabilities			
Current and non-current liabilities	533	25	