UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended: June 30, 2019

☐ **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)
(Address of principal executive offices)

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)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $0.01	NRG	New York Stock Exchange

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 ☒ **No** ☐

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 ☒ **No** ☐

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	☒	**Accelerated filer**	☐	**Non-accelerated filer**	☐	**Smaller reporting company**	☐	**Emerging growth company**	☐

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** ☒

As of August 7, 2019, there were 252,987,889 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 the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the 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 *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, 2018 and the following:

- NRG's ability to achieve the expected benefits of its Transformation Plan;
- NRG's ability to obtain and maintain retail market share;
- NRG's ability to engage in successful sales and divestitures as well as mergers and acquisitions activity;
- 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 in the future;
- 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 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 as needed.

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 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:

2018 Form 10-K	NRG’s Annual Report on Form 10-K for the year ended December 31, 2018
2023 Term Loan Facility	The Company's $1.7 billion (as of December 31, 2018) term loan facility due 2023, a component of the Senior Credit Facility, which was repaid during the second quarter of 2019
ACE	Affordable Clean Energy
Agua Caliente	Agua Caliente Solar Project, a 290 MW photovoltaic power station located in Yuma County, Arizona in which NRG owns 35% interest
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
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
BRA	Base Residual Auction
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
CAISO	California Independent System Operator
Carlsbad	Carlsbad Energy Center, a 528 MW natural gas-fired project located in Carlsbad, CA
CDD	Cooling Degree Day
CDWR	California Department of Water Resources
CFTC	U.S. Commodity Futures Trading Commission
C&I	Commercial industrial and governmental/institutional
CES	Clean Energy Standard
Cleco	Cleco Corporate Holdings LLC
CO_2	Carbon Dioxide
ComEd	Commonwealth Edison
Company	NRG Energy, Inc.
Cottonwood	Cottonwood Generating Station, a 1,153 MW natural gas-fueled plant which NRG is leasing through May 2025
CPP	Clean Power Plan
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
Economic gross margin	Sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales
EGU	Electric Generating Unit
EME	Edison Mission Energy
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
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
FTRs	Financial Transmission Rights
GAAP	Generally accepted accounting principles in the U.S.
GenConn	GenConn Energy LLC
GenOn	GenOn Energy, Inc.
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
GHG	Greenhouse Gas
GIP	Global Infrastructure Partners
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 upon whether the electricity output measured is gross or net generation. Heat rates are generally expressed as BTU per net kWh
HLW	High-level radioactive waste
ICE	Intercontinental Exchange
ISO	Independent System Operator, also referred to as RTOs
ISO-NE	ISO New England Inc.
Ivanpah	Ivanpah Solar Electric Generation Station, a 393 MW solar thermal power plant located in California's Mojave Desert in which NRG owns 54.5% interest
kWh	Kilowatt-hour
LaGen	Louisiana Generating, LLC
LIBOR	London Inter-Bank Offered Rate
LTIPs	Collectively, the NRG LTIP and the NRG GenOn LTIP
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
MW	Megawatts
MWe	Megawatt equivalent
MWh	Saleable megawatt hour net of internal/parasitic load megawatt-hour
NAAQS	National Ambient Air Quality Standards
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Nodal	Nodal Exchange is a derivatives exchange
NOL	Net Operating Loss
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
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
Nuclear Waste Policy Act	U.S. Nuclear Waste Policy Act of 1982
NY DEC	New York Department of Environmental Conservation
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
NYSPSC	New York State Public Service Commission
OCI/OCL	Other Comprehensive Income/(Loss)
ORDC	Operating Reserve Demand Curve
PA PUC	Pennsylvania Public Utility Commission
Peaking	Units expected to satisfy demand requirements during the periods of greatest or peak load on a system
Petra Nova	Petra Nova Parish Holdings, LLC which is 50% owned by NRG and which owns and operates a 240 MWe carbon capture system and a 78 MW cogeneration facility, and owns an equity interest in an oilfield
PG&E	PG&E Corporation (NYSE: PCG) and its primary operating subsidiary, Pacific Gas and Electric Company
PJM	PJM Interconnection, LLC
PM2.5	Particulate Matter that has a diameter of less than 2.5 micrometers
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
RCE	Residential Customer Equivalent is a unit of measure used by the energy industry to denote the typical annual commodity consumption by a single-family residential customer. 1 RCE represents 1,000 therms of natural gas or 10,000 kWh of electricity
RCRA	Resource Conservation and Recovery Act of 1976
Reliant Energy	Reliant Energy Retail Services, LLC
REMA	NRG REMA LLC, which leases a 100% interest in the Shawville generating facility and 16.7% and 16.5% interest in the Keystone and Conemaugh generating facilities, respectively
Renewables	Consists of the following projects in which NRG has an ownership interest: Agua Caliente, Ivanpah, and solar generating stations located at various NFL Stadiums
Renewables Platform	The renewable operating and development platform sold by NRG to GIP with NRG's interest in NRG Yield, Inc.
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
RGGI	Regional Greenhouse Gas Initiative
RTO	Regional Transmission Organization
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. The 2023 Term Loan Facility was repaid in the second quarter of 2019
Senior Notes	As of June 30, 2019, NRG's $3.8 billion outstanding unsecured senior notes consisting of $1.0 billion of the 7.25% senior notes due 2026, $1.23 billion of the 6.625% senior notes due 2027, $821 million of 5.75% senior notes due 2028 and $733 million of the 5.250% senior notes due 2029
SNF	Spent Nuclear Fuel
SO_2	Sulfur Dioxide
South Central Portfolio	NRG's South Central Portfolio, which owned and operated a portfolio of generation assets consisting of Bayou Cove, Big Cajun-I, Big Cajun-II, Cottonwood and Sterlington, was sold on February 4, 2019. NRG is leasing back the Cottonwood facility through May 2025
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
STPNOC	South Texas Project Nuclear Operating Company

TSA	Transportation Services Agreement
TWCC	Texas Westmoreland Coal Co.
UPMC Thermal Project	University of Pittsburgh Medical Center thermal generating project that provides power, steam, chilled water and backup power located in Pittsburgh, PA.
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

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 June 30,		Six months ended June 30,	
(In millions, except for per share amounts)	2019	2018	2019	2018
Operating Revenues				
Total operating revenues	$ 2,465	$ 2,461	$ 4,630	$ 4,526
Operating Costs and Expenses				
Cost of operations	1,845	1,889	3,496	3,274
Depreciation and amortization	85	112	170	232
Impairment losses	1	74	1	74
Selling, general and administrative	211	200	405	376
Reorganization costs	2	23	15	43
Development costs	2	3	4	8
Total operating costs and expenses	2,146	2,301	4,091	4,007
Gain on sale of assets	1	14	2	16
Operating Income	320	174	541	535
Other Income/(Expense)				
Equity in earnings/(losses) of unconsolidated affiliates	—	5	(21)	6
Other income/(expense), net	20	(23)	32	(23)
Loss on debt extinguishment, net	(47)	(1)	(47)	(3)
Interest expense	(105)	(123)	(219)	(239)
Total other expense	(132)	(142)	(255)	(259)
Income from Continuing Operations Before Income Taxes	188	32	286	276
Income tax (benefit)/expense	(1)	5	3	11
Income from Continuing Operations	189	27	283	265
Income from discontinued operations, net of income tax	13	69	401	64
Net Income	202	96	684	329
Less: Net income/(loss) attributable to noncontrolling interest and redeemable interests	1	24	1	(22)
Net Income Attributable to NRG Energy, Inc.	$ 201	$ 72	$ 683	$ 351
Earnings per Share Attributable to NRG Energy, Inc.				
Weighted average number of common shares outstanding — basic	265	310	272	314
Income from continuing operations per weighted average common share — basic	$ 0.71	$ 0.01	$ 1.04	$ 0.92
Income from discontinued operations per weighted average common share — basic	$ 0.05	$ 0.22	$ 1.47	$ 0.20
Earnings per Weighted Average Common Share — Basic	$ 0.76	$ 0.23	$ 2.51	$ 1.12
Weighted average number of common shares outstanding — diluted	267	314	274	318
Income from continuing operations per weighted average common share — diluted	$ 0.70	$ 0.01	$ 1.03	$ 0.90
Income from discontinued operations per weighted average common share — diluted	$ 0.05	$ 0.22	$ 1.46	$ 0.20
Earnings per Weighted Average Common Share — Diluted	$ 0.75	$ 0.23	$ 2.49	$ 1.10
Dividends Per Common Share	$ 0.03	$ 0.03	$ 0.06	$ 0.06

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
		(In millions)		
Net Income	$ 202	$ 96	$ 684	$ 329
Other Comprehensive (Loss)/Income				
Unrealized gain on derivatives	—	5	—	19
Foreign currency translation adjustments	(1)	(4)	—	(6)
Available-for-sale securities	1	1	1	1
Defined benefit plans	(3)	(1)	(6)	(2)
Other comprehensive (loss)/income	(3)	1	(5)	12
Comprehensive Income	199	97	679	341
Less: Comprehensive income/(loss) attributable to noncontrolling interest and redeemable noncontrolling interest	1	26	1	(12)
Comprehensive Income Attributable to NRG Energy, Inc.	$ 198	$ 71	$ 678	$ 353

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 294	$ 563
Funds deposited by counterparties	31	33
Restricted cash	11	17
Accounts receivable, net	1,049	1,024
Inventory	370	412
Derivative instruments	850	764
Cash collateral paid in support of energy risk management activities	163	287
Prepayments and other current assets	277	302
Current assets - held-for-sale	—	1
Current assets - discontinued operations	—	197
Total current assets	3,045	3,600
Property, plant and equipment, net	2,610	3,048
Other Assets		
Equity investments in affiliates	383	412
Operating lease right-of-use assets, net	499	—
Goodwill	573	573
Intangible assets, net	561	591
Nuclear decommissioning trust fund	748	663
Derivative instruments	426	317
Deferred income taxes	55	46
Other non-current assets	271	289
Non-current assets - held-for-sale	—	77
Non-current assets - discontinued operations	—	1,012
Total other assets	3,516	3,980
Total Assets	$ 9,171	$ 10,628
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$ 87	$ 72
Current portion of operating lease liabilities	74	—
Accounts payable	723	863
Derivative instruments	778	673
Cash collateral received in support of energy risk management activities	31	33
Accrued expenses and other current liabilities	601	680
Current liabilities - held-for-sale	—	5
Current liabilities - discontinued operations	—	72
Total current liabilities	2,294	2,398
Other Liabilities		
Long-term debt and capital leases	5,794	6,449
Non-current operating lease liabilities	513	—
Nuclear decommissioning reserve	290	282
Nuclear decommissioning trust liability	448	371
Derivative instruments	374	304
Deferred income taxes	71	65
Other non-current liabilities	1,016	1,274
Non-current liabilities - held-for-sale	—	65
Non-current liabilities - discontinued operations	—	635
Total other liabilities	8,506	9,445
Total Liabilities	10,800	11,843
Redeemable noncontrolling interest in subsidiaries	19	19
Commitments and Contingencies		
Stockholders' Equity		
Common stock; $0.01 par value; 500,000,000 shares authorized; 421,830,474 and 420,288,886 shares issued and 258,570,598 and 283,650,039 shares outstanding at June 30, 2019 and December 31, 2018, respectively	4	4
Additional paid-in-capital	8,488	8,510
Accumulated deficit	(5,355)	(6,022)

Less treasury stock, at cost - 163,259,876 and 136,638,847 shares at June 30, 2019 and December 31, 2018, respectively		(4,686)		(3,632)
Accumulated other comprehensive loss		(99)		(94)
Total Stockholders' Equity		(1,648)		(1,234)
Total Liabilities and Stockholders' Equity	$	9,171	$	10,628

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30,	
(In millions)	**2019**	**2018**
Cash Flows from Operating Activities		
Net Income	$ 684	$ 329
Income from discontinued operations, net of income tax	401	64
Income from continuing operations	283	265
Adjustments to reconcile net income to cash provided by operating activities:		
Distributions and equity earnings of unconsolidated affiliates	22	12
Depreciation, amortization and accretion	184	252
Provision for bad debts	52	30
Amortization of nuclear fuel	27	24
Amortization of financing costs and debt discount/premiums	13	13
Loss on debt extinguishment, net	47	3
Amortization of intangibles and out-of-market contracts	14	20
Amortization of unearned equity compensation	10	15
Loss/(gain) on sale and disposal of assets	1	(16)
Impairment losses	1	88
Changes in derivative instruments	(22)	(145)
Changes in deferred income taxes and liability for uncertain tax benefits	(5)	(2)
Changes in collateral deposits in support of energy risk management activities	125	(9)
Changes in nuclear decommissioning trust liability	17	41
Loss on deconsolidation of Ivanpah project	—	22
Changes in other working capital	(388)	(349)
Cash provided by continuing operations	381	264
Cash provided by discontinued operations	8	249
Net Cash Provided by Operating Activities	389	513
Cash Flows from Investing Activities		
Payments for acquisitions of businesses	(21)	(211)
Capital expenditures	(107)	(282)
Net proceeds from sale of emission allowances	(1)	3
Investments in nuclear decommissioning trust fund securities	(209)	(346)
Proceeds from the sale of nuclear decommissioning trust fund securities	191	303
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	1,289	146
Deconsolidation of Ivanpah project	—	(160)
Net distributions from investments in unconsolidated affiliates	7	(15)
Contributions to discontinued operations	(44)	(16)
Cash provided/(used) by continuing operations	1,105	(578)
Cash used by discontinued operations	(2)	(584)
Net Cash Provided/(Used) by Investing Activities	1,103	(1,162)
Cash Flows from Financing Activities		
Payments of dividends to common stockholders	(16)	(19)
Payments for treasury stock	(1,039)	(500)
Payments for debt extinguishment costs	(24)	—
Distributions to noncontrolling interests from subsidiaries	(1)	(14)
Proceeds from issuance of common stock	2	11
Proceeds from issuance of short and long-term debt	1,833	994
Payment of debt issuance costs	(33)	(19)
Payments for short and long-term debt	(2,485)	(348)
Cash (used)/provided by continuing operations	(1,763)	105
Cash provided by discontinued operations	43	345
Net Cash (Used)/Provided by Financing Activities	(1,720)	450
Change in Cash from discontinued operations	49	10
Net Decrease in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	(277)	(209)
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	613	1,086
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 336	$ 877

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stock-holders' Equity
	(In millions)					
Balance at December 31, 2018	$ 4	$ 8,510	$ (6,022)	$ (3,632)	$ (94)	$ (1,234)
Net income			482			482
Other comprehensive loss					(2)	(2)
Share repurchases		(10)		(739)		(749)
Equity-based compensation		(32)				(32)
Issuance of common stock		5				5
Common stock dividends			(8)			(8)
Balance at March 31, 2019	$ 4	$ 8,473	$ (5,548)	$ (4,371)	$ (96)	$ (1,538)
Net income			201			201
Other comprehensive loss					(3)	(3)
Share repurchases		10		(315)		(305)
Equity-based compensation		5				5
Common stock dividends			(8)			(8)
Balance at June 30, 2019	$ 4	$ 8,488	$ (5,355)	$ (4,686)	$ (99)	$ (1,648)

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)
(Unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Noncon-trolling Interest	Total Stock-holders' Equity
				(In millions)			
Balance at December 31, 2017	$ 4	$ 8,376	$ (6,268)	$ (2,386)	$ (72)	$ 2,314	$ 1,968
Net income/(loss)			279			(30)	249
Other comprehensive income					11		11
Sale of assets to NRG Yield, Inc.		8				4	12
ESPP share purchases		(2)		5			3
Share repurchases				(93)			(93)
Equity-based compensation		(10)					(10)
Issuance of common stock		7					7
Common stock dividends			(10)				(10)
Distributions to noncontrolling interests						(19)	(19)
Dividends paid to NRG Yield, Inc.						(30)	(30)
Contributions from noncontrolling interests						153	153
Adoption of new accounting standards			17				17
Balance at March 31, 2018	$ 4	$ 8,379	$ (5,982)	$ (2,474)	$ (61)	$ 2,392	$ 2,258
Net income			72			32	104
Other comprehensive income					1		1
Sale of assets to NRG Yield, Inc.						(2)	(2)
ESPP share purchases				(1)			(1)
Share repurchases		(11)		(396)			(407)
Equity-based compensation		8					8
Issuance of common stock		4					4
Common stock dividends			(9)				(9)
Distributions to noncontrolling interests						(15)	(15)
Dividends paid to NRG Yield, Inc.						(31)	(31)
Contributions from noncontrolling interests						150	150
Adoption of new accounting standards			(1)				(1)
Deconsolidation of Business						(89)	(89)
Equity component of convertible senior notes		101					101
Balance at June 30, 2018	$ 4	$ 8,481	$ (5,920)	$ (2,871)	$ (60)	$ 2,437	$ 2,071

See accompanying notes to condensed consolidated financial statements.

Note 1 — Nature of Business and Basis of Presentation

General

NRG Energy, Inc., or NRG or the Company, is an energy company built on dynamic retail brands with diverse generation assets. NRG brings the power of energy to consumers by producing, selling and delivering electricity and related products and services in major competitive power markets in the U.S. in a manner that delivers value to all of NRG's stakeholders. NRG is perfecting the integrated model by balancing retail load with generation supply within its deregulated markets, while evolving to a customer-driven business. The Company sells energy, services, and innovative, sustainable products and services directly to retail customers under the names "NRG", "Reliant" and other brand names owned by NRG, supported by approximately 23,000 MW of generation as of June 30, 2019.

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 2018 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 June 30, 2019, and the results of operations, comprehensive income, cash flows and statements of stockholders' equity for the three and six months ended June 30, 2019 and 2018.

Discontinued Operations

During the fourth quarter of 2018, as described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, the Company concluded that the sale of its South Central Portfolio to Cleco, excluding the Cottonwood facility, met held-for-sale criteria and should be presented as discontinued operations, as the sale, which closed on February 4, 2019, represented a strategic shift in the business in which NRG operates. The financial information for all historical periods has been recast to reflect the presentation of these entities as discontinued operations.

On August 31, 2018, as described in Note 4, *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 also deconsolidated the Agua Caliente project from its financial results and began accounting for the project as an equity method investment.

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.

Note 2 — Summary of Significant Accounting Policies

Net Income attributable to NRG Energy, Inc.

The following table reflects the net income attributable to NRG Energy, Inc. after removing the net income/(loss) attributable to the noncontrolling interest and redeemable noncontrolling interest:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Income from continuing operations, net of income tax	$ 188	$ 27	$ 282	$ 272
Income from discontinued operations, net of income tax	13	45	401	79
Net income attributable to NRG Energy, Inc.	$ 201	$ 72	$ 683	$ 351

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:

	June 30, 2019	December 31, 2018
	(In millions)	
Accounts receivable allowance for doubtful accounts	$ 28	$ 32
Property, plant and equipment accumulated depreciation	1,684	1,811
Intangible assets accumulated amortization	1,182	1,149
Out-of-market contracts accumulated amortization	—	37

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 sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	June 30, 2019	December 31, 2018
	(In millions)	
Cash and cash equivalents	$ 294	$ 563
Funds deposited by counterparties	31	33
Restricted cash	11	17
Cash and cash equivalents, funds deposited by counterparties and restricted cash shown in the statement of cash flows	$ 336	$ 613

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.

Recent Accounting Developments - Guidance Adopted in 2019

ASU 2016-02 - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, or Topic 842, which was further amended through various updates issued by the FASB thereafter, 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 adopted the standard and its subsequent corresponding updates effective January 1, 2019 under the modified retrospective approach by applying the provisions of the new leases guidance at the effective date without adjusting the comparative periods presented. The Company assessed its leasing arrangements, evaluated the impact of applying practical expedients and accounting policy elections, and implemented lease accounting software to meet the reporting requirements of the standard. The Company established operating lease liabilities of $404 million and right-of-use assets of $321 million upon adoption, before considering deferred taxes. The adoption of Topic 842 did not have a material impact on the statements of operations or cash flows. See Note 8, *Leases*, for further discussion.

Recent Accounting Developments - Guidance Not Yet Adopted

ASU 2018-17 - In October 2018, the FASB issued ASU No. 2018-17, *Consolidations (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, in response to stakeholders' observations that Topic 810, *Consolidations*, could be improved thereby improving general purpose financial reporting. Specifically, ASC 2018-17 requires application of the variable interest entity (VIE) guidance to private companies under common control and consideration of indirect interest held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company is evaluating the impact of adopting this guidance on the consolidated financial statements and disclosures.

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.

Note 3 — *Revenue Recognition*

Performance Obligations

As of June 30, 2019, estimated future fixed fee performance obligations are $315 million for the remaining six months of fiscal year 2019, and $512 million, $542 million, $284 million and $29 million for the entirety of fiscal years 2020, 2021, 2022 and 2023, respectively. These performance obligations are for cleared auction MWs in the PJM, ISO-NE, NYISO and MISO capacity auctions and are subject to penalties for non performance.

Disaggregated Revenues

The following tables represent the Company's disaggregation of revenue from contracts with customers for the three and six months ended June 30, 2019 and 2018 along with the reportable segment for each category:

	Three months ended June 30, 2019					
		Generation				
(In millions)	**Retail**	**Texas**	**East/West/Other**	**Subtotal**	**Corporate/Eliminations**	**Total**
Energy revenue[(a)(c)]	$ —	$ 497	$ 117	$ 614	$ (365)	$ 249
Capacity revenue[(c)]	—	—	154	154	1	155
Retail revenue						
Mass customers	*1,401*	—	—	—	*(1)*	*1,400*
Business Solutions customers	*345*	—	—	—	—	*345*
Total retail revenue	1,746	—	—	—	(1)	1,745
Mark-to-market for economic hedging activities[(a)(b)]	2	460	64	524	(285)	241
Other revenues[(c)]	—	16	59	75	—	75
Total operating revenue	1,748	973	394	1,367	(650)	2,465
Less: Lease revenue	3	—	2	2	—	5
Less: Realized and unrealized ASC 815 revenue[(a)]	2	1,184	140	1,324	(649)	677
Total revenue from contracts with customers	$ 1,743	$ (211)	$ 252	$ 41	$ (1)	$ 1,783

(a) Generation includes higher revenues due to the Company's large internal transfer of power based on average annualized market prices, which are offset by higher cost of operations within Retail

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

(c) The following table represents the realized revenues related to derivative instruments that are accounted for under ASC 815 which are included in the amounts above:

	Retail	**Texas**	**East/West/Other**	**Subtotal**	**Corporate/Eliminations**	**Total**
Energy revenue	$ —	$ 717	$ 42	$ 759	$ (365)	$ 394
Capacity revenue	—	—	29	29	1	30
Other revenue	—	7	5	12	—	12

	Three months ended June 30, 2018					
		Generation				
(In millions)	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue[(a)(c)]	$ —	$ 402	$ 259	$ 661	$ (251)	$ 410
Capacity revenue[(c)]	—	—	165	165	—	165
Retail revenue						
Mass customers	*1,377*	—	—	—	*(1)*	*1,376*
Business Solutions customers	*437*	—	—	—	—	*437*
Total retail revenue	1,814	—	—	—	(1)	1,813
Mark-to-market for economic hedging activities[(a)(b)]	—	296	(22)	274	(264)	10
Other revenues[(c)]	—	10	57	67	(4)	63
Total operating revenue	1,814	708	459	1,167	(520)	2,461
Less: Lease revenue	3	—	2	2	—	5
Less: Realized and unrealized ASC 815 revenue[(a)]	—	865	48	913	(511)	402
Total revenue from contracts with customers	$ 1,811	$ (157)	$ 409	$ 252	$ (9)	$ 2,054

(a) Generation includes higher revenues due to the Company's large internal transfer of power based on average annualized market prices, which are offset by higher cost of operations within Retail

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

(c) The following table represents the realized revenues related to derivative instruments that are accounted for under ASC 815 which are included in the amounts above:

	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 569	$ 26	$ 595	$ (247)	$ 348
Capacity revenue	—	—	39	39	—	39
Other revenue	—	—	5	5	—	5

	Six months ended June 30, 2019					
		Generation				
(In millions)	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue[(a)(c)]	$ —	$ 855	$ 341	$ 1,196	$ (641)	$ 555
Capacity revenue[(c)]	—	—	309	309	—	309
Retail revenue						
Mass customers	*2,722*	—	—	—	*(2)*	*2,720*
Business Solutions customers	*631*	—	—	—	—	*631*
Total retail revenue	3,353	—	—	—	(2)	3,351
Mark-to-market for economic hedging activities[(a)(b)]	2	473	56	529	(270)	261
Other revenues[(c)]	—	45	111	156	(2)	154
Total operating revenue	3,355	1,373	817	2,190	(915)	4,630
Less: Lease revenue	6	—	4	4	—	10
Less: Realized and unrealized ASC 815 revenue[(a)]	2	1,730	237	1,967	(911)	1,058
Total revenue from contracts with customers	$ 3,347	$ (357)	$ 576	$ 219	$ (4)	$ 3,562

(a) Generation includes higher revenues due to the Company's large internal transfer of power based on average annualized market prices, which are offset by higher cost of operations within Retail

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

(c) The following table represents the realized revenues related to derivative instruments that are accounted for under ASC 815 which are included in the amounts above:

	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 1,242	$ 129	$ 1,371	$ (641)	$ 730
Capacity revenue	—	—	48	48	—	48
Other revenue	—	15	4	19	—	19

(In millions)	Six months ended June 30, 2018					
		Generation				
	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue[a][c]	$ —	$ 666	$ 598	$ 1,264	$ (411)	$ 853
Capacity revenue[c]	—	—	308	308	(1)	307
Retail revenue						
Mass customers	*2,553*	—	—	—	*(2)*	*2,551*
Business Solutions customers	*747*	—	—	—	—	*747*
Total retail revenue	3,300	—	—	—	(2)	3,298
Mark-to-market for economic hedging activities[a][b]	(6)	(273)	(27)	(300)	220	(86)
Other revenues[c]	—	64	102	166	(12)	154
Total operating revenue	3,294	457	981	1,438	(206)	4,526
Less: Lease revenue	7	—	4	4	—	11
Less: Realized and unrealized ASC 815 revenue[a]	(6)	714	132	846	(184)	656
Total revenue from contracts with customers	$ 3,293	$ (257)	$ 845	$ 588	$ (22)	$ 3,859

(a) Generation includes higher revenues due to the Company's large internal transfer of power based on average annualized market prices, which are offset by higher cost of operations within Retail

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

(c) The following table represents the realized revenues related to derivative instruments that are accounted for under ASC 815 which are included in the amounts above:

	Retail	Texas	East/West/Other	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 982	$ 86	$ 1,068	$ (404)	$ 664
Capacity revenue	—	—	65	65	—	65
Other revenue	—	5	8	13	—	13

Contract Balances

The following table reflects the contract assets and liabilities included in the Company's balance sheet as of June 30, 2019 and December 31, 2018:

(In millions)	June 30, 2019	December 31, 2018
Deferred customer acquisition costs	$ 123	$ 111
Accounts receivable, net - Contracts with customers	1,015	999
Accounts receivable, net - Derivative instruments	43	20
Accounts receivable, net - Affiliate	4	5
Total accounts receivable, net	$ 1,062	$ 1,024
Unbilled revenues (included within Accounts receivable, net - Contracts with customers)	$ 403	$ 392
Deferred revenues[a]	89	67

(a) Deferred revenues from contracts with customers for the six month period ended June 30, 2019 and the twelve month period ended December 31, 2018 were approximately $31 million and $19 million, respectively

The revenue recognized during the six months ended June 30, 2019 and 2018, relating to the deferred revenue balance at the beginning of each period was $13 million and $16 million, respectively. The revenue recognized during the three months ended June 30, 2019 and 2018, relating to the deferred revenue balance at the beginning of each period was $19 million and $16 million, respectively. The change in deferred revenue balances during the three and six months ended June 30, 2019 and 2018 was primarily due to the timing difference of when consideration was received and when the performance obligation was transferred.

Note 4 — Acquisitions, Discontinued Operations and Dispositions

Acquisitions

Stream Energy Acquisition - On May 15, 2019, the Company entered into an agreement to acquire Stream Energy's retail electricity and natural gas business operating in 9 states and Washington, D.C. for $300 million in cash and estimated transaction costs and working capital adjustments of approximately $25 million. The acquisition increased NRG's retail portfolio by approximately 600,000 RCEs or 450,000 customers. The acquisition closed on August 1, 2019.

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 $213 million in cash. The acquisition increased NRG's retail portfolio by approximately 395,000 RCEs or 300,000 customers. The purchase price was allocated as follows:

	(In millions)
Net current and non-current working capital	$ 46
Other intangible assets	133
Goodwill	34
XOOM Purchase Price	$ 213

Discontinued Operations

Sale of South Central Portfolio

On February 4, 2019, the Company completed the sale of the South Central Portfolio to Cleco for cash consideration of $1 billion excluding working capital and other adjustments. The Company concluded that the divested business met the criteria for discontinued operations as of December 31, 2018, as the disposition represented a strategic shift in the business in which NRG operates and the criteria for held-for-sale were met. As such, all current and prior period results for the operations of the South Central Portfolio, except for the Cottonwood facility as discussed below, were reclassified as discontinued operations. In connection with the transaction, NRG also entered into a transition services agreement to provide certain corporate services to the divested business.

The South Central Portfolio includes the 1,153 MW Cottonwood natural gas generating facility. Upon the closing of the sale of the South Central Portfolio, NRG entered into an agreement with Cleco to leaseback the Cottonwood facility through May 2025. Due to its continuing involvement with the Cottonwood facility, NRG did not use discontinued operations treatment in accounting for historical and ongoing activity with Cottonwood.

Summarized results of the South Central Portfolio discontinued operations were as follows:

	Three months ended		Six months ended	
(In millions)	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Operating revenues	$ —	$ 107	$ 31	$ 209
Operating costs and expenses	—	(91)	(23)	(177)
Gain from discontinued operations, net of tax	**—**	**16**	**8**	**32**
Gain on disposal of discontinued operations, net of tax	1	—	28	—
Gain from discontinued operations, including disposal, net of tax	**$ 1**	**$ 16**	**$ 36**	**$ 32**

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

(In millions)	**December 31, 2018**
Cash and cash equivalents	$ 89
Accounts receivable - trade, net	49
Inventory	35
Other current assets	5
Current assets - discontinued operations	178
Property, plant and equipment, net	408
Other non-current assets	1
Non-current assets - discontinued operations	409
Accounts payable	19
Other current liabilities	5
Current liabilities - discontinued operations	24
Out-of-market contracts, net	50
Other non-current liabilities	11
Non-current liabilities - discontinued operations	$ 61

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

On August 31, 2018, the Company completed the sale of its ownership interests in NRG Yield, Inc. and the Renewables Platform to GIP for total cash consideration of $1.348 billion. The Company concluded that the divested businesses met 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 NRG Yield, Inc. and the Renewables Platform were 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. During the six months ended June 30, 2019, the Company recorded an adjustment to reduce the purchase price by $17 million in connection with the completion of the Patriot Wind project. The Company expects to recover a portion of this adjustment in the future. During the six months ended June 30, 2019, the Company reduced the liability related to the indemnification of NRG Yield for any increase in property taxes for certain solar properties by $22 million due to updated estimates.

Carlsbad

On February 6, 2018, NRG entered into an agreement with NRG Yield and GIP to sell 100% of its membership interests in Carlsbad Energy Holdings LLC, which owns the Carlsbad project, for $385 million of cash consideration, excluding working capital adjustments. The primary condition to close the Carlsbad transaction was the completion of the sale of NRG Yield and the Renewables Platform. At the time of the sale of NRG Yield and the Renewables Platform in August 2018, the Company concluded that the Carlsbad project met the criteria for discontinued operations and accordingly, all current and prior period results for Carlsbad were reclassified as discontinued operations. The transaction closed on February 27, 2019. Carlsbad continues to have a ground lease and easement agreement with NRG with an initial term ending in 2039 and two ten year extensions. As a result of the transaction, additional commitments related to the project totaled approximately $23 million as of December 31, 2018 and June 30, 2019.

Summarized results of NRG Yield, Inc. and the Renewables Platform and Carlsbad discontinued operations were as follows:

	Three months ended		Six months ended	
(In millions)	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Operating revenues	$ —	$ 368	$ 19	$ 628
Operating costs and expenses	—	(223)	(9)	(453)
Other expenses	—	(65)	(5)	(123)
Gain from operations of discontinued components, before tax	—	80	5	52
Income tax expense/(benefit)	—	2	—	(5)
Gain from discontinued operations, net of tax	**—**	**78**	**5**	**57**
Gain on disposal of discontinued operations, net of tax	(17)	—	331	—
Other Commitments, Indemnification and Fees	27	—	27	—
Gain on disposal of discontinued operations, net of tax	**10**	**—**	**358**	**—**
Gain from discontinued operations, including disposal, net of tax	**$ 10**	**$ 78**	**$ 363**	**$ 57**

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

(In millions)	**December 31, 2018**
Restricted cash	$ 4
Accounts receivable - trade, net	10
Other current assets	5
Current assets - discontinued operations	19
Property, plant and equipment, net	590
Intangible assets, net	9
Other non-current assets	4
Non-current assets - discontinued operations	603
Current portion of long-term debt and capital leases	20
Accounts payable	27
Other current liabilities	1
Current liabilities - discontinued operations	48
Long-term debt and capital leases	572
Other non-current liabilities	2
Non-current liabilities - discontinued operations	$ 574

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, plus an additional $3 million received at final completion in January 2019.

On March 30, 2018, 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 $42 million, excluding working capital adjustments, and assumed non-recourse debt of $183 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 concluded that it no longer controlled GenOn as it was subject to the control of the Bankruptcy Court; and, accordingly, NRG deconsolidated GenOn for financial reporting purposes as of June 14, 2017.

By eliminating a large portion of its operations in the PJM market with the deconsolidation of GenOn, NRG concluded that GenOn met the criteria for discontinued operations, as this represented a strategic shift in the business in which NRG operates. As such, all prior period results for GenOn were reclassified as discontinued operations. GenOn's plan of reorganization was confirmed on December 14, 2018.

Summarized results of GenOn discontinued operations were as follows:

	Three months ended		Six months ended	
(In millions)	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Interest income - affiliate	$ —	$ 2	$ —	$ 3
Pension and post-retirement liability assumption	—	1	—	1
Advisory and consulting fees	—	(1)	—	(2)
Other	2	(27)	2	(27)
Gain/(loss) from discontinued operations, net of tax	**$ 2**	**$ (25)**	**$ 2**	**$ (25)**

GenOn Settlement

Effective July 16, 2018, NRG and GenOn consummated the GenOn Settlement whereby 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, (iv) $4 million reduction of the settlement payment related to NRG assigning to GenOn approximately $8 million of historical claims against REMA and (v) certain other balances due to NRG totaling $2 million.

GenMA Settlement

The Bankruptcy Court approved settlement terms agreed to among the GenOn Entities, NRG, the Consenting Holders, GenOn Mid-Atlantic, and certain of GenOn Mid-Atlantic's stakeholders, or the GenMA Settlement, and directed the settlement parties to cooperate in good faith to negotiate definitive documentation consistent with the GenMA Settlement term sheet in order to pursue consummation of the GenMA Settlement. The definitive documentation effectuating the GenMA Settlement was finalized as of April 27, 2018. Certain terms of the compromise with respect to NRG and GenOn Mid-Atlantic are as follows:

- Settlement of all pending litigation and objections to the Plan (including with respect to releases and feasibility);
- NRG provided $37.5 million in letters of credit as new qualifying credit support to GenOn Mid-Atlantic; and
- NRG paid $6 million as reimbursement of professional fees incurred by certain of GenOn Mid- Atlantic's stakeholders in connection with the GenMA Settlement.

Dispositions

On June 29, 2018, the Company completed the sale of Canal 3 to Stonepeak Kestrel for cash proceeds of $16 million and recorded a gain of $17 million. Prior to the sale, Canal 3 entered into a financing arrangement and received cash proceeds of $167 million, of which $151 million was distributed to the Company. The related debt was non-recourse to NRG and was transferred to Stonepeak Kestrel in connection with the sale of Canal 3. The Company entered into a project management agreement in 2018 to manage construction of Canal 3, and substantial completion was reached in June 2019.

The Company completed other asset sales for cash proceeds of $18 million and $16 million during the six months ended June 30, 2019 and 2018, respectively.

Note 5 — Fair Value of Financial Instruments

For cash and cash equivalents, funds deposited by counterparties, accounts and other receivables, accounts payable, restricted cash, and cash collateral paid and received in support of energy risk management activities, the carrying amounts approximate fair values because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

The estimated carrying amounts and fair values of NRG's recorded financial instruments not carried at fair market value are as follows:

	As of June 30, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable	$ 12	$ 8	$ 17	$ 14
Liabilities:				
Long-term debt, including current portion [(a)]	5,951	6,422	6,591	6,697

(a) Excludes deferred financing costs, which are recorded as a reduction to long-term debt on the Company's consolidated balance sheets

The fair value of the Company's publicly-traded long-term debt is based on quoted market prices and is classified as Level 2 within the fair value hierarchy. The fair value of debt securities, non-publicly traded long-term debt and certain notes receivable of the Company are based on expected future cash flows discounted at market interest rates or current interest rates for similar instruments with equivalent credit quality and are classified as Level 3 within the fair value hierarchy. The following table presents the level within the fair value hierarchy for long-term debt, including current portion, as of June 30, 2019 and December 31, 2018:

	As of June 30, 2019		As of December 31, 2018	
	Level 2	Level 3	Level 2	Level 3
	(In millions)			
Long-term debt, including current portion	$ 6,305	$ 117	$ 6,528	$ 169

Recurring Fair Value Measurements

Debt securities, equity securities, and trust fund investments, which are comprised of various U.S. debt and equity securities, and derivative assets and liabilities, are carried at fair market value.

The following tables present assets and liabilities measured and recorded at fair value on the Company's condensed consolidated balance sheets on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2019			
(In millions)	Total	Level 1	Level 2	Level 3
Investments in securities (classified within other current and non-current assets)	$ 38	$ —	$ 19	$ 19
Nuclear trust fund investments:				
Cash and cash equivalents	25	25	—	—
U.S. government and federal agency obligations	57	57	—	—
Federal agency mortgage-backed securities	92	—	92	—
Commercial mortgage-backed securities	29	—	29	—
Corporate debt securities	102	—	102	—
Equity securities	366	366	—	—
Foreign government fixed income securities	4	—	4	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	1,276	131	770	375
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	73			
Equity securities	9			
Total assets	$ 2,072	$ 580	$ 1,016	$ 394
Derivative liabilities:				
Commodity contracts	$ 1,152	$ 245	$ 629	$ 278
Total liabilities	$ 1,152	$ 245	$ 629	$ 278

(In millions)	As of December 31, 2018 Total	Level 1	Level 2	Level 3
Investments in securities (classified within other current and non-current assets)	$ 39	$ 2	$ 18	$ 19
Nuclear trust fund investments:				
Cash and cash equivalents	19	19	—	—
U.S. government and federal agency obligations	46	46	—	—
Federal agency mortgage-backed securities	100	—	100	—
Commercial mortgage-backed securities	22	—	22	—
Corporate debt securities	96	—	96	—
Equity securities	312	312	—	—
Foreign government fixed income securities	4	—	4	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	1,042	137	796	109
Interest rate contracts	39	—	39	—
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	64			
Equity securities	8			
Total assets	$ 1,792	$ 517	$ 1,075	$ 128
Derivative liabilities:				
Commodity contracts	$ 977	$ 224	$ 664	$ 89
Total liabilities	$ 977	$ 224	$ 664	$ 89

There were no transfers during the three and six months ended June 30, 2019 and 2018 between Levels 1 and 2. The following tables reconcile, for the three and six months ended June 30, 2019 and 2018, the beginning and ending balances for financial instruments that are recognized at fair value in the condensed consolidated financial statements, at least annually, using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Three months ended June 30, 2019			Six months ended June 30, 2019		
(In millions)	Debt Securities	Derivatives[(a)]	Total	Debt Securities	Derivatives[(a)]	Total
Beginning balance	$ 18	$ (2)	$ 16	$ 19	$ 20	$ 39
Contracts added from acquisitions	—	(1)	(1)	—	(1)	(1)
Total gains/(losses) — realized/unrealized included in earnings	1	(17)	(16)	1	(27)	(26)
Cash received	—	—	—	(1)	—	(1)
Purchases	—	(10)	(10)	—	(12)	(12)
Transfers into Level 3[(b)]	—	113	113	—	130	130
Transfers out of Level 3[(b)]	—	14	14	—	(13)	(13)
Ending balance as of June 30, 2019	$ 19	$ 97	$ 116	$ 19	$ 97	$ 116
Gains/(losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of June 30, 2019	$ 1	$ (19)	$ (18)	$ 1	$ (31)	$ (30)

(a) Consists of derivative assets and liabilities, net

(b) Transfers into/out of Level 3 are related to the availability of external broker quotes and are valued as of the end of the reporting period. All transfers in/out are with Level 2

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Three months ended June 30, 2018			Six months ended June 30, 2018		
(In millions)	Debt Securities	Derivatives[(a)]	Total	Debt Securities	Derivatives[(a)]	Total
Beginning balance	$ 19	$ 5	$ 24	$ 19	$ (15)	$ 4
Contracts added in XOOM acquisition	—	12	12	—	12	12
Total (losses) — realized/unrealized included in earnings	—	(27)	(27)	—	(16)	(16)
Purchases	—	(4)	(4)	—	(3)	(3)
Transfers into Level 3[(b)]	—	193	193	—	197	197
Transfers out of Level 3[(b)]	—	(5)	(5)	—	(1)	(1)
Ending balance as of June 30, 2018	$ 19	$ 174	$ 193	$ 19	$ 174	$ 193
(Losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of June 30, 2018	$ —	$ (27)	$ (27)	$ —	$ (15)	$ (15)

(a) Consists of derivative assets and liabilities, net

(b) Transfers into/out of Level 3 are related to the availability of external broker quotes and are valued as of the end of the reporting period. All transfers in/out are with Level 2

Derivative Fair Value Measurements

A portion of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A majority of NRG's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available. These contracts are valued based on various valuation techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of the observable market data with similar characteristics. As of June 30, 2019, contracts valued with prices provided by models and other valuation techniques make up 29% of derivative assets and 24% of derivative liabilities.

NRG's significant positions classified as Level 3 include physical and financial power executed in illiquid markets as well as financial transmission rights, or FTRs. The significant unobservable inputs used in developing fair value include illiquid power location pricing which is derived as a basis to liquid locations. The basis spread is based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. For FTRs, NRG uses the most recent auction prices to derive the fair value.

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 positions as of June 30, 2019 and December 31, 2018:

	June 30, 2019						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Power Contracts	$ 347	$ 261	Discounted Cash Flow	Forward Market Price (per MWh)	$ 4	$ 142	$ 25
FTRs	28	17	Discounted Cash Flow	Auction Prices (per MWh)	(134)	52	0
	$ 375	$ 278					

	December 31, 2018						
	Fair Value				Input/Range		
	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
	(In millions)						
Power Contracts	$ 89	$ 75	Discounted Cash Flow	Forward Market Price (per MWh)	$ 1	$ 214	$ 31
FTRs	20	14	Discounted Cash Flow	Auction Prices (per MWh)	(90)	34	0
	$ 109	$ 89					

The following table provides sensitivity of fair value measurements to increases/(decreases) in significant unobservable inputs as of June 30, 2019 and December 31, 2018:

Significant Unobservable Input	Position	Change In Input	Impact on Fair Value Measurement
Forward Market Price Power	Buy	Increase/(Decrease)	Higher/(Lower)
Forward Market Price Power	Sell	Increase/(Decrease)	Lower/(Higher)
FTR Prices	Buy	Increase/(Decrease)	Higher/(Lower)
FTR Prices	Sell	Increase/(Decrease)	Lower/(Higher)

The fair value of each contract is discounted using a risk-free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which is calculated based on published default probabilities. As of June 30, 2019 the credit reserve resulted in a $2 million decrease in cost of operations. As of December 31, 2018, the credit reserve did not result in a significant change in fair value in operating revenue and cost of operations.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, *Summary of Significant Accounting Policies*, to the Company's 2018 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail load activities.

Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2018 Form 10-K. As of June 30, 2019, counterparty credit exposure, excluding credit exposure from RTOs, ISOs, registered commodity exchanges and certain long-term agreements, was $273 million and NRG held collateral (cash and letters of credit) against those positions of $93 million, resulting in a net exposure of $226 million. NRG periodically receives collateral from counterparties in excess of their exposure. Collateral amounts shown include such excess while net exposure shown excludes excess collateral received. Approximately 60% of the Company's exposure before collateral is expected to roll off by the end of 2020. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

Category by Industry Sector	**Net Exposure[a][b] (% of Total)**
Utilities, energy merchants, marketers and other	84%
Financial institutions	16
Total as of June 30, 2019	100%

Category by Counterparty Credit Quality	**Net Exposure [a] [b] (% of Total)**
Investment grade	53%
Non-investment grade/non-rated	47
Total as of June 30, 2019	100%

(a) Counterparty credit exposure excludes uranium and coal transportation contracts because of the unavailability of market prices

(b) The figures in the tables above exclude potential counterparty credit exposure related to RTOs, ISOs, registered commodity exchanges and certain long-term contracts

The Company currently has $33 million in exposure to one wholesale counterparty in excess of 10% of total net exposure discussed above as of June 30, 2019. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, NRG does not anticipate a material impact on its financial position or results of operations from nonperformance by any of NRG's counterparties.

RTOs and ISOs

The Company participates in the organized markets of CAISO, ERCOT, ISO-NE, MISO, NYISO and PJM, known as RTOs or ISOs. Trading in these markets is approved by FERC, or in the case of ERCOT, approved by the PUCT, and includes credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to NRG’s share of the overall market and are excluded from the above exposures.

Exchange Traded Transactions

The Company enters into commodity transactions on registered exchanges, notably ICE, NYMEX and Nodal. These clearinghouses act as the counterparty and transactions are subject to extensive collateral and margining requirements. As a result, these commodity transactions have limited counterparty credit risk.

Long-Term Contracts

Counterparty credit exposure described above excludes credit risk exposure under certain long-term contracts, primarily solar PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company values these contracts based on various techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of June 30, 2019, aggregate credit risk exposure managed by NRG to these counterparties was approximately $524 million for the next five years, including exposure to PG&E as described below.

NRG, through its unconsolidated affiliates Ivanpah and Agua Caliente, has exposure to PG&E of approximately $337 million for the next five years. As a result of the bankruptcy filing by PG&E on January 29, 2019, it is uncertain whether and to what extent the bankruptcy may have an effect on these contracts. For further discussion see Note 11, *Investments Accounted for Using the Equity Method and Variable Interest Entities, or VIEs*.

Retail Customer Credit Risk

The Company is exposed to retail credit risk through the Company's retail electricity providers, which serve C&I customers and the Mass market. Retail credit risk results in losses when a customer fails to pay for services rendered. The losses may result from both nonpayment of customer accounts receivable and the loss of in-the-money forward value. The Company manages retail credit risk through the use of established credit policies that include monitoring of the portfolio and the use of credit mitigation measures such as deposits or prepayment arrangements.

As of June 30, 2019, the Company's retail customer credit exposure to C&I and Mass customers was diversified across many customers and various industries, as well as government entities.

Note 6 — Nuclear Decommissioning Trust Fund

NRG's Nuclear Decommissioning Trust Fund assets, which are for the decommissioning of its 44% interest in STP, are comprised of securities classified as available-for-sale and recorded at fair value based on actively quoted market prices. NRG accounts for the Nuclear Decommissioning Trust Fund in accordance with ASC 980, *Regulated Operations*, because the Company's nuclear decommissioning activities are subject to approval by the PUCT with regulated rates that are designed to recover all decommissioning costs and that can be charged to and collected from the ratepayers per PUCT mandate. Since the Company is in compliance with PUCT rules and regulations regarding decommissioning trusts and the cost of decommissioning is the responsibility of the Texas ratepayers, not NRG, all realized and unrealized gains or losses (including other-than-temporary impairments) related to the Nuclear Decommissioning Trust Fund are recorded to the Nuclear Decommissioning Trust liability and are not included in net income or accumulated OCI, consistent with regulatory treatment.

The following table summarizes the aggregate fair values and unrealized gains and losses for the securities held in the trust funds, as well as information about the contractual maturities of those securities.

	As of June 30, 2019				As of December 31, 2018			
(In millions, except maturities)	**Fair Value**	**Unrealized Gains**	**Unrealized Losses**	**Weighted-average Maturities (In years)**	**Fair Value**	**Unrealized Gains**	**Unrealized Losses**	**Weighted-average Maturities (In years)**
Cash and cash equivalents	$ 25	$ —	$ —	—	$ 19	$ —	$ —	—
U.S. government and federal agency obligations	57	4	—	12	46	1	—	12
Federal agency mortgage-backed securities	92	2	—	24	100	1	2	23
Commercial mortgage-backed securities	29	1	1	23	22	—	1	22
Corporate debt securities	102	5	—	11	96	1	2	11
Equity securities	439	291	—	—	376	231	1	—
Foreign government fixed income securities	4	—	—	8	4	—	—	9
Total	$ 748	$ 303	$ 1		$ 663	$ 234	$ 6	

The following table summarizes proceeds from sales of available-for-sale securities and the related realized gains and losses from these sales. The cost of securities sold is determined on the specific identification method.

	Six months ended June 30,	
	2019	**2018**
	(In millions)	
Realized gains	$ 5	$ 7
Realized losses	(5)	(6)
Proceeds from sale of securities	191	303

Note 7 — Accounting for Derivative Instruments and Hedging Activities

Energy-Related Commodities

As of June 30, 2019, NRG had energy-related derivative instruments extending through 2034. The Company marks these derivatives to market through the statement of operations. NRG has executed power purchase agreements extending through 2033 that qualified for the NPNS exception and were therefore exempt from fair value accounting treatment.

Interest Rate Swaps

NRG was exposed to changes in interest rates through the Company's issuance of variable rate debt. In order to manage the Company's interest rate risk, NRG entered into interest rate swap agreements. As of June 30, 2019, NRG had no interest rate derivative instruments as a result of the early termination of such contracts in connection with the repayment of the 2023 Term Loan Facility during the second quarter of 2019. See Note 10, *Debt and Capital Leases*, for further discussion.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of NRG's open derivative transactions broken out by category, excluding those derivatives that qualified for the NPNS exception, as of June 30, 2019 and December 31, 2018. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume	
		June 30, 2019	December 31, 2018
Category	Units	(In millions)	
Emissions	Short Ton	1	(2)
Renewable Energy Certificates	Certificates	1	1
Coal	Short Ton	7	13
Natural Gas	MMBtu	(238)	(330)
Oil	Barrels	—	1
Power	MWh	21	1
Capacity	MW/Day	(1)	(1)
Interest	Dollars	$ —	$ 1,000

The decrease in the natural gas position was primarily the result of additional retail hedge positions and settlement of generation hedges. The increase in the power position was primarily the result of additional retail hedge positions and the settlement of generation hedges. The decrease in the interest position was the result of the early settlement of the interest rate swaps.

Fair Value of Derivative Instruments

The following table summarizes the fair value within the derivative instrument valuation on the balance sheets:

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	(In millions)			
Derivatives Not Designated as Cash Flow or Fair Value Hedges:				
Interest rate contracts current	$ —	$ 17	$ —	$ —
Interest rate contracts long-term	—	22	—	—
Commodity contracts current	850	747	778	673
Commodity contracts long-term	426	295	374	304
Total Derivatives Not Designated as Cash Flow or Fair Value Hedges	$ 1,276	$ 1,081	$ 1,152	$ 977

The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. In addition, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. The following table summarizes the offsetting of derivatives by counterparty master agreement level and collateral received or paid:

	Gross Amounts Not Offset in the June 30, 2019 Balance Sheet			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
	(In millions)			
Commodity contracts:				
Derivative assets	$ 1,276	$ (1,029)	$ (10)	$ 237
Derivative liabilities	(1,152)	1,029	58	(65)
Total commodity contracts	$ 124	$ —	$ 48	$ 172

	Gross Amounts Not Offset in the December 31, 2018 Balance Sheet			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
	(In millions)			
Commodity contracts:				
Derivative assets	$ 1,042	$ (778)	$ (31)	$ 233
Derivative liabilities	(977)	778	114	(85)
Total commodity contracts	65	—	83	148
Interest rate contracts:				
Derivative assets	39	—	—	39
Total interest rate contracts	39	—	—	39
Total derivative instruments	$ 104	$ —	$ 83	$ 187

Accumulated Other Comprehensive Loss

The following table summarizes the effects on the Company's accumulated OCL balance attributable to cash flow hedge derivatives, net of tax:

	Interest Rate Contracts	
	Three months ended June 30, 2018	Six months ended June 30, 2018
	(In millions)	
Accumulated OCL beginning balance	$ (31)	$ (54)
Reclassified from accumulated OCL to income:		
Due to realization of previously deferred amounts	3	7
Mark-to-market of cash flow hedge accounting contracts	5	24
Accumulated OCL ending balance, net of $5 tax	$ (23)	$ (23)

Amounts reclassified from accumulated OCL into income are recorded in discontinued operations.

Impact of Derivative Instruments on the Statements of Operations

Unrealized gains and losses associated with changes in the fair value of derivative instruments not accounted for as cash flow hedges are reflected in current period results of operations.

The following table summarizes the pre-tax effects of economic hedges that have not been designated as cash flow hedges and trading activity on the Company's statement of operations. The effect of commodity hedges is included within operating revenues and cost of operations and the effect of interest rate hedges is included in interest expense.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Unrealized mark-to-market results	(In millions)			
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	$ 11	$ (2)	$ 30	$ (1)
Reversal of acquired loss/(gain) positions related to economic hedges	1	(1)	(1)	(1)
Net unrealized gains/(losses) on open positions related to economic hedges	9	(73)	12	132
Total unrealized mark-to-market gains/(losses) for economic hedging activities	21	(76)	41	130
Reversal of previously recognized unrealized gains on settled positions related to trading activity	(1)	(3)	(7)	(6)
Net unrealized gains on open positions related to trading activity	13	8	26	19
Total unrealized mark-to-market gains for trading activity	12	5	19	13
Total unrealized gains/(losses)	$ 33	$ (71)	$ 60	$ 143

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Unrealized gains/(losses) included in operating revenues	$ 253	$ 15	$ 280	$ (73)
Unrealized (losses)/gains included in cost of operations	(220)	(86)	(220)	216
Total impact to statement of operations — energy commodities	$ 33	$ (71)	$ 60	$ 143
Total impact to statement of operations — interest rate contracts	$ (29)	$ 3	$ (38)	$ 15

The reversals of acquired gain or loss positions were valued based upon the forward prices on the acquisition date. The roll-off amounts were offset by realized gains or losses at the settled prices and are reflected in operating revenue or cost of operations during the same period.

For the six months ended June 30, 2019, the $12 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward power positions due to decreases in power prices.

For the six months ended June 30, 2018, the $132 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward purchases of ERCOT heat rate and ERCOT electricity contracts due to ERCOT heat rate expansion and increases in ERCOT power prices.

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed “adequate assurance” under the agreements, or require the Company to post additional collateral if there were a one notch downgrade in the Company's credit rating. The collateral required for contracts with adequate assurance clauses that are in a net liability position as of June 30, 2019 was $19 million. The collateral required for contracts with credit rating contingent features that are in a net liability position as of June 30, 2019 was $13 million. The Company is also a party to certain marginable agreements under which it has a net liability position, but the counterparty has not called for the collateral due, which was $3 million as of June 30, 2019.

See Note 5, *Fair Value of Financial Instruments*, for discussion regarding concentration of credit risk.

Note 8 — Leases

The Company leases generating facilities, land, office and equipment, railcars, and storefront space at retail stores. Operating leases with an initial term greater than twelve months are recognized as right-of-use assets and lease liabilities in the consolidated balance sheets. The Company recognizes lease expense for all operating leases on a straight-line basis over the lease term. In the future, should another systematic basis become more representative of the pattern in which the lessee expects to consume the remaining economic benefit of the right-of-use asset, the Company will use that basis for lease expense.

The Company considers a contract to be or to contain a lease when both of the following conditions apply: 1) an asset is either explicitly or implicitly identified in the contract and 2) the contract conveys to the Company the right to control the use of the identified asset for a period of time. The Company has the right to control the use of the identified asset when the Company has both the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used throughout the period of use.

Lease payments are typically fixed and payable on a monthly, quarterly, semi-annual or annual basis. Lease payments under certain agreements may escalate over the lease term either by a fixed percentage or a fixed dollar amount. Certain leases may provide for variable lease payments in the form of payments based on usage, a percentage of sales from the location under lease, or index-based (e.g., the U.S. Consumer Price Index) adjustments to lease payments. The Company has no leases which contain residual value guarantees provided by the Company as a lessee.

The Company's leases may grant the Company an option to renew a lease for an additional term(s) or to terminate the lease after a certain period. As part of its transition from the guidance contained in Topic 840 to the updated guidance in Topic 842, the Company elected not to use the practical expedient of using hindsight to determine the lease term and in assessing impairment of the right-of-use assets.

As permitted by Topic 842, the Company made an accounting policy election for all asset classes not to recognize right-of-use assets and lease liabilities in the consolidated balance sheets for its short-term leases, which are leases that have a lease term of twelve months or less. For the initial measurement of lease liabilities, the Company uses as the discount rate either the rate implicit in the lease, if known, or its incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, over a similar term an amount equal to the payments for the lease.

In transition to Topic 842, the Company elected to apply the effective date transition method as of the January 1, 2019 adoption date. In accordance with this method, the Company's reporting for comparative periods prior to January 1, 2019 presented in the financial statements continues to be in conformity with the guidance in Topic 840. The Company elected the following practical expedients, which allow entities to:

1. not reassess whether any contracts that existed prior to the January 1, 2019 implementation date are or contain leases;
2. not reassess the lease classification for any leases that commenced prior to the January 1, 2019 implementation date, meaning that all commenced capital leases under Topic 840 will be classified as finance leases under Topic 842 and all commenced operating leases under Topic 840 will be classified as operating leases under Topic 842;
3. not reassess initial direct costs for any leases;
4. not reassess whether existing land easements, which were not previously accounted as leases under Topic 840, are or contain leases; and
5. not separate lease and non-lease components for all asset classes, except office space leases and generation facilities leases.

As described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, upon the close of the South Central Portfolio sale, the Company entered into an agreement to leaseback the Cottonwood facility through May 2025. The lease was accounted for in accordance with ASC 842-40, *Sale and Leaseback Transactions*, as an operating lease and accordingly, a right-of-use asset and lease liability were established on the lease commencement date and will be amortized through the end of the lease.

Lease Cost:

(In millions)	**Three months ended June 30, 2019**	**Six months ended June 30, 2019**
Operating lease cost	33	56
Short-term lease cost	1	1
Variable lease cost	2	3
Sublease income	(5)	(9)
Total lease cost	$ 31	$ 51

Other information:

(In millions)	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	$ 53
Operating cash flows from operating leases	53
Right-of-use assets obtained in exchange for new operating lease liabilities	214

Lease Term and Discount Rate:

Weighted-average remaining lease term	In Years
Finance leases	2.5
Operating leases	8.1
Weighted-average discount rate	%
Finance leases	6.50
Operating leases	5.73

As of June 30, 2019, annual payments based on the maturities of NRG's leases are expected to be as follows:

	(In millions)
Remainder of 2019	$ 50
2020	95
2021	85
2022	85
2023	86
Thereafter	371
Total undiscounted lease payments	$ 772
Less: present value adjustment	(185)
Total discounted lease payments	$ 587

Note 9 —Impairments

2018 Impairment Losses

Keystone and Conemaugh — On June 29, 2018, the Company entered into an agreement to sell its approximately 3.7% interests in the Keystone and Conemaugh generating stations. NRG recorded impairment losses of $14 million for Keystone and $14 million for Conemaugh to adjust the carrying amount of the assets to fair value based on the contractual sale price. The transaction closed on September 5, 2018.

Dunkirk — During the second quarter of 2018, NRG ceased its development of the project to add gas capability at the Dunkirk generating station. The project was put on hold in 2015 pending the resolution of a lawsuit filed by Entergy Corporation against the NYSPSC, which challenged the legality of its contract with Dunkirk. The lawsuit was later dropped and development continued, but the delay imposed a new requirement on Dunkirk to enter into the NYISO interconnection study process. The NYISO studies concluded that extensive electric system upgrades would be necessary for the station to return to service. This would cause the Company to incur a material increase in cost and delay the project schedule, which would render the project impractical. Consequently, the Company recorded an impairment loss of $46 million during the second quarter of 2018, reducing the carrying amount of the related assets to $0.

Note 10 — Debt and Capital Leases

Long-term debt and capital leases consisted of the following:

(In millions, except rates)	June 30, 2019	December 31, 2018	Interest rate %
Recourse debt:			
Senior Notes, due 2024	$ —	$ 733	6.250
Senior Notes, due 2026	1,000	1,000	7.250
Senior Notes, due 2027	1,230	1,230	6.625
Senior Notes, due 2028	821	821	5.750
Senior Notes, due 2029	733	—	5.250
Convertible Senior Notes, due 2048	575	575	2.750
Senior Secured First Lien Notes, due 2024	600	—	3.750
Senior Secured First Lien Notes, due 2029	500	—	4.450
Term Loan Facility [(a)]	—	1,698	L+1.75
Tax-exempt bonds	466	466	4.125 - 6.00
Subtotal recourse debt	5,925	6,523	
Non-recourse debt:			
Agua Caliente Borrower 1, due 2038	83	86	5.430
Midwest Generation	—	48	4.390
Other	34	34	various
Subtotal all non-recourse debt	117	168	
Subtotal long-term debt (including current maturities)	6,042	6,691	
Capital leases	1	1	various
Subtotal long-term debt and capital leases (including current maturities)	6,043	6,692	
Less current maturities	(87)	(72)	
Less debt issuance costs	(71)	(70)	
Discounts	(91)	(101)	
Total long-term debt and capital leases	$ 5,794	$ 6,449	

(a) As of December 31, 2018, the interest rate was 1-month LIBOR plus 1.75%

Recourse Debt

Senior Notes

Issuance of 2029 Senior Notes

On May 14, 2019, NRG issued $733 million of aggregate principal amount at par of 5.25% senior unsecured notes due 2029, or the 2029 Senior Notes. The 2029 Senior Notes are senior unsecured obligations of NRG and are guaranteed by certain of its subsidiaries. Interest will be paid semi-annually beginning on December 15, 2019, until the maturity date of June 15, 2029. The proceeds from the issuance of the 2029 Senior Notes were utilized to redeem the Company's remaining 6.25% Senior Notes due 2024.

Issuance of 2024 and 2029 Senior Secured First Lien Notes

On May 28, 2019, NRG issued $1.1 billion of aggregate principal amount of senior secured first lien notes, consisting of $600 million 3.75% senior secured first lien notes due 2024 and $500 million 4.45% senior secured first lien notes due 2029, or the Senior Secured First Lien Notes, at a discount. The Senior Secured First Lien Notes are guaranteed on a first-priority basis by each of NRG’s current and future subsidiaries that guarantee indebtedness under its credit agreement. The Senior Secured First Lien Notes will be secured by a first priority security interest in the same collateral that is pledged for the benefit of the lenders under NRG’s credit agreement, which consists of a substantial portion of the property and assets owned by NRG and the guarantors. The collateral securing the Senior Secured First Lien Notes will be released if the Company obtains an investment grade rating from two out of the three rating agencies, subject to an obligation to reinstate the collateral if such rating agencies withdraw the Company's investment grade rating or downgrade its rating below investment grade. Interest will be paid semi-annually beginning on December 15, 2019, until the maturity dates of June 15, 2024 and June 15, 2029. The proceeds from the issuance of the Senior Secured First Lien Notes, together with cash on hand, were used to repay the Company's 2023 Term Loan Facility.

2024 Senior Notes Redemption

During the three months ended June 30, 2019, the Company redeemed $733 million of its 6.25% Senior Notes due 2024 and recorded a loss on debt extinguishment of $29 million, which included the write-off of previously deferred debt issuance costs of $5 million.

Senior Credit Facility

2023 Term Loan Facility Repayment

On May 28, 2019, the Company repaid its $1.7 billion 2023 Term Loan Facility using the proceeds from the issuance of the Senior Secured First Lien Notes, as well as cash on hand, resulting in a decrease of $594 million to long-term debt outstanding. The Company recorded a loss on debt extinguishment of $17 million, which included the write-off of previously deferred debt issuance costs of $13 million. As a result of the repayment of the outstanding 2023 Term Loan Facility, the Company terminated the related interest rate swap agreements, which were in-the-money, and received $25 million that was recorded as a reduction to interest expense.

Revolving Credit Facility Modification

On May 28, 2019, the Company amended its existing credit agreement to, among other things, (i) provide for a $184 million increase in revolving commitments, resulting in aggregate revolving commitments under the amended credit agreement equal to $2.6 billion, (ii) extend the maturity date of the revolving loans and commitments under the amended credit agreement to May 28, 2024, (iii) provide for a release of the collateral securing the amended credit agreement if NRG obtains an investment grade rating from two out of the three rating agencies, subject to an obligation to reinstate the collateral if such rating agencies withdraw NRG's investment grade rating or downgrade NRG's rating below investment grade, (iv) reduce the applicable margins for borrowings under (a) ABR Revolving Loans from 1.25% to 0.75% and (b) Eurodollar Revolving Loans from 2.25% to 1.75%, (v) add a sustainability-linked pricing metric that permits an interest rate adjustment tied to NRG meeting targets related to environmental sustainability and (vi) make certain other changes to the existing covenants.

Non-Recourse Debt

Agua Caliente Borrower 1

On January 22, 2019, the lenders of the Agua Caliente Borrower 1 debt notified Agua Caliente Borrower 1, a subsidiary of the Company, of certain defaults under the financing agreement as it relates to the bankruptcy filing made by PG&E on January 29, 2019. PG&E is the offtaker of the underlying contracts, which are material to the project. The financing was entered into along with Agua Caliente Borrower 2, LLC, a subsidiary of Clearway Energy Inc., which is joint and several to the parties. The Company is working with the lenders to determine a path forward.

Cottonwood - Letters of Credit

On January 4, 2019, the Company entered into an $80 million credit agreement to issue letters of credit, which is currently supporting the Cottonwood facility lease. Annual fees of 1.33% on the facility are paid quarterly in advance. As of June 30, 2019, the full $80 million was issued.

Note 11 — Investments Accounted for Using the Equity Method and Variable Interest Entities, or VIEs

Entities that are not Consolidated

NRG accounts for the Company's significant investments using the equity method of accounting. NRG's carrying value of equity investments can be impacted by a number of elements including impairments, unrealized gains and losses on derivatives and movements in foreign currency exchange rates.

PG&E Bankruptcy - The Agua Caliente project and two of the three Ivanpah units are party to PPAs with PG&E. Both projects have project financing with the U.S. DOE. On January 29, 2019, PG&E Corp. and subsidiary utility PG&E filed for Chapter 11 bankruptcy protection. As part of their filing, PG&E asked the Bankruptcy Court to confirm exclusive jurisdiction over their "rights to reject" PPAs or other contracts regulated by FERC. As a result of the bankruptcy filing, the Agua Caliente and Ivanpah projects have issued notices of events of default under their respective loan agreements.

Under the current schedule set by the bankruptcy court, PG&E has the exclusive opportunity to propose a restructuring plan until September 26, 2019, although the ad hoc committee of senior unsecured noteholders filed a motion on June 25, 2019 to terminate PG&E's exclusivity period and to allow it to propose a plan that would include the assumption of all renewable contracts entered into by PG&E. The bankruptcy court has not yet ruled on that motion.

The Company's subsidiaries are working with their partners on the projects and the loan counterparties. The Company believes that the Agua Caliente and Ivanpah PPAs with PG&E will not be rejected in the bankruptcy proceedings. NRG's maximum exposure to loss is limited to its equity investment, which was $206 million for Agua Caliente and $16 million for Ivanpah as of June 30, 2019. See Note 10, *Debt and Capital Leases* for further discussion on Agua Caliente.

Variable Interest Entities

NRG accounts for its interests in certain entities that are considered VIEs under ASC 810, *Consolidation*, for which NRG is not the primary beneficiary, under the equity method.

Through its consolidated subsidiary, NRG Solar Ivanpah LLC, NRG owns a 54.5% interest in Ivanpah Master Holdings LLC, or Ivanpah, the owner of three solar electric generating projects located in the Mojave Desert with a total capacity of 393 MW. NRG considers this investment a VIE under ASC 810 and NRG is not considered the primary beneficiary. The Company accounts for its interest under the equity method of accounting.

The Ivanpah solar electric generating projects were funded in large part by loans guaranteed by the U.S. DOE and equity from the projects' partners. During the first quarter of 2018, all interested parties sought a restructuring of Ivanpah's debt in order to avoid a potential event of default with respect to the loans and entered into a settlement during the second quarter of 2018. The settlement resulted in certain transactions, including the release of reserves totaling $95 million to fund equity distributions to the partners, which reduced the equity at risk, and the prepayment of certain of the debt balance outstanding, and the amendment of certain of Ivanpah's governing documents. The equity distributions and prepayment of debt were funded by the agreed upon release of reserve funds. These events were considered to be a reconsideration event in accordance with ASC 810. As a result, NRG determined that it is not the primary beneficiary and deconsolidated Ivanpah. NRG recognized a loss of $22 million on the deconsolidation and subsequent recognition of Ivanpah as an equity method investment during the six months ended June 30, 2018. The deconsolidation of Ivanpah reduced the Company's assets by approximately $1.3 billion, which was primarily property, plant and equipment, and reduced the Company's liabilities by $1.2 billion, which was primarily long-term debt.

Entities that are Consolidated

The Company has a controlling financial interest in certain entities that have been identified as VIEs under ASC 810. These arrangements are primarily related to tax equity arrangements entered into with third-parties in order to finance the cost of solar energy systems under operating leases eligible for certain tax credits as further described in Note 2, *Summary of Significant Accounting Policies* to the Company's 2018 Form 10-K.

The summarized financial information for the Company's consolidated VIEs consisted of the following:

(In millions)	**June 30, 2019**	**December 31, 2018**
Current assets	$ 3	$ 3
Net property, plant and equipment	74	76
Other long-term assets	29	28
Total assets	106	107
Current liabilities	1	2
Long-term debt	28	29
Other long-term liabilities	8	7
Total liabilities	37	38
Redeemable noncontrolling interest	19	19
Net assets less noncontrolling interests	$ 50	$ 50

Note 12 — Changes in Capital Structure

As of June 30, 2019 and December 31, 2018, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common stock issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2018	420,288,886	(136,638,847)	283,650,039
Shares issued under LTIPs	1,541,588	—	1,541,588
Shares repurchased	—	(26,621,029)	(26,621,029)
Balance as of June 30, 2019	421,830,474	(163,259,876)	258,570,598
Shares issued under LTIPs subsequent to June 30, 2019	3,827	—	3,827
Shares repurchased subsequent to June 30, 2019	—	(5,586,536)	(5,586,536)
Balance as of August 7, 2019	421,834,301	(168,846,412)	252,987,889

Share Repurchases

During January and February, the Company completed $250 million of share repurchases in connection with 2018 share repurchase program, at an average price of $40.61 per share. Through August 7, 2019, the Company completed additional share repurchases of $1.0 billion at an average price of $38.38 per share under the 2019 $1.0 billion program that was authorized in February 2019 by the Company's board of directors. In August 2019, the Company announced that the board of directors authorized an additional $250 million of share repurchases to be executed in the second half of 2019.

On February 28, 2019, the Company executed an accelerated share repurchase agreement, or ASR Agreement, with a financial institution to repurchase a total of $400 million of outstanding common stock based on a volume weighted average price. The Company received initial shares of 9,086,903, which were recorded in treasury stock at fair value based on the closing price on March 12, 2019, of $390 million, with the remaining $10 million recorded in additional paid in capital, representing the value of the forward contract to purchase additional shares. In April 2019, the financial institution delivered the remaining shares pursuant to the ASR agreement and the Company received 351,768 additional shares. The average price paid for all the shares delivered under the ASR Agreement was $42.38 per share. Upon receipt of the additional shares in April 2019, the Company transferred the $10 million from additional paid in capital to treasury stock.

The following repurchases have been made during the six months ended June 30, 2019 and through August 7, 2019 under the 2018 and 2019 share repurchase programs:

	Total number of shares purchased	Amounts paid for shares purchased (in millions)
Board Authorized Share Repurchases		
2018 program:		
Repurchases made during January-February to complete the 2018 program	6,153,415	$ 250
2019 program:		
Shares repurchased under February 28, 2019 Accelerated Share Repurchase Agreement	9,438,671	400
Other repurchases	11,028,943	404
Total Share Repurchases during the six months ended June 30, 2019	26,621,029	$ 1,054
Repurchases made subsequent to June 30, 2019 to complete the 2019 program	5,586,536	$ 196
Total Share Repurchases during the period ended August 7, 2019	32,207,565	$ 1,250

Employee Stock Purchase Plan

In March 2019, the Company reopened participation in the ESPP, which allows eligible employees to elect to withhold between 1% and 10% of their eligible compensation to purchase shares of NRG common stock at the lesser of 95% of its market value on the offering date or 95% of the fair market value on the exercise date. An offering date will occur each April 1 and October 1. An exercise date will occur each September 30 and March 31.

NRG Common Stock Dividends

A quarterly dividend of $0.03 per share was paid on the Company's common stock during the three months ended June 30, 2019. On July 19, 2019, NRG declared a quarterly dividend on the Company's common stock of $0.03 per share, payable August 15, 2019, to stockholders of record as of August 1, 2019, representing $0.12 per share on an annualized basis.

The Company's common stock dividends are subject to available capital, market conditions, and compliance with associated laws, regulations and other contractual obligations.

Note 13 — Earnings Per Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the year are weighted for the portion of the year that they were outstanding. Diluted earnings per share is computed in a manner consistent with that of basic income per share while giving effect to all potentially dilutive common shares that were outstanding during the period. The outstanding non-qualified stock options, non-vested restricted stock units, market stock units, and relative performance stock units are not considered outstanding for purposes of computing basic income per share. However, these instruments are included in the denominator for purposes of computing diluted income per share under the treasury stock method. The 2048 Convertible Senior Notes are convertible, under certain circumstances, into the Company’s common stock, cash or combination thereof (at NRG's option). There is no dilutive effect for the 2048 Convertible Senior Notes due to the Company’s expectation to settle the liability in cash.

The reconciliation of NRG's basic and diluted income per share is shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
In millions, except per share data	**2019**	**2018**	**2019**	**2018**
Basic income per share attributable to NRG Energy, Inc;				
Net income attributable to NRG Energy, Inc. common stockholders	$ 201	$ 72	$ 683	$ 351
Weighted average number of common shares outstanding - basic	265	310	272	314
Income per weighted average common share — basic	$ 0.76	$ 0.23	$ 2.51	$ 1.12
Diluted income per share attributable to NRG Energy, Inc;				
Net income attributable to NRG Energy, Inc. available to common shareholders	$ 201	$ 72	$ 683	351
Weighted average number of common shares outstanding - basic	265	310	272	314
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	2	4	2	4
Weighted average number of common shares outstanding - dilutive	267	314	274	318
Income per weighted average common share — diluted	$ 0.75	$ 0.23	$ 2.49	$ 1.10

The following table summarizes NRG’s outstanding equity instruments that are anti-dilutive and were not included in the computation of the Company’s diluted income per share:

	Three months ended June 30,		Six months ended June 30,	
In millions of shares	**2019**	**2018**	**2019**	**2018**
Equity compensation plans	—	—	—	1

Note 14 — Segment Reporting

The Company's segment structure reflects how management currently makes financial decisions and allocates resources. The Company's businesses are segregated into the Retail, Generation and corporate segments. Generation includes all power plant activities, domestic and international, as well as renewables. Retail includes Mass customers and Business Solutions, which includes C&I customers and other distributed and reliability products. Intersegment sales are accounted for at market.The financial information for the six months ended June 30, 2018 has been recast to reflect the current segment structure.

On February 4, 2019, as described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, the Company completed the sale of and deconsolidated the South Central Portfolio. On August 31, 2018, as described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, NRG deconsolidated NRG Yield, Inc., its Renewables Platform and Carlsbad for financial reporting purposes. The financial information for the six months ended June 30, 2018, has been recast to reflect the presentation of these entities as discontinued operations within the corporate segment.

NRG's chief operating decision maker, its chief executive officer, evaluates the performance of its segments based on operational measures including adjusted earnings before interest, taxes, depreciation and amortization, or Adjusted EBITDA, free cash flow and capital for allocation, as well as net income/(loss) and net income/(loss) attributable to NRG Energy, Inc.

	Three months ended June 30, 2019[a]				
	Retail	Generation	Corporate	Eliminations	Total
	(In millions)				
Operating revenues[b]	$ 1,748	$ 1,367	$ —	$ (650)	$ 2,465
Depreciation and amortization	32	45	8	—	85
Impairment losses	1	—	—	—	1
Reorganization costs	2	—	—	—	2
Gain on sale of assets	—	—	1	—	1
Loss on debt extinguishment, net	—	—	(47)	—	(47)
(Loss)/income from continuing operations before income taxes	(280)	618	(151)	1	188
(Loss)/income from continuing operations	(280)	618	(150)	1	189
Income from discontinued operations, net of tax	—	—	13	—	13
Net (loss)/income	(280)	618	(137)	1	202
Net (loss)/income attributable to NRG Energy, Inc.	**$ (281)**	**$ 618**	**$ (137)**	**$ 1**	**$ 201**

[a] Includes intersegment revenues and costs associated with the internal transfer of power, which is based on average annualized market prices and results in higher revenues in Generation and higher cost of operations in Retail that are eliminated in consolidation

[b] Operating revenues include intersegment sales and net derivative gains and losses of:	$ 2	$ 627	$ 21	$ —	$ 650

	Three months ended June 30, 2018[a]				
	Retail	Generation	Corporate	Eliminations	Total
	(In millions)				
Operating revenues[b]	$ 1,814	$ 1,167	$ —	$ (520)	$ 2,461
Depreciation and amortization	30	74	9	(1)	112
Reorganization costs	1	3	19	—	23
Equity in earnings of unconsolidated affiliates	—	5	2	(2)	5
(Loss)/income from continuing operations before income taxes	(84)	252	(137)	1	32
(Loss)/income from continuing operations	(84)	252	(142)	1	27
Income from discontinued operations, net of tax	—	—	69	—	69
Net (loss)/income	(84)	252	(73)	1	96
Net (loss)/income attributable to NRG Energy, Inc.	**$ (84)**	**$ 250**	**$ (97)**	**$ 3**	**$ 72**

[a] Includes intersegment revenues and costs associated with our internal transfer of power, which is based on average annualized market prices and results in higher revenues in Generation and higher cost of operations in Retail that are eliminated in consolidation

[b] Operating revenues include intersegment sales and net derivative gains and losses of:	$ 4	$ 514	$ 2	$ —	$ 520

	Six months ended June 30, 2019 [a]				
	Retail	Generation	Corporate	Eliminations	Total
	(In millions)				
Operating revenues[b]	$ 3,355	$ 2,190	$ —	$ (915)	$ 4,630
Depreciation and amortization	63	91	16	—	170
Impairment losses	1	—	—	—	1
Reorganization costs	3	1	11	—	15
Gain on sale of assets	—	1	1	—	2
Equity in losses of unconsolidated affiliates	—	(21)	—	—	(21)
Loss on debt extinguishment, net	—	—	(47)	—	(47)
(Loss)/income from continuing operations before income taxes	(169)	731	(275)	(1)	286
(Loss)/income from continuing operations	(170)	731	(277)	(1)	283
Income from discontinued operations, net of tax	—	—	401	—	401
Net (loss)/income	(170)	731	124	(1)	684
Net (loss)/income attributable to NRG Energy, Inc. common stockholders	**$ (171)**	**$ 731**	**$ 124**	**$ (1)**	**$ 683**

[a] Includes intersegment revenues and costs associated with our internal transfer of power, which is based on average annualized market prices and results in higher revenues in Generation and higher cost of operations in Retail that are eliminated in consolidation

[b] Operating revenues include inter-segment sales and net derivative gains and losses of:	$ 5	$ 862	$ 48	$ —	$ 915

	Six months ended June 30, 2018 [a]				
	Retail	Generation	Corporate	Eliminations	Total
Operating revenues[b]	$ 3,294	$ 1,438	$ —	$ (206)	$ 4,526
Depreciation and amortization	56	160	18	(2)	232
Impairment losses	—	74	—	—	74
Reorganization costs	5	6	32	—	43
Gain on sale of assets	—	2	14	—	16
Equity in earnings of unconsolidated affiliates	—	7	1	(2)	6
Income/(loss) from continuing operations before income taxes	860	(319)	(264)	(1)	276
Income/(loss) from continuing operations	860	(319)	(275)	(1)	265
Income from discontinued operations, net of tax	—	—	64	—	64
Net income/(loss)	860	(319)	(211)	(1)	329
Net income/(loss) attributable to NRG Energy, Inc. common stockholders	**$ 859**	**$ (313)**	**$ (196)**	**$ 1**	**$ 351**

[a] Includes intersegment revenues and costs associated with our internal transfer of power, which is based on average annualized market prices and results in higher revenues in Generation and higher cost of operations in Retail that are eliminated in consolidation

[b] Operating revenues include inter-segment sales and net derivative gains and losses of:	$ 6	$ 205	$ (5)	$ —	$ 206

Note 15 — Income Taxes

Effective Income Tax Rate

The income tax provision consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
In millions, except rates	**2019**	**2018**	**2019**	**2018**
Income from continuing operations before income taxes	$ 188	$ 32	$ 286	$ 276
Income tax (benefit)/expense from continuing operations	(1)	5	3	11

Effective income tax rate	(0.5)%	15.6%	1.0%	4.0%

For the three and six months ended June 30, 2019 and 2018, NRG's overall effective tax rate was lower than the statutory rate of 21%, primarily due to the tax benefit for the change in valuation allowance, partially offset by current state tax expense.

Uncertain Tax Benefits

As of June 30, 2019, NRG has recorded a non-current tax liability of $28 million for uncertain tax benefits from positions taken on various state income tax returns, including accrued interest. For the six months ended June 30, 2019, NRG accrued an immaterial amount of interest relating to the uncertain tax benefits. As of June 30, 2019, NRG had cumulative interest and penalties related to these uncertain tax benefits of $4 million. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.

NRG is subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including operations located in Australia. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2015. With few exceptions, state and local income tax examinations are no longer open for years before 2010.

Note 16 — Related Party Transactions

The following table summarizes NRG's material related party transactions with third party affiliates:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Revenues from Related Parties Included in Operating Revenues				
Gladstone	$ 1	$ 1	$ 1	$ 1
GenConn	—	1	—	3
Ivanpah	7	5	18	5
Midway-Sunset	1	—	2	—
Revenues from Related Parties recorded against selling, general and administrative expenses				
GenOn	—	21	—	42
Total	$ 9	$ 28	$ 21	$ 51

Gladstone — NRG provides services to Gladstone, an equity method investment, under an operations and maintenance agreement. Fees for services under this contract primarily include recovery of NRG's costs of operating the plant, as approved in the annual budget, as well as a base monthly fee.

GenConn — NRG provides services to GenConn under operations and maintenance agreements with GenConn Devon and GenConn Middletown that began in June 2010 and June 2011, respectively. NRG no longer has an ownership interest in GenConn as a result of the sale of its ownership interests in NRG Yield, Inc. and its Renewables Platform.

Ivanpah — NRG provides services to Ivanpah, an equity method investment, under an operations and maintenance agreement and a project management agreement with each project company. Fees for the services under these contracts primarily include recovery of NRG's costs of operating the plant and providing administrative services, plus a profit margin. Ivanpah became a related party to NRG upon deconsolidation in the second quarter of 2018.

Midway-Sunset — NRG provides services to Midway-Sunset, an equity method investment, under an operations and maintenance agreement. Fees for the services under this contract primarily include recovery of NRG's costs of operating the plant, as approved in the annual budget, as well as a base monthly fee and an annual incentive bonus.

GenOn — NRG provided various management, personnel and other services to GenOn under the transition services agreement in conjunction with the confirmation of the GenOn Entities' plan of reorganization. GenOn provided notice to NRG of its intent to terminate the transition services agreement effective August 15, 2018 and all amounts owed and payable to NRG were settled.

Note 17 — Commitments and Contingencies

Commitments

First Lien Structure

NRG has granted first liens to certain counterparties on a substantial portion of the Company's assets, excluding NRG's assets that have project-level financing and the assets of certain non-guarantor subsidiaries, to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedge agreements for forward sales of power or MWh equivalents. The Company's lien counterparties may have a claim on NRG's assets to the extent market prices exceed the hedged price. As of June 30, 2019, all hedges under the first lien were in-the-money for NRG on a counterparty aggregate basis.

Jewett Mine Lignite Contract

The Company's Limestone facility historically blended lignite obtained from the Jewett mine, which was operated by Texas Westmoreland Coal Co, or TWCC, and coal sourced from the Powder River Basin in Wyoming. On August 18, 2016, NRG gave notice to TWCC terminating the active mining of lignite under the contract, effective on December 31, 2016. Under the contract, TWCC remained responsible for reclamation activities. NRG is responsible for reclamation costs and has recorded an adequate ARO liability. The Railroad Commission of Texas has imposed a bond obligation of approximately $99 million for the reclamation of the mine. Pursuant to the contract, NRG supports this obligation through surety bonds. Additionally, under the terms of the contract, NRG is obligated to provide additional performance assurance if required by the Railroad Commission of Texas.

On October 9, 2018, TWCC and certain of its affiliates filed for protection under Chapter 11 of the U.S. Bankruptcy Code before the United States Bankruptcy Court for the Southern District of Texas. TWCC obtained authorization from the bankruptcy court to continue to perform its obligations under its contract with the Company and to maintain surety bonds programs throughout its operations. In addition, NRG has not received any indication from the Railroad Commission of Texas of an intent to draw on the surety bonds. TWCC and its debtor affiliates filed a plan of reorganization that the Bankruptcy Court confirmed on March 2, 2019. Pursuant to the plan, TWCC and its assets, including the Jewett mine and related agreements with NRG, were purchased by Westmoreland Mining LLC, an entity owned by Westmoreland Mining Holdings LLC, a new entity that is ultimately owned and controlled by certain holders of the pre-bankruptcy funded indebtedness of TWCC and certain of its affiliates.

Contingencies

The Company's material legal proceedings are described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. NRG records accruals for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. As applicable, the Company has established an adequate accrual for the applicable legal matters, including regulatory and environmental matters as further discussed in Note 18, *Regulatory Matters*, and Note 19, *Environmental Matters*. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, the Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of the Company's liabilities and contingencies could be at amounts that are different from its currently recorded accruals and that such difference could be material.

In addition to the legal proceedings noted below, NRG and its subsidiaries are party to other litigation or legal proceedings arising in the ordinary course of business. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.

Midwest Generation Asbestos Liabilities — The Company, through certain of its subsidiaries, has settled the indemnification claims brought by Commonwealth Edison Company and Exelon Generation Company LLC (collectively, "ComEd") as a result of the Company's acquisition of EME. Pursuant to a settlement agreement dated as of May 29, 2019, the Company paid $26 million to ComEd, which was previously accrued. In addition, ComEd released all claims that were or could have been asserted in its claims in the EME bankruptcy case and certain of the Company's subsidiaries released all permissive and compulsory counter claims they could have asserted in response to the ComEd claims.

California Department of Water Resources and San Diego Gas & Electric Company v. Sunrise Power Company LLC - On January 29, 2016, CDWR and SDG&E (plaintiffs) filed a lawsuit against Sunrise Power Company, along with NRG and Chevron Power Corporation (defendants). In June 2001, CDWR and Sunrise entered into a 10-year PPA under which Sunrise would construct and operate a generating facility and provide power to CDWR. At the time the PPA was entered into, Sunrise had a transportation services agreement, or TSA, to purchase natural gas from Kern River through April 30, 2018. In August 2003, CDWR entered into an agreement with Sunrise and Kern River in which CDWR accepted assignment of the TSA through the term of the PPA. After the PPA expired, Kern River demanded that any reassignment be to a party which met certain creditworthiness standards which Sunrise did not. As such, the plaintiffs brought this lawsuit against the defendants alleging breach of contract, breach of covenant of good faith and fair dealing and improper distributions. Plaintiffs generally claim damages of $1.2 million per month for the remaining 70 months of the TSA. On April 20, 2016, the defendants filed objections in response to the plaintiffs' complaint. The objections were granted on June 14, 2016; however, the plaintiffs were allowed to file amended complaints on July 1, 2016. On July 27, 2016, defendants filed objections to the amended complaints. On November 18, 2016, the court sustained the objections and allowed plaintiffs another opportunity to file a second amended lawsuit which they did on January 13, 2017. On April 21, 2017, the court issued an order sustaining the objections without leave to amend. On July 14, 2017, plaintiffs filed a notice of appeal. On January 10, 2018, plaintiffs filed their opening appellate brief. Defendants filed their opposition brief on April 10, 2018. On May 30, 2018, plaintiffs filed their reply brief. The case is now waiting for the court of appeal to schedule oral argument.

Washington-St. Tammany and Claiborne Electric Cooperative v. LaGen - On June 28, 2017, plaintiffs Washington-St. Tammany Electric Cooperative, Inc. and Claiborne Electric Cooperative, Inc. filed a lawsuit against Louisiana Generating, L.L.C., or LaGen, in the United States District Court for the Middle District of Louisiana. The plaintiffs claim breach of contract against LaGen for allegedly improperly charging the plaintiffs for costs related to the installation and maintenance of certain pollution control technology. Plaintiffs seek damages for the alleged improper charges and a declaration as to which charges are proper under the contract. On September 14, 2017, the court issued a scheduling order setting this case for trial on October 21, 2019. LaGen filed its answer and affirmative defenses on November 17, 2017. On February 4, 2019, NRG sold the South Central Portfolio, including the entities subject to this litigation. However, NRG has agreed to indemnify the purchaser for certain losses suffered in connection therewith.

Sierra club et al. v. Midwest Generation LLC - In 2012, several environmental groups filed a complaint against Midwest Generation with the Illinois Pollution Control Board ("IPCB") alleging violations of environmental law resulting in groundwater contamination. In June 2019, the IPCB found that Midwest Generation violated the law because it had improperly handled coal ash at four facilities in Illinois and caused or allowed coal ash constituents to impact groundwater. The IPCB will hold hearings to determine the appropriate relief. Midwest Generation has been working with the Illinois EPA to address the groundwater issues since 2010.

Note 18 — Regulatory Matters

Environmental regulatory matters are discussed within Note 19, *Environmental Matters*, to this Form 10-Q.

NRG operates in a highly regulated industry and is subject to regulation by various federal and state agencies. As such, NRG is affected by regulatory developments at both the federal and state levels and in the regions in which NRG operates. In addition, NRG is subject to the market rules, procedures, and protocols of the various ISO and RTO markets in which NRG participates. These power markets are subject to ongoing legislative and regulatory changes that may impact NRG's wholesale and retail businesses.

In addition to the regulatory proceedings noted below, NRG and its subsidiaries are parties to other regulatory proceedings arising in the ordinary course of business or have other regulatory exposure. In management's opinion, the disposition of these ordinary course matters will not materially adversely affect NRG's consolidated financial position, results of operations, or cash flows.

South Central — On August 4, 2016, NRG received a document hold notice from FERC regarding conduct in the MISO and PJM markets. It required NRG to retain communications related to multiple generating units in the South Central region. Since sending the notice, FERC has been investigating potential violations of MISO rules involving bidding for the Big Cajun 2 facility, as well as other aspects of NRG’s operations in MISO. FERC has the authority to require disgorgement of profits and to impose penalties and NRG retains any liability following the sale of the South Central Portfolio. We expect a preliminary finding from FERC in 2019.

ISO-NE — On February 5, 2019, FERC has informed the Company that it has made a preliminary finding that the Company violated FERC's market behavior rules in connection with offers made into the ISO-NE Forward Capacity Auction in 2016. On April 26, 2019, NRG responded to the preliminary findings. The Company understands that FERC is concerned that the Company was inaccurate in its communications with the Market Monitor regarding the costs and risks associated with operating certain units in the forward timeframe. NRG withdrew the bids prior to the 2016 auction in the normal course of our commercial business decision making.

Note 19 — Environmental Matters

NRG is subject to a wide range of environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. NRG is also subject to laws regarding the protection of wildlife, including migratory birds, eagles and threatened and endangered species. The electric generation industry has been facing requirements regarding GHGs, combustion byproducts, water discharge and use, and threatened and endangered species that have been put in place in recent years. However, under the current U.S. presidential administration, some of these rules are being reconsidered and reviewed. In general, future laws are expected to require the addition of emissions controls or other environmental controls or to impose certain restrictions on the operations of the Company's facilities, which could have a material effect on the Company's consolidated financial position, results of operations, or cash flows. Federal and state environmental laws generally have become more stringent over time, although this trend could slow or pause in the near term with respect to federal laws under the current U.S. presidential administration.

Air

On July 8, 2019, EPA promulgated the ACE rule, which rescinded the CPP, which sought to broadly regulate CO_2 emissions from the power sector. The ACE rule requires states that have coal-fired EGUs to develop plans to seek heat rate improvements from coal-fired EGUs.

In February 2012, the EPA promulgated standards (the MATS rule) to control emissions of HAPs from coal and oil-fired electric generating units. The rule established limits for mercury, non-mercury metals, certain organics and acid gases, which had to be met beginning in April 2015. In December 2018, the EPA proposed a finding that regulating HAPs was not "appropriate and necessary" because the costs far exceed the benefits. Nonetheless, the EPA proposed keeping the substantive requirements of the MATS rule. While NRG cannot predict the final outcome of this rulemaking, NRG believes that because it has already invested in pollution controls and cleaner technologies, the fleet is well-positioned to comply with the MATS rule.

Water

Once Through Cooling Regulation — In August 2014, the EPA finalized the regulation regarding the use of water for once through cooling at existing facilities to address impingement and entrainment concerns. NRG anticipates that more stringent requirements will be incorporated into some of its water discharge permits over the next several years as NPDES permits are renewed. The Company anticipates the cost of complying with these requirements to be immaterial.

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, fly ash, bottom ash, and flue gas mercury control. On September 18, 2017, the EPA promulgated a final rule that, among other things, postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking. On April 12, 2019, the United States Court of Appeals for the Fifth Circuit released its opinion remanding portions of the rule to the EPA. Accordingly, the Company has eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. The Company will revisit these estimates after the rule is revised.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 21, 2018, the D.C. Circuit found, among other things, that the EPA had not adequately regulated unlined ponds and legacy ponds. Accordingly, we anticipate that the EPA will promulgate new regulations to address these issues (including compliance deadlines) as it reconsiders other aspects of the existing rule. The EPA has stated that it intends to further revise the rule. The Company will determine estimates of the cost of compliance after the rule is revised.

Note 20 — Condensed Consolidating Financial Information

As of June 30, 2019, the Company had outstanding $4.4 billion of Senior Notes due from 2024 to 2048 and outstanding $1.1 billion of Senior Secured First Lien Notes due from 2024 to 2029, as shown in Note 10, *Debt and Capital Leases*. These Senior Notes and Senior Secured First Lien Notes are guaranteed by certain of NRG's current and future 100% owned domestic subsidiaries, or guarantor subsidiaries. These guarantees are both joint and several. The non-guarantor subsidiaries include all of NRG's foreign subsidiaries and certain domestic subsidiaries.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes and the Senior Secured First Lien Notes as of June 30, 2019:

Ace Energy, Inc.	NRG Business Services LLC	NRG PacGen Inc.
Allied Home Warranty GP LLC	NRG Cabrillo Power Operations Inc.	NRG Portable Power LLC
Allied Warranty LLC	NRG California Peaker Operations LLC	NRG Power Marketing LLC
Arthur Kill Power LLC	NRG Cedar Bayou Development Company, LLC	NRG Reliability Solutions LLC
Astoria Gas Turbine Power LLC	NRG Connected Home LLC	NRG Renter's Protection LLC
BidURenergy, Inc.	NRG Connecticut Affiliate Services Inc.	NRG Retail LLC
Cabrillo Power I LLC	NRG Construction LLC	NRG Retail Northeast LLC
Cabrillo Power II LLC	NRG Curtailment Solutions, Inc	NRG Rockford Acquisition LLC
Carbon Management Solutions LLC	NRG Development Company Inc.	NRG Saguaro Operations Inc.
Cirro Group, Inc.	NRG Devon Operations Inc.	NRG Security LLC
Cirro Energy Services, Inc.	NRG Dispatch Services LLC	NRG Services Corporation
Connecticut Jet Power LLC	NRG Distributed Energy Resources Holdings LLC	NRG SimplySmart Solutions LLC
Devon Power LLC	NRG Distributed Generation PR LLC	NRG South Central Affiliate Services Inc.
Dunkirk Power LLC	NRG Dunkirk Operations Inc.	NRG South Central Operations Inc.
Eastern Sierra Energy Company LLC	NRG ECOKAP Holdings LLC	NRG South Texas LP
El Segundo Power, LLC	NRG El Segundo Operations Inc.	NRG Texas C&I Supply LLC
El Segundo Power II LLC	NRG Energy Labor Services LLC	NRG Texas Gregory LLC
Energy Alternatives Wholesale, LLC	NRG Energy Services Group LLC	NRG Texas Holding Inc.
Energy Choice Solutions LLC	NRG Energy Services International Inc.	NRG Texas LLC
Energy Plus Holdings LLC	NRG Energy Services LLC	NRG Texas Power LLC
Energy Plus Natural Gas LLC	NRG Generation Holdings, Inc.	NRG Warranty Services LLC
Energy Protection Insurance Company	NRG Greenco LLC	NRG West Coast LLC
Everything Energy LLC	NRG Home & Business Solutions LLC	NRG Western Affiliate Services Inc.
Forward Home Security, LLC	NRG Home Services LLC	O'Brien Cogeneration, Inc. II
GCP Funding Company, LLC	NRG Home Solutions LLC	ONSITE Energy, Inc.
Green Mountain Energy Company	NRG Home Solutions Product LLC	Oswego Harbor Power LLC
Gregory Partners, LLC	NRG Homer City Services LLC	Reliant Energy Northeast LLC
Gregory Power Partners LLC	NRG Huntley Operations Inc.	Reliant Energy Power Supply, LLC
Huntley Power LLC	NRG HQ DG LLC	Reliant Energy Retail Holdings, LLC
Independence Energy Alliance LLC	NRG Identity Protect LLC	Reliant Energy Retail Services, LLC
Independence Energy Group LLC	NRG Ilion Limited Partnership	RERH Holdings, LLC
Independence Energy Natural Gas LLC	NRG Ilion LP LLC	Saguaro Power LLC
Indian River Operations Inc.	NRG International LLC	Somerset Operations Inc.
Indian River Power LLC	NRG Maintenance Services LLC	Somerset Power LLC
Meriden Gas Turbines LLC	NRG Mextrans Inc.	Texas Genco GP, LLC
Middletown Power LLC	NRG MidAtlantic Affiliate Services Inc.	Texas Genco Holdings, Inc.
Montville Power LLC	NRG Middletown Operations Inc.	Texas Genco LP, LLC
NEO Corporation	NRG Montville Operations Inc.	Texas Genco Services, LP
New Genco GP, LLC	NRG North Central Operations Inc.	US Retailers LLC
Norwalk Power LLC	NRG Northeast Affiliate Services Inc.	Vienna Operations Inc.
NRG Advisory Services LLC	NRG Norwalk Harbor Operations Inc.	Vienna Power LLC
NRG Affiliate Services Inc.	NRG Operating Services, Inc.	WCP (Generation) Holdings LLC
NRG Arthur Kill Operations Inc.	NRG Oswego Harbor Power Operations Inc.	West Coast Power LLC
NRG Astoria Gas Turbine Operations Inc.		

NRG conducts much of its business through and derives much of its income from its subsidiaries. Therefore, the Company's ability to make required payments with respect to its indebtedness and other obligations depends on the financial results and condition of its subsidiaries and NRG's ability to receive funds from its subsidiaries. There are no restrictions on the ability of any of the guarantor subsidiaries to transfer funds to NRG. However, there may be restrictions for certain non-guarantor subsidiaries.

The following condensed consolidating financial information presents the financial information of NRG Energy, Inc., the guarantor subsidiaries and the non-guarantor subsidiaries in accordance with Rule 3-10 of Regulation S-X of the Securities Act. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor subsidiaries or non-guarantor subsidiaries operated as independent entities.

In this presentation, NRG Energy, Inc. consists of parent company operations. Guarantor subsidiaries and non-guarantor subsidiaries of NRG are reported on an equity basis. For companies acquired, the fair values of the assets and liabilities acquired have been presented on a push-down accounting basis.

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the three months ended June 30, 2019

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Operating Revenues					
Total operating revenues	$ 2,140	$ 332	$ —	$ (7)	$ 2,465
Operating Costs and Expenses					
Cost of operations	1,590	252	10	(7)	1,845
Depreciation and amortization	51	26	8	—	85
Impairment losses	1	—	—	—	1
Selling, general and administrative	112	12	87	—	211
Reorganization costs	—	—	2	—	2
Development costs	—	1	1	—	2
Total operating costs and expenses	1,754	291	108	(7)	2,146
Gain on sale of assets	—	1	—	—	1
Operating Income/(Loss)	386	42	(108)	—	320
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	2	—	430	(432)	—
Other income, net	4	8	8	—	20
Loss on debt extinguishment, net	—	—	(47)	—	(47)
Interest expense	(3)	(5)	(97)	—	(105)
Total other income/(expense)	3	3	294	(432)	(132)
Income from Continuing Operations Before Income Taxes	389	45	186	(432)	188
Income tax expense/(benefit)	—	1	(2)	—	(1)
Income from Continuing Operations	389	44	188	(432)	189
Income from discontinued operations, net of income tax	—	—	13	—	13
Net Income	389	44	201	(432)	202
Less: Net income attributable to noncontrolling interest and redeemable interests	—	1	—	—	1
Net Income Attributable to NRG Energy, Inc.	$ 389	$ 43	$ 201	$ (432)	$ 201

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the six months ended June 30, 2019

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Operating Revenues					
Total operating revenues	$ 3,909	$ 727	$ —	$ (6)	$ 4,630
Operating Costs and Expenses					
Cost of operations	2,948	535	19	(6)	3,496
Depreciation and amortization	105	49	16	—	170
Impairment losses	1	—	—	—	1
Selling, general and administrative	234	28	143	—	405
Reorganization costs	—	—	15	—	15
Development costs	—	1	3	—	4
Total operating costs and expenses	3,288	613	196	(6)	4,091
Gain on sale of assets	1	1	—	—	2
Operating Income/(Loss)	622	115	(196)	—	541
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	12	—	729	(741)	—
Equity in losses of unconsolidated affiliates	—	(21)	—	—	(21)
Other income, net	8	9	15	—	32
Loss on debt extinguishment, net	—	—	(47)	—	(47)
Interest expense	(7)	(9)	(203)	—	(219)
Total other income/(expense)	13	(21)	494	(741)	(255)
Income from Continuing Operations Before Income Taxes	635	94	298	(741)	286
Income tax expense	—	1	2	—	3
Income from Continuing Operations	635	93	296	(741)	283
Income from discontinued operations, net of income tax	9	5	387	—	401
Net Income	644	98	683	(741)	684
Less: Net income attributable to noncontrolling interest and redeemable interests	—	1	—	—	1
Net Income Attributable to NRG Energy, Inc.	$ 644	$ 97	$ 683	$ (741)	$ 683

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended June 30, 2019

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Net Income	$ 389	$ 44	$ 201	$ (432)	$ 202
Other Comprehensive Loss					
Foreign currency translation adjustments, net	(1)	(1)	(1)	2	(1)
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(3)	—	(3)
Other comprehensive loss	(1)	(1)	(3)	2	(3)
Comprehensive Income	388	43	198	(430)	199
Less: Comprehensive income attributable to noncontrolling redeemable interest	—	1	—	—	1
Comprehensive Income Attributable to NRG Energy, Inc.	$ 388	$ 42	$ 198	$ (430)	$ 198

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Net Income	$ 644	$ 98	$ 683	$ (741)	$ 684
Other Comprehensive Loss					
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(6)	—	(6)
Other comprehensive loss	—	—	(5)	—	(5)
Comprehensive Income	644	98	678	(741)	679
Less: Comprehensive income attributable to noncontrolling redeemable interest	—	1	—	—	1
Comprehensive Income Attributable to NRG Energy, Inc.	$ 644	$ 97	$ 678	$ (741)	$ 678

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 2019
(Unaudited)

ASSETS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Current Assets					
Cash and cash equivalents	$ —	$ 27	$ 267	$ —	$ 294
Funds deposited by counterparties	31	—	—	—	31
Restricted cash	8	2	1	—	11
Accounts receivable, net	1,383	133	277	(744)	1,049
Inventory	254	116	—	—	370
Derivative instruments	867	54	—	(71)	850
Cash collateral paid in support of energy risk management activities	148	15	—	—	163
Prepayments and other current assets	190	11	76	—	277
Total current assets	2,881	358	621	(815)	3,045
Property, plant and equipment, net	1,494	965	151	—	2,610
Other Assets					
Investment in subsidiaries	436	—	4,191	(4,627)	—
Equity investments in affiliates	—	383	—	—	383
Operating lease right-of-use assets, net	91	279	129	—	499
Goodwill	359	214	—	—	573
Intangible assets, net	402	159	—	—	561
Nuclear decommissioning trust fund	748	—	—	—	748
Derivative instruments	420	22	—	(16)	426
Deferred income tax	—	56	(1)	—	55
Other non-current assets	148	30	96	(3)	271
Total other assets	2,604	1,143	4,415	(4,646)	3,516
Total Assets	$ 6,979	$ 2,466	$ 5,187	$ (5,461)	$ 9,171
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt and capital leases	$ —	$ 87	$ —	$ —	$ 87
Current portion of operating lease liabilities	22	31	21	—	74
Accounts payable	937	107	423	(744)	723
Derivative instruments	817	32	—	(71)	778
Cash collateral received in support of energy risk management activities	31	—	—	—	31
Accrued expenses and other current liabilities	258	42	301	—	601
Total current liabilities	2,065	299	745	(815)	2,294
Other Liabilities					
Long-term debt and capital leases	245	89	5,463	(3)	5,794
Non-current operating lease liabilities	73	313	127	—	513
Nuclear decommissioning reserve	290	—	—	—	290
Nuclear decommissioning trust liability	448	—	—	—	448
Derivative instruments	388	2	—	(16)	374
Deferred income taxes	(10)	68	13	—	71
Other non-current liabilities	399	148	469	—	1,016
Total other liabilities	1,833	620	6,072	(19)	8,506
Total Liabilities	3,898	919	6,817	(834)	10,800
Redeemable noncontrolling interest in subsidiaries	—	19	—	—	19
Stockholders' Equity	3,081	1,528	(1,630)	(4,627)	(1,648)
Total Liabilities and Stockholders' Equity	$ 6,979	$ 2,466	$ 5,187	$ (5,461)	$ 9,171

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2019
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Cash Flows from Operating Activities					
Net income	$ 644	$ 98	$ 683	$ (741)	$ 684
Income from discontinued operations	9	5	387	—	401
Income from continuing operations	635	93	296	(741)	283
Adjustments to reconcile net income to net cash provided/(used) by operating activities:					
Distributions and equity in (earnings)/losses of unconsolidated affiliates and consolidated subsidiaries	(12)	22	(729)	741	22
Depreciation, amortization and accretion	115	53	16	—	184
Provision for bad debts	42	4	6	—	52
Amortization of nuclear fuel	27	—	—	—	27
Amortization of financing costs and debt discount/premiums	—	—	13	—	13
Loss on debt extinguishment, net	—	—	47	—	47
Amortization of intangibles	13	1	—	—	14
Amortization of unearned equity compensation	—	—	10	—	10
(Loss)/gain on sale and disposal of assets	(3)	1	3	—	1
Impairment losses	1	—	—	—	1
Changes in derivative instruments	(28)	(32)	38	—	(22)
Changes in deferred income taxes and liability for uncertain tax benefits	—	(3)	(2)	—	(5)
Changes in collateral deposits in support of energy risk management activities	128	(3)	—	—	125
Changes in nuclear decommissioning trust liability	17	—	—	—	17
Changes in other working capital	(343)	(64)	19	—	(388)
Cash provided/(used) by continuing operations	592	72	(283)	—	381
Cash provided/(used) by discontinued operations	17	(9)	—	—	8
Net Cash Provided/(Used) by Operating Activities	609	63	(283)	—	389
Cash Flows from Investing Activities					
Intercompany dividends	—	—	738	(738)	—
Payments for acquisitions of businesses	(21)	—	—	—	(21)
Capital expenditures	(77)	(15)	(15)	—	(107)
Net purchases of emission allowances	(1)	—	—	—	(1)
Investments in nuclear decommissioning trust fund securities	(209)	—	—	—	(209)
Proceeds from the sale of nuclear decommissioning trust fund securities	191	—	—	—	191
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	1	400	888		1,289
Net distributions from investments in unconsolidated affiliates	—	7	—	—	7
Contributions to discontinued operations	—	(44)	—	—	(44)
Cash (used)/provided by continuing operations	(116)	348	1,611	(738)	1,105
Cash used by discontinued operations	—	(2)	—	—	(2)
Net Cash (Used)/Provided by Investing Activities	(116)	346	1,611	(738)	1,103
Cash Flows from Financing Activities					
Payments from/(for) intercompany loans	206	(375)	169	—	—
Intercompany dividends	(738)	—	—	738	—
Payment of dividends to common stockholders	—	—	(16)	—	(16)
Payments for treasury stock	—	—	(1,039)	—	(1,039)
Payments for debt extinguishment	—	—	(24)	—	(24)
Distributions to noncontrolling interests from subsidiaries	—	(1)	—	—	(1)
Proceeds from issuance of common stock	—	—	2	—	2
Proceeds from issuance of long-term debt	—	—	1,833	—	1,833
Payment of debt issuance costs	—	—	(33)	—	(33)
Payments for long-term debt	—	(53)	(2,432)	—	(2,485)
Cash used by continuing operations	(532)	(429)	(1,540)	738	(1,763)
Cash provided by discontinued operations	—	43	—	—	43
Net Cash Used by Financing Activities	(532)	(386)	(1,540)	738	(1,720)
Change in cash from discontinued operations	17	32	—	—	49
Net Decrease in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	(56)	(9)	(212)	—	(277)
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	95	38	480	—	613

Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 39	$ 29	$ 268	$ —	$ 336

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the three months ended June 30, 2018

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Operating Revenues					
Total operating revenues	$ 2,172	$ 291	$ —	$ (2)	$ 2,461
Operating Costs and Expenses					
Cost of operations	1,702	195	(5)	(3)	1,889
Depreciation and amortization	63	40	9	—	112
Impairment losses	—	74	—	—	74
Selling, general and administrative	108	16	76	—	200
Reorganization costs	1	—	22	—	23
Development costs	—	1	3	(1)	3
Total operating costs and expenses	1,874	326	105	(4)	2,301
Gain on sale of assets	—	14	—	—	14
Operating Income/(Loss)	298	(21)	(105)	2	174
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	7	—	353	(360)	—
Equity in earnings of unconsolidated affiliates	—	5	—	—	5
Other income/(loss), net	3	(29)	3	—	(23)
Loss on debt extinguishment, net	—	—	(1)	—	(1)
Interest expense	(4)	(13)	(106)	—	(123)
Total other income/(expense)	6	(37)	249	(360)	(142)
Income/(Loss) from Continuing Operations Before Income Taxes	304	(58)	144	(358)	32
Income tax expense/(benefit)	108	(71)	(32)	—	5
Income from Continuing Operations	196	13	176	(358)	27
Income/(loss) from discontinued operations, net of income tax	15	80	(26)	—	69
Net Income	211	93	150	(358)	96
Less: Net (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interest	—	(56)	78	2	24
Net Income Attributable to NRG Energy, Inc.	$ 211	$ 149	$ 72	$ (360)	$ 72

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the six months ended June 30, 2018

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Operating Revenues					
Total operating revenues	$ 3,916	$ 620	$ —	$ (10)	$ 4,526
Operating Costs and Expenses					
Cost of operations	2,857	419	9	(11)	3,274
Depreciation and amortization	123	92	17	—	232
Impairment losses	—	74	—	—	74
Selling, general and administrative	212	27	137	—	376
Reorganization costs	3	—	40	—	43
Development costs	—	2	7	(1)	8
Total operating costs and expenses	3,195	614	210	(12)	4,007
Gain on sale of assets	3	13	—	—	16
Operating Income/(Loss)	724	19	(210)	2	535
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	8	—	685	(693)	—
Equity in earnings/(losses) of unconsolidated affiliates	—	7	(1)	—	6
Other income/(loss), net	8	(36)	5	—	(23)
Loss on debt extinguishment, net	—	—	(3)	—	(3)
Interest expense	(7)	(34)	(198)	—	(239)
Total other income/(expense)	9	(63)	488	(693)	(259)
Income/(Loss) from Continuing Operations Before Income Taxes	733	(44)	278	(691)	276
Income tax expense/(benefit)	221	(16)	(194)	—	11
Income/(Loss) from Continuing Operations	512	(28)	472	(691)	265
Income/(loss) from discontinued operations, net of income tax	30	60	(26)	—	64
Net Income	542	32	446	(691)	329
Less: Net (loss)/income attributable to noncontrolling interest and redeemable noncontrolling interest	—	(119)	95	2	(22)
Net Income Attributable to NRG Energy, Inc.	$ 542	$ 151	$ 351	$ (693)	$ 351

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended June 30, 2018

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Net Income	$ 211	$ 93	$ 150	$ (358)	$ 96
Other Comprehensive (Loss)/Income					
Unrealized gain on derivatives, net	—	4	6	(5)	5
Foreign currency translation adjustments, net	(4)	(4)	(5)	9	(4)
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(1)	—	(1)
Other comprehensive (loss)/income	(4)	—	1	4	1
Comprehensive Income	207	93	151	(354)	97
Less: Comprehensive (loss)/income attributable to noncontrolling interest and redeemable interests	—	(56)	80	2	26
Comprehensive Income Attributable to NRG Energy, Inc.	$ 207	$ 149	$ 71	$ (356)	$ 71

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
			(In millions)		
Net Income	$ 542	$ 32	$ 446	$ (691)	$ 329
Other Comprehensive (Loss)/Income					
Unrealized gain on derivatives, net	—	20	21	(22)	19
Foreign currency translation adjustments, net	(6)	(6)	(8)	14	(6)
Available-for-sale securities, net	—	—	1	—	1
Defined benefit plans, net	—	—	(2)	—	(2)
Other comprehensive (loss)/income	(6)	14	12	(8)	12
Comprehensive Income	536	46	458	(699)	341
Less: Comprehensive (loss)/income attributable to noncontrolling interest and redeemable interests	—	(119)	105	2	(12)
Comprehensive Income Attributable to NRG Energy, Inc.	$ 536	$ 165	$ 353	$ (701)	$ 353

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2018

ASSETS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
			(In millions)		
Current Assets					
Cash and cash equivalents	$ 55	$ 28	$ 480	$ —	$ 563
Funds deposited by counterparties	33	—	—	—	33
Restricted cash	7	10	—	—	17
Accounts receivable, net	1,354	115	309	(754)	1,024
Inventory	278	134	—	—	412
Derivative instruments	779	50	16	(81)	764
Cash collateral paid in support of energy risk management activities	275	12	—	—	287
Prepayments and other current assets	180	32	90	—	302
Current assets - held-for-sale	—	1	—	—	1
Current assets - discontinued operations	177	20	—	—	197
Total current assets	3,138	402	895	(835)	3,600
Property, plant and equipment, net	1,938	957	153	—	3,048
Other Assets					
Investment in subsidiaries	446	—	4,707	(5,153)	—
Equity investments in affiliates	—	412	—	—	412
Goodwill	359	214	—	—	573
Intangible assets, net	422	169	—	—	591
Nuclear decommissioning trust fund	663	—	—	—	663
Derivative instruments	296	4	22	(5)	317
Deferred income taxes	6	(143)	183	—	46
Other non-current assets	133	71	97	(12)	289
Non-current assets - held for sale	—	77	—	—	77
Non-current assets - discontinued operations	405	607	—	—	1,012
Total other assets	2,730	1,411	5,009	(5,170)	3,980
Total Assets	$ 7,806	$ 2,770	$ 6,057	$ (6,005)	$ 10,628
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt and capital leases	$ —	$ 55	$ 17	$ —	$ 72
Accounts payable	1,368	(185)	434	(754)	863
Derivative instruments	713	41	—	(81)	673
Cash collateral received in support of energy risk management activities	33	—	—	—	33
Accrued expenses and other current liabilities	291	36	353	—	680
Current liabilities - held-for-sale	—	5	—	—	5
Current liabilities - discontinued operations	24	48	—	—	72
Total current liabilities	2,429	—	804	(835)	2,398
Other Liabilities					
Long-term debt and capital leases	244	192	6,025	(12)	6,449
Nuclear decommissioning reserve	282	—	—	—	282
Nuclear decommissioning trust liability	371	—	—	—	371
Derivative instruments	306	3	—	(5)	304
Deferred income taxes	112	61	(108)	—	65
Other non-current liabilities	402	320	552	—	1,274
Non-current liabilities - held-for-sale	—	65	—	—	65
Non-current liabilities - discontinued operations	58	577	—	—	635
Total other liabilities	1,775	1,218	6,469	(17)	9,445
Total Liabilities	4,204	1,218	7,273	(852)	11,843
Redeemable noncontrolling interest in subsidiaries	—	19	—	—	19
Stockholders' Equity	3,602	1,533	(1,216)	(5,153)	(1,234)
Total Liabilities and Stockholders' Equity	$ 7,806	$ 2,770	$ 6,057	$ (6,005)	$ 10,628

(a) All significant intercompany transactions have been eliminated in consolidation

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2018
(Unaudited)

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
			(In millions)		
Cash Flows from Operating Activities					
Net income	$ 542	$ 32	$ 446	$ (691)	$ 329
Income/(loss) from discontinued operations	30	60	(26)	—	64
Income/(loss) from continuing operations	512	(28)	472	(691)	265
Adjustments to reconcile net income to net cash provided/(used) by operating activities:					
Distributions and equity in (earnings)/losses of unconsolidated affiliates and consolidated subsidiaries	(8)	11	(682)	691	12
Depreciation, amortization and accretion	136	99	17	—	252
Provision for bad debts	30	—	—	—	30
Amortization of nuclear fuel	24	—	—	—	24
Amortization of financing costs and debt discount/premiums	—	1	12	—	13
Loss on debt extinguishment, net	—	—	3	—	3
Amortization of intangibles and out-of-market contracts	16	4	—	—	20
Amortization of unearned equity compensation	—	—	15	—	15
Loss on sale and disposal of assets	(3)	(13)	—	—	(16)
Impairment losses	—	88	—	—	88
Changes in derivative instruments	(154)	19	(10)	—	(145)
Changes in deferred income taxes and liability for uncertain tax benefits	221	(47)	(176)	—	(2)
Changes in collateral deposits in support of energy risk management activities	(5)	(4)	—	—	(9)
Changes in nuclear decommissioning trust liability	41	—	—	—	41
Loss on deconsolidation of Ivanpah project	—	22	—	—	22
Changes in other working capital	152	(56)	(445)	—	(349)
Cash provided/(used) by continuing operations	962	96	(794)	—	264
Cash provided by discontinued operations	50	199	—	—	249
Net Cash Provided/(Used) by Operating Activities	1,012	295	(794)	—	513
Cash Flows from Investing Activities					
Intercompany dividends	—	—	157	(157)	—
Payments for acquisitions of businesses	(2)	(209)	—	—	(211)
Capital expenditures	(103)	(149)	(30)	—	(282)
Net proceeds from sale of emission allowances	3	—	—	—	3
Investments in nuclear decommissioning trust fund securities	(346)	—	—	—	(346)
Proceeds from the sale of nuclear decommissioning trust fund securities	303	—	—	—	303
Proceeds from sale of assets, net of cash disposed of	11	—	135	—	146
Deconsolidation of Ivanpah project	—	(160)	—	—	(160)
Net contributions for investments in unconsolidated affiliates	—	(15)	—	—	(15)
Contributions to discontinued operations	—	(16)	—	—	(16)
Cash (used)/provided by continuing operations	(134)	(549)	262	(157)	(578)
Cash provided/(used) by discontinued operations	2	(586)	—	—	(584)
Net Cash (Used)/Provided by Investing Activities	(132)	(1,135)	262	(157)	(1,162)
Cash Flows from Financing Activities					
Payments (for)/from intercompany loans	(611)	204	407	—	—
Intercompany dividends	(157)	—	—	157	—
Payment of dividends to common stockholders	—	—	(19)	—	(19)
Payments for treasury stock	—	—	(500)	—	(500)
Distributions to noncontrolling interests from subsidiaries	—	(14)	—	—	(14)
Proceeds from issuance of common stock	—	—	11	—	11
Proceeds from issuance of short and long-term debt	—	163	831	—	994
Payment of debt issuance costs	—	—	(19)	—	(19)
Payments for short and long-term debt	—	(63)	(285)	—	(348)
Cash (used)/provided by continuing operations	(768)	290	426	157	105
Cash provided by discontinued operations	—	345	—	—	345
Net Cash (Used)/Provided by Financing Activities	(768)	635	426	157	450
Change in cash from discontinued operations	52	(42)	—	—	10
Net Increase/(Decrease) in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	60	(163)	(106)	—	(209)

Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	41	425	620	—	1,086
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 101	$ 262	$ 514	$ —	$ 877

(a) All significant intercompany transactions have been eliminated in consolidation

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As you read this discussion and analysis, refer to NRG's Condensed Consolidated Statements of Operations to this Form 10-Q, which present the results of operations for the three and six months ended June 30, 2019 and 2018. Also refer to NRG's 2018 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition, including: Introduction and Overview section; NRG's Business Strategy section; Business section, including how regulation, weather, and other factors affect NRG's business; and Critical Accounting Policies and Estimates section.

The discussion and analysis below has been organized as follows:

- Executive summary, including introduction and overview, business strategy, and changes to the business environment during the period, including environmental and regulatory matters;
- Results of operations;
- Financial condition, addressing liquidity position, sources and uses of liquidity, capital resources and requirements, commitments, and off-balance sheet arrangements; and
- Known trends that may affect NRG's results of operations and financial condition in the future.

As further described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, the Company is treating the following businesses as discontinued operations, and has recast prior periods to present in the corporate segment:

- South Central Portfolio
- NRG Yield, Inc. and its Renewables Platform
- Carlsbad
- GenOn

Executive Summary

Introduction and Overview

NRG Energy, Inc., or NRG or the Company, is an energy company built on dynamic retail brands with diverse generation assets. NRG brings the power of energy to consumers by producing, selling and delivering electricity and related products and services in major competitive power markets in the U.S. in a manner that delivers value to all of NRG's stakeholders. NRG is perfecting the integrated model by balancing retail load with generation supply within its deregulated markets, while evolving to a customer-driven business. The Company sells energy, services, and innovative, sustainable products and services directly to retail customers under the names "NRG" and "Reliant" and other brand names owned by NRG supported by approximately 23,000 MW of generation as of June 30, 2019. NRG was incorporated as a Delaware corporation on May 29, 1992.

The following table summarizes NRG's global generation portfolio as of June 30, 2019, by operating segment:

	Global Generation Portfolio[(a)] (In MW)			
	Generation			
Generation Type	**Texas[(b)]**	**East/West[(c)(d)]**	**Other [(e)]**	**Total Global**
Natural gas	4,759	4,994	—	9,753
Coal	4,174	3,745	—	7,919
Oil	—	3,600	—	3,600
Nuclear	1,126	—	—	1,126
Utility Scale Solar	—	321	—	321
Battery Storage & Distributed Solar	2	—	60	62
Total generation capacity	10,061	12,660	60	22,781

(a) All Utility Scale Solar and Distributed Solar facilities are described in MW on an alternating current basis. MW figures provided represent nominal summer net MW capacity of power generated as adjusted for the Company's owned or leased interest excluding capacity from inactive/mothballed units

(b) Does not include Cottonwood, which is included in East/West

(c) Includes International and the remaining Renewables generation assets

(d) Includes 1,153 MW for the Cottonwood facility that was sold to Cleco on February 4, 2019, which the company is leasing until 2025

(e) The Distributed Solar figure within "Other" includes the aggregate production capacity of installed and activated residential solar energy systems

Strategy

NRG's strategy is to maximize stockholder value through the safe production and sale of reliable power to its customers in the markets served by the Company, while positioning the Company to provide innovative solutions to the end-use energy consumer. This strategy is intended to enable the Company to optimize the integrated model to generate predictable cash flow, significantly strengthen earnings and cost competitiveness, and lower risk and volatility. Sustainability is an integral piece of NRG's strategy and ties directly to business success, reduced risks and brand value.

To effectuate the Company’s strategy, NRG is focused on: (i) serving the energy needs of end-use residential, commercial and industrial customers in competitive markets through multiple brands and channels with a variety of retail energy products and services differentiated by innovative features, premium service, sustainability, and loyalty/affinity programs; (ii) deploying innovative and renewable energy solutions for consumers within its retail businesses; (iii) excellence in operating performance of its existing assets including optimal hedging of generation assets and retail load operations; and (iv) engaging in a proactive capital allocation plan within the dictates of prudent balance sheet management.

Transformation Plan

NRG is well underway in executing its Transformation Plan. The Company expects to fully implement the Transformation Plan by the end of 2020, with a significant portion of the plan completed in 2018. The three-part, three-year plan is comprised of the following targets, and the Company's achievements towards such targets are as follows:

Operations and cost excellence - Recurring cost savings and margin enhancement of $1,065 million, which consists of $590 million of cumulative cost savings, a $215 million net margin enhancement program, $50 million annual reduction in maintenance capital expenditures, and $210 million in permanent selling, general and administrative expense reduction associated with asset sales. The Company realized annual cost savings of $532 million and $32 million of margin enhancements during the year ended December 31, 2018, and expects to realize $590 million of cost savings and $135 million of margin enhancements in 2019.

The Company expects to realize (i) $370 million of non-recurring working capital improvements through 2020 and (ii) approximately $290 million one-time cost to achieve. By December 31, 2018, NRG had realized $333 million of non-recurring working capital improvements and $194 million of one-time costs to achieve. The Company expects to incur approximately $95 million of one-time cost to achieve in 2019.

Portfolio Optimization - Targeted and completed $3.0 billion of asset sale cash proceeds, including $1.4 billion in the first quarter of 2019 from the sales of the South Central portfolio, the Carlsbad project and Guam.

Capital Structure and Allocation - As of December 31, 2018, the Company achieved the planned credit ratio of 3.0x net debt / adjusted EBITDA[a]. During the first quarter of 2019, the Company revised its credit metrics target in order to further strengthen its balance sheet by reducing leverage.

Energy Regulatory Matters

The Company’s regulatory matters are described in the Company’s 2018 Form 10-K in Item 1, Business — *Regulatory Matters*. These matters have been updated below and in Note 18, *Regulatory Matters*, of this Form 10-Q.

As participants in wholesale and retail energy markets and owners of power plants, certain NRG entities are subject to regulation by various federal and state government agencies. These include the CFTC, FERC, NRC, and the PUCT, as well as other public utility commissions in certain states where NRG's generating or distributed generation assets are located. In addition, NRG is subject to the market rules, procedures and protocols of the various ISO and RTO markets in which it participates. Likewise, certain NRG entities participating in the retail markets are subject to rules and regulations established by the states in which NRG entities are licensed to sell at retail. NRG must also comply with the mandatory reliability requirements imposed by NERC and the regional reliability entities in the regions where NRG operates.

NRG's operations within the ERCOT footprint are not subject to rate regulation by FERC, as they are deemed to operate solely within the ERCOT market and not in interstate commerce. These operations are subject to regulation by the PUCT, as well as to regulation by the NRC with respect to NRG's ownership interest in STP.

Federal Energy Regulation

PG&E Corporation Bankruptcy Filing — On January 18, 2019, NextEra Energy, Inc., filed a petition for declaratory order requesting that FERC assert its jurisdiction over PG&E's wholesale contracts prior to PG&E's formal bankruptcy filing. Exelon Corporation and EDF Renewables filed similar complaints. On January 25, 2019, FERC found that it and the bankruptcy courts have concurrent jurisdiction to review and address the disposition of wholesale power contracts. Separately, the PG&E bankruptcy court ruled on June 7, 2019 that it does not share concurrent jurisdiction with FERC and has unilateral discretion to address the disposition of wholesale power contracts. On June 26, 2019, PG&E appealed the FERC order that was issued on January 25, 2019. The issue of jurisdiction over wholesale power contracts remains in litigation.

(a) adjusted EBITDA as defined per the Senior Credit Facility

State Energy Regulation

State Out-Of-Market Subsidy Proposals — NRG has opposed efforts to provide out-of-market subsidies for nuclear generators and intends to continue opposing them in the future. Nuclear subsidy programs have either been implemented, are in the process of being implemented, or have been introduced for discussion in Connecticut, Illinois, New Jersey, New York, Ohio and Pennsylvania. NRG and others were unsuccessful in challenging the legality of the subsidies in Illinois and New York, and the U.S. Supreme Court has declined to review the lower court decisions.

Illinois Legislature Considers Changes to the Generator Business Model — In Illinois, in addition to legislation to provide more subsidies to nuclear power plants in the state, the Legislature is also considering several bills that may affect NRG’s wholesale and retail revenues, including a bill that would replace the PJM capacity market with a state-run capacity market. Illinois ended its regular session on May 31, 2019 without passing these significant energy bills. NRG is opposed to this legislative effort and has supported a competitive clean energy market design that would competitively procure additional zero emission power without sacrificing the consumer benefits of the competitive PJM market design.

New York State Climate Leadership and Community Protection Act — In June 2019, NY State Legislature passed climate change legislation establishing by 2030, 70 percent of the state's energy will be generated by renewables and by 2040, the state's entire electric system must be zero-emitting. The law includes a provision that the NYSPSC may temporarily suspend or modify the obligations under its program if the Commission finds that the program impedes safe and adequate electric service, likely impairs "existing obligations and agreements," and/or increases consumer late payments or service disconnections. The legislation includes provision for offsets, including carbon capture and sequestration, but electric generation sources are not eligible to participate in the offsets mechanism.

Regional Regulatory Developments

NRG is affected by rule and tariff changes that occur in the ISO regions. For further discussion on regulatory developments see Note 18, *Regulatory Matters*, to the Condensed Consolidated Financial Statements.

East/West

PJM

Capacity Market Reforms Filing — FERC is considering various proposals to reform the PJM capacity market, including whether to accommodate state subsidies in the wholesale market or to mitigate subsidized resources, along with other changes. As part of this process, FERC established a procedural timetable and delayed the 2019 Base Residual Auction until August 2019. On April 10, 2019, PJM filed a motion seeking clarification of FERC's June 29, 2018 Order with respect to the August 2019 BRA. On July 25, 2019, FERC directed PJM not to run the BRA in August 2019 and wait to hold the auction until new rules are in place. Decisions around harmonizing federal and state policy initiatives are a critical factor for setting future prices.

PJM's Operational Reserve Demand Curve Filing — On March 29, 2019, PJM proposed energy and reserve market reforms to enhance price formation in reserve markets, which includes modifying its Operating Reserve Demand Curve and aligning market-based reserve products in Day-Ahead and Real-Time markets. The matter is pending at FERC. If the proposal were approved as filed, energy and reserve market prices could increase.

Independent Market Monitor Market Seller Offer Cap Complaint — On February 21, 2019, the Independent Market Monitor filed a complaint alleging that the current Market Seller Offer Cap is too high. On April 9, 2019, PJM filed its answer arguing that as a threshold matter the Independent Market Monitor is not authorized to file a complaint against PJM. If the request is granted, default market offer caps could be lower.

New England

ISO-NE Retention of Mystic Units — ISO-NE is currently engaged in extensive litigation at FERC regarding how to ensure system reliability in a gas-constrained system. In particular, FERC has approved ISO-NE's proposal to retain units at the Mystic generating station, which utilizes liquefied natural gas for fuel security. Among other things, FERC specifically will allow resources retained for fuel security to enter a zero bid in the Forward Capacity Auction, and also ordered ISO-NE to provide a long-term market-based solution for fuel security. On January 2, 2019, multiple parties filed for rehearing. The motions for rehearing are pending at FERC. The outcome of this matter may affect future capacity market prices.

ISO-NE Inventoried Energy Compensation Proposal — On March 25, 2019, ISO-NE proposed an interim measure to address near-term fuel security concerns. The proposal would provide payment for inventoried energy during winter months. NRG protested, among other things, the payment rate proposed by the ISO for inventoried energy. After ISO-NE supplemented its filings due to a deficiency notice from FERC, NRG filed comments to ISO-NE's response on June 27, 2019. On August 6, 2019, FERC issued a notice stating that due to lack of quorum, ISO-NE's proposal became effective by operation of law. ISO-NE's proposal will affect future capacity market prices and the compensation fuel secure units receive.

New York

New York State Public Service Commission Retail Energy Market Proceedings — On February 23, 2016, the NYSPSC issued an order referred to as the Retail Reset Order. Among other things, the Retail Reset Order placed a price cap on energy supply offers and imposed burdensome new regulations on customers. Various parties have challenged the NYSPSC's authority to regulate prices charged by competitive suppliers. This litigation is ongoing.

Texas

ORDC Reforms — In January 2019, the PUCT directed ERCOT to implement changes to its scarcity pricing structure, known as the ORDC, which is designed to increase the likelihood of scarcity pricing to support existing generation and new investment. The PUCT directed ORDC reforms to be implemented in two phases of gradually increasing magnitude. The first phase became effective on March 1, 2019 and the second phase will become effective on March 1, 2020. To date, the ORDC reforms have produced a noticeable improvement in scarcity pricing.

Environmental Regulatory Matters

NRG is subject to numerous environmental laws in the development, construction, ownership and operation of projects. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. Federal and state environmental laws historically have become more stringent over time. Future laws may require the addition of emissions controls or other environmental controls or impose restrictions on our operations, which could affect the Company's operations. Complying with environmental laws often involves significant capital and operating expenses, as well as occasionally curtailing operations. NRG decides to invest capital for environmental controls based on the relative certainty of the requirements, an evaluation of compliance options, and the expected economic returns on capital.

A number of regulations that may affect the Company are under review by the EPA, including ESPS for GHGs, ash disposal requirements, NAAQS revisions and implementation and effluent limitation guidelines. NRG will evaluate the impact of these regulations as they are revised but cannot fully predict the impact of each until anticipated legal challenges are resolved. The Company's environmental matters are described in the Company's 2018 Form 10-K in Item 1, Business - *Environmental Matters* and Item 1A, Risk Factors. These matters have been updated in Note 19, *Environmental Matters*, to the Condensed Consolidated Financial Statements of this Form 10-Q and as follows.

Air

The CAA and the resulting regulations (as well as similar state and local requirements) have the potential to affect air emissions, operating practices and pollution control equipment required at power plants. Under the CAA, the EPA sets NAAQS for certain pollutants including SO_2, ozone, and PM2.5. Many of the Company's facilities are located in or near areas that are classified by the EPA as not achieving certain NAAQS (non-attainment areas). The relevant NAAQS have become more stringent. The Company maintains a comprehensive compliance strategy to address continuing and new requirements. Complying with increasingly stringent air regulations could require the installation of additional emissions control equipment at some NRG facilities or retiring of units if installing such controls is not economic. Significant changes to air regulatory programs affecting the Company are described below.

MATS — In 2012, the EPA promulgated standards (the MATS rule) to control emissions of HAPs from coal and oil-fired electric generating units. The rule established limits for mercury, non-mercury metals, certain organics and acid gases, which had to be met beginning in April 2015. In December 2018, the EPA proposed a finding that regulating HAPs was not "appropriate and necessary" because the costs far exceed the benefits. Nonetheless, the EPA proposed keeping the substantive requirements of the MATS rule. While NRG cannot predict the final outcome of this rulemaking, NRG believes that because it has already invested in pollution controls and cleaner technologies, the fleet is well-positioned to comply with the MATS rule.

Clean Power Plan — The attention in recent years on GHG emissions has resulted in federal regulations and state legislative and regulatory action. In October 2015, the EPA finalized the CPP, addressing GHG emissions from existing EGUs. On February 9, 2016, the U.S. Supreme Court stayed the CPP. In July 2019, EPA promulgated the ACE rule, which rescinds the CPP. The ACE rule requires states with coal-fired EGUs to develop plans to seek heat rate improvements from coal-fired EGUs to reduce GHG emissions.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In September 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 21, 2018, the D.C. Circuit found, among other things, that the EPA had not adequately regulated unlined ponds and legacy ponds. Accordingly, we anticipate that the EPA will promulgate new regulations to address these issues (including compliance deadlines) as it reconsiders other aspects of the existing rule. The EPA has stated that it intends to further revise the rule. The Company will provide estimates of the cost of compliance after the rule is revised.

Domestic Site Remediation Matters

Under certain federal, state and local environmental laws, a current or previous owner or operator of a facility, including an electric generating facility, may be required to investigate and remediate releases or threatened releases of hazardous or toxic substances or petroleum products. NRG may be responsible for property damage, personal injury and investigation and remediation costs incurred by a party in connection with hazardous material releases or threatened releases. These laws impose liability without regard to whether the owner knew of or caused the presence of the hazardous substances, and the courts have interpreted liability under such laws to be strict (without fault) and joint and several. Cleanup obligations can often be triggered during the closure or decommissioning of a facility, in addition to spills during its operations. Further discussions of affected NRG sites can be found in Note 19, *Environmental Matters*, to the Consolidated Financial Statements.

Nuclear Waste — The federal government's program to construct a nuclear waste repository at Yucca Mountain, Nevada was discontinued in 2010. Since 1998, the U.S. DOE has been in default of the federal government's obligations to begin accepting spent nuclear fuel, or SNF, and high-level radioactive waste, or HLW, under the Nuclear Waste Policy Act. Owners of nuclear plants, including the owners of STP, had been required to enter into contracts setting out the obligations of the owners and the U.S. DOE, including the fees to be paid by the owners for the U.S. DOE's services to license a spent fuel repository. Effective May 16, 2014, the U.S. DOE stopped collecting the fees.

On February 5, 2013, STPNOC entered into a settlement agreement with the U.S. DOE for payment of damages relating to the U.S. DOE's failure to accept SNF and HLW under the Nuclear Waste Policy Act through December 31, 2013, which was extended through an addendum dated January 24, 2014, to December 31, 2016. On December 12, 2016, STPNOC received the federal government's offer of another three-year extension of payment for continued failure to accept SNF and HLW. The proposal was reviewed and accepted. There are no facilities for the reprocessing or permanent disposal of SNF currently in operation in the U.S., nor has the NRC licensed any such facilities. STPNOC currently stores all SNF generated by its nuclear generating facilities in on-site storage pools. Since STPNOC's SNF storage pools do not have sufficient storage capacity for the life of the units, STPNOC is proceeding to construct dry cask storage capability on-site. STPNOC plans to continue to assert claims against the U.S. DOE for damages relating to the U.S. DOE's failure to accept SNF and HLW.

Under the federal Low-Level Radioactive Waste Policy Act of 1980, as amended in 1985, the state of Texas is required to provide, either on its own or jointly with other states in a compact, for the disposal of all low-level radioactive waste generated within the state. Texas is currently in a compact with the state of Vermont, and the compact low-level waste facility located in Andrews County in Texas has been operational since 2012.

Water

The Company is required under the CWA to comply with intake and discharge requirements, requirements for technological controls and operating practices. As with air quality regulations, federal and state water regulations have become more stringent and imposed new requirements.

Once Through Cooling Regulation — In August 2014, EPA finalized the regulation regarding the use of water for once through cooling at existing facilities to address impingement and entrainment concerns. While NRG anticipates that more stringent requirements will be incorporated into some of its water discharge permits over the next several years as NPDES permits are renewed, the Company anticipates the cost of complying with these restrictions to be immaterial.

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which would have imposed more stringent requirements (as individual permits were renewed) for wastewater streams from flue gas desulfurization, fly ash, bottom ash, and flue gas mercury control. On September 18, 2017, the EPA promulgated a final rule that, among other things, postpones the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA completes its next rulemaking. On April 12, 2019, the United States Court of Appeals for the Fifth circuit addressed challenges to the rule brought by several environmental groups related to legacy wastewaters and coal ash leachate and remanded portions of the rule to the EPA. The Company has eliminated its estimate of the environmental capital expenditures that would have been required to comply with permits incorporating the revised guidelines. The Company will revisit these estimates after the EPA revises the rule.

Regional Environmental Developments

Burton Island Old Ash Landfill — In January 2006, NRG's Indian River Power LLC was notified that it may be a potentially responsible party with respect to Burton Island Old Ash Landfill, a historic captive landfill located at the Indian River facility. In December 2015, DNREC approved the Company's remediation design, the Company's Closure Report and the Company's Long Term Stewardship Plan. The cost of completing the work required by the approved remediation plan is consistent with amounts budgeted in early 2016 and remediation was completed in 2017. The estimated cost to comply with the Long-Term Stewardship Plan was added to the liability in 2016.

In addition to the VCP, on May 29, 2008, DNREC requested that NRG's Indian River Power LLC participate in the development and performance of a Natural Resource Damage Assessment at the Burton Island Old Ash Landfill. NRG is working with DNREC and other trustees to close out the assessment process.

NY NOx — In February 2019, NY DEC proposed a more stringent NOx regulation that depending on the outcome of the regulatory process, may result in the retirement of some of our combustion turbines in New York.

Ash Regulation in Illinois — On July 30, 2019, Illinois enacted legislation that will require the state to promulgate regulations regarding coal ash.

Significant Events

The following significant events have occurred during 2019, in addition to the Transformation Plan events, as further described within this Management's Discussion and Analysis and the Condensed Consolidated Financial Statements:

Renewable Power Purchase Agreements

During 2019, NRG began execution of its strategy to procure mid to long-term generation through power purchase agreements totaling approximately 1,300 MWs with third-party project developers and other counterparties. The tenor of these agreements is an average of ten years. The Company expects to continue evaluating and executing agreements, such as these, that support the mid to longer-term needs of its business.

Share Repurchases

During January and February, the Company completed $250 million of share repurchases in connection with the 2018 share repurchase program, at an average price of $40.61 per share. In February 2019, the Company's board of directors authorized an additional $1.0 billion share repurchase program. Through August 7, 2019, the Company completed share repurchases of $1.0 billion in connection with the 2019 share repurchase program, at an average price of $38.38 per share, of which $804 million was repurchased during the six months ended June 30, 2019. In August 2019, the Company announced that the board of directors authorized an additional $250 million of share repurchases to be executed in the second half of 2019.

Financing Activities

On May 14, 2019, NRG issued $733 million of aggregate principal amount at par of 5.25% senior unsecured notes due 2029. The proceeds from the issuance of the 2029 Senior Notes were utilized to redeem the remaining Company's 6.25% Senior Notes due 2024.

On May 28, 2019, NRG issued $1.1 billion of aggregate principal amount of senior secured first lien notes, consisting of $600 million 3.75% senior secured first lien notes due 2024 and $500 million 4.45% senior secured first lien notes due 2029, or the Senior Secured First Lien Notes, at a discount. The proceeds from the issuance of the Senior Secured First Lien Notes, as well as cash on hand, were used to repay the Company's $1.7 billion 2023 Term Loan facility, resulting in a decrease of $594 million to long-term debt outstanding.

On May 28, 2019, NRG amended its existing credit agreement to, among other things, provide for a $184 million increase in revolving commitments, resulting in aggregate revolving commitments under the amended credit agreement equal to $2.6 billion. See Note 10, *Debt and Capital Leases,* for further discussion.

As a result of the financing activities discussed above, interest savings are expected to be approximately $15 million in 2019 and annualized interest savings are expected to be approximately $25 million.

Pre-Summer Maintenance and Gregory Natural Gas Plant

The Company expanded pre-summer maintenance of the Texas fleet by increasing spending by $21 million, including the return of its 385 MW Gregory natural gas plant in Corpus Christi, Texas to service in June 2019.

Stream Energy Acquisition

On May 15, 2019, the Company entered into an agreement to acquire Stream Energy's retail electricity and natural gas business operating in 9 states and Washington, D.C. for $300 million in cash and estimated transaction costs and working capital adjustments of approximately $25 million. The acquisition increased NRG's retail portfolio by approximately 600,000 RCEs or 450,000 customers. The acquisition closed on August 1, 2019.

Trends Affecting Results of Operations and Future Business Performance

The Company’s trends are described in the Company’s 2018 Form 10-K in Item 7, M*anagement’s Discussion and Analysis of Financial Condition and Results of Operations - Business Environment.*

Changes in Accounting Standards

See Note 2, *Summary of Significant Accounting Policies*, for a discussion of recent accounting developments.

Consolidated Results of Operations

The following table provides selected financial information for the Company:

(In millions, except as otherwise noted)	Three months ended June 30, 2019	Three months ended June 30, 2018	Three months ended June 30, Change	Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, Change
Operating Revenues						
Energy revenue [a]	$ 249	$ 410	$ (161)	$ 555	$ 853	$ (298)
Capacity revenue [a]	155	165	(10)	309	307	2
Retail revenue	1,745	1,813	(68)	3,351	3,298	53
Mark-to-market for economic hedging activities	241	10	231	261	(86)	347
Other revenues [b]	75	63	12	154	154	—
Total operating revenues	2,465	2,461	4	4,630	4,526	104
Operating Costs and Expenses						
Cost of Sales [c]	1,273	1,453	180	2,614	2,775	161
Mark-to-market for economic hedging activities	220	86	(134)	220	(216)	(436)
Contract and emissions credit amortization [c]	6	7	1	11	13	2
Operations and maintenance	284	282	(2)	531	573	42
Other cost of operations	62	61	(1)	120	129	9
Total cost of operations	1,845	1,889	44	3,496	3,274	(222)
Depreciation and amortization	85	112	27	170	232	62
Impairment losses	1	74	73	1	74	73
Selling, general and administrative	211	200	(11)	405	376	(29)
Reorganization costs	2	23	21	15	43	28
Development costs	2	3	1	4	8	4
Total operating costs and expenses	2,146	2,301	155	4,091	4,007	(84)
Gain on sale of assets	1	14	(13)	2	16	(14)
Operating Income	320	174	146	541	535	6
Other Income/(Expense)						
Equity in earnings/(losses) of unconsolidated affiliates	—	5	(5)	(21)	6	(27)
Other income/(expense), net	20	(23)	43	32	(23)	55
Loss on debt extinguishment, net	(47)	(1)	(46)	(47)	(3)	(44)
Interest expense	(105)	(123)	18	(219)	(239)	20
Total other expense	(132)	(142)	10	(255)	(259)	4
Income from Continuing Operations Before Income Taxes	188	32	156	286	276	10
Income tax (benefit)/expense	(1)	5	6	3	11	8
Income from Continuing Operations	189	27	162	283	265	18
Income from discontinued operations, net of income tax	13	69	(56)	401	64	337
Net Income	202	96	106	684	329	355
Less: Net income/(loss) attributable to noncontrolling interest and redeemable interests	1	24	(23)	1	(22)	23
Net Income Attributable to NRG Energy, Inc.	$ 201	$ 72	$ 129	$ 683	$ 351	$ 332
Business Metrics						
Average natural gas price — Henry Hub ($/MMBtu)	$ 2.64	$ 2.80	(6)%	$ 2.89	$ 2.90	— %

(a) Includes realized gains and losses from financially settled transactions
(b) Includes unrealized trading gains and losses
(c) Includes amortization of SO_2 and NO_x credits and excludes amortization of RGGI credits

Management's discussion of the results of operations for the three months ended June 30, 2019 and 2018

Electricity Prices

The following table summarizes average on peak power prices for each of the major markets in which NRG operates for the three months ended June 30, 2019 and 2018. The average on-peak power prices were lower primarily driven by mild weather.

	Average on Peak Power Price ($/MWh)		
	Three months ended June 30,		
Region	**2019**	**2018**	**Change %**
Texas			
ERCOT - Houston[a]	$ 31.88	$ 34.82	(8)%
ERCOT - North[a]	30.13	34.89	(14)%
MISO - Louisiana Hub[b]	33.40	44.20	(24)%
East/West			
NY J/NYC[b]	29.52	36.41	(19)%
NEPOOL[b]	27.15	36.28	(25)%
COMED (PJM)[b]	26.78	31.88	(16)%
PJM West Hub[b]	28.54	39.73	(28)%
CAISO - SP15[b]	23.30	27.75	(16)%

[a] Average on peak power prices based on real time settlement prices as published by the respective ISOs
[b] Average on peak power prices based on day ahead settlement prices as published by the respective ISOs

The following table summarizes average realized power prices for each region in which NRG operates, including the impact of settled hedges, for the three months ended June 30, 2019 and 2018:

	Average Realized Power Price ($/MWh)		
	Three months ended June 30,		
Region	**2019**	**2018**	**Change %**
Texas	$ 43.59	$ 36.96	18 %
East/West/Other [a][b]	34.60	43.39	(20)%

(a) Does not include BETM energy revenue of $16 million for 2018, which was sold in July 2018
(b) Does not include Ivanpah or Agua Caliente energy revenue of $47 million, as they were deconsolidated in April 2018 and August 2018, respectively

The average realized power prices fluctuated at different rates for the three months ended June 30, 2019 as compared to the same period in 2018 due to two factors:

- The Company's multi-year hedging program
- During the year, the Company transfers power between the Retail and Generation segments based on market prices. Within Texas, the Retail and Generation segments transact a large internal transfer of power based on average annualized market prices that can result in significant fluctuations on a quarterly basis, but annually have a mark-to-market of $0 at the time of execution. The impact of this internal transfer is more prominent in 2019 due to the increased forward power prices in summer 2019.

Gross Margin

The Company calculates gross margin in order to evaluate operating performance as operating revenues less cost of sales, which includes cost of fuel, other costs of sales, contract and emission credit amortization and mark-to-market for economic hedging activities.

Economic Gross Margin

In addition to gross margin, the Company evaluates its operating performance using the measure of economic gross margin, which is not a GAAP measure and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Economic gross margin should be viewed as a supplement to and not a substitute for the Company's presentation of gross margin, which is the most directly comparable GAAP measure. Economic gross margin is not intended to represent gross margin. The Company believes that economic gross margin is useful to investors as it is a key operational measure reviewed by the Company's chief operating decision maker. Economic gross margin is defined as the sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales.

Economic gross margin does not include mark-to-market gains or losses on economic hedging activities, contract amortization, emission credit amortization, or other operating costs.

The below tables present the composition and reconciliation of gross margin and economic gross margin for the three months ended June 30, 2019 and 2018:

	Three months ended June 30, 2019					
		Generation				
($ In millions)	Retail	Texas	East/West/Other[(a)]	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 497	$ 117	$ 614	$ (365)	$ 249
Capacity revenue	—	—	154	154	1	155
Retail revenue	1,746	—	—	—	(1)	1,745
Mark-to-market for economic hedging activities	2	460	64	524	(285)	241
Other revenue	—	16	59	75	—	75
Operating revenue	1,748	973	394	1,367	(650)	2,465
Cost of fuel	(12)	(203)	(65)	(268)	1	(279)
Other cost of sales[(b)]	(1,276)	(23)	(59)	(82)	364	(994)
Mark-to-market for economic hedging activities	(486)	(16)	(3)	(19)	285	(220)
Contract and emission credit amortization	—	(6)	—	(6)	—	(6)
Gross margin	**$ (26)**	**$ 725**	**$ 267**	**$ 992**	**$ —**	**$ 966**
Less: Mark-to-market for economic hedging activities, net	(484)	444	61	505	—	21
Less: Contract and emission credit amortization, net	—	(6)	—	(6)	—	(6)
Economic gross margin	**$ 458**	**$ 287**	**$ 206**	**$ 493**	**$ —**	**$ 951**
Business Metrics						
MWh sold (thousands)		11,401	3,410			
MWh generated (thousands)		10,645	2,535			

(a) Includes International, Renewables, and Generation eliminations

(b) Includes purchased energy, capacity and emissions credits

	Three months ended June 30, 2018					
		Generation				
($ In millions)	Retail	Texas	East/West/Other[(a)] [(b)]	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 402	$ 259	$ 661	$ (251)	$ 410
Capacity revenue	—	—	165	165	—	165
Retail revenue	1,814	—	—	—	(1)	1,813
Mark-to-market for economic hedging activities	—	296	(22)	274	(264)	10
Other revenue	—	10	57	67	(4)	63
Operating revenue	1,814	708	459	1,167	(520)	2,461
Cost of fuel	(3)	(188)	(115)	(303)	—	(306)
Other cost of sales[(c)]	(1,315)	(35)	(50)	(85)	254	(1,146)
Mark-to-market for economic hedging activities	(346)	(3)	(1)	(4)	264	(86)
Contract and emission credit amortization	—	(7)	—	(7)	—	(7)
Gross margin	**$ 150**	**$ 475**	**$ 293**	**$ 768**	**$ (2)**	**$ 916**
Less: Mark-to-market for economic hedging activities, net	(346)	293	(23)	270	—	(76)
Less: Contract and emission credit amortization, net	—	(7)	—	(7)	—	(7)
Economic gross margin	**$ 496**	**$ 189**	**$ 316**	**$ 505**	**$ (2)**	**$ 999**
Business Metrics						
MWh sold (thousands)		10,876	5,969			
MWh generated (thousands)		9,848	5,255			

(a) Includes International, Renewables, and Generation eliminations

(b) Includes BETM which was sold as of July 31, 2018

(c) Includes purchased energy, capacity and emissions credits

The table below represents the weather metrics for the three months ended June 30, 2019 and 2018:

	Three months ended June 30,	
Weather Metrics	**Texas**	**East/West/Other[b]**
2019		
CDDs [a]	934	458
HDDs [a]	70	283
2018		
CDDs	1,101	521
HDDs	91	325
10-year average		
CDDs	1,009	487
HDDs	60	310

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center - A Cooling Degree Day, or CDD, represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. A Heating Degree Day, or HDD, represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period

(b) The East/West/Other weather metrics are comprised of the average of the CDD and HDD regional results for the Northeast, West - California and West - South Central regions

Retail Gross Margin and Economic Gross Margin

The following is a discussion of gross margin and economic gross margin for Retail.

(In millions, except as otherwise noted)	Three months ended June 30, 2019		2018	
Retail revenue	$	1,650	$	1,687
Supply management revenue		50		42
Capacity revenue		46		85
Customer mark-to-market		2		—
Operating revenue[a]		1,748		1,814
Cost of sales[b]		(1,288)		(1,318)
Mark-to-market for economic hedging activities		(486)		(346)
Gross Margin	**$**	**(26)**	**$**	**150**
Less: Mark-to-market for economic hedging activities, net		(484)		(346)
Economic Gross Margin	**$**	**458**	**$**	**496**
Business Metrics				
Mass electricity sales volume — GWh - Texas		9,130		9,793
Mass electricity sales volume — GWh - All other regions		1,913		1,600
C&I electricity sales volume — GWh - All regions		5,008		5,403
Natural gas sales volumes (MDth)		3,054		1,244
Average Retail Mass customer count (in thousands)		3,306		2,966
Ending Retail Mass customer count (in thousands)		3,277		3,149

(a) Includes intercompany sales of $2 million and $4 million in 2019 and 2018, respectively, representing sales from Retail to the Texas region
(b) Includes intercompany purchases of $374 million and $251 million in 2019 and 2018, respectively, inclusive of the internal transfer of large average annualized market price transactions

Retail gross margin decreased $176 million and economic gross margin decreased $38 million for the three months ended June 30, 2019, compared to the same period in 2018, due to:

	(In millions)	
Lower gross margin from Business Solutions primarily due to a reduction in the volume of an early settlement of capacity obligations in 2019 as compared to 2018	$	(28)
Lower gross margin due to the unfavorable impact from weather that resulted in a decrease in load of 750,000 MWh in 2019 as compared to 2018		(28)
Higher gross margin primarily driven by higher volumes from XOOM and other customer acquisitions		10
Higher gross margin from Mass due to increased revenues of approximately $5.75 per MWh or $62 million primarily driven by margin enhancement initiatives, partially offset by higher supply costs driven by an increase in power prices of approximately $5.00 per MWh or $54 million		8
Business Solutions gross margin remained unchanged as lower revenues were offset by lower costs. Lower revenues were driven by lower rates to customers of approximately $5.25 per MWh or $27 million, offset by lower supply costs driven by a decrease in power prices at the time of procurement of approximately $5.25 per MWh or $27 million		—
Decrease in economic gross margin	$	(38)
Decrease in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges		(138)
Decrease in gross margin	**$**	**(176)**

Generation Gross Margin and Economic Gross Margin

Generation gross margin increased $224 million and economic gross margin decreased $12 million, both of which include intercompany sales, during the three months ended June 30, 2019, compared to the same period in 2018.

The tables below describe the increase in Generation gross margin and the decrease in economic gross margin:

Texas Region

	(In millions)
Higher gross margin due to a 18% increase in average realized prices primarily due to the intersegment transactions at annual average power prices	$ 58
Higher gross margin driven by planned outages at STP, Cedar Bayou and forced outages at T.H. Wharton and Greens Bayou in 2018	26
Higher gross margin from commercial optimization activities	7
Higher gross margin due to margin enhancement initiatives from reduced fuel supply costs	7
Increase in economic gross margin	$ 98
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	151
Increase in contract and emission credit amortization	1
Increase in gross margin	**$ 250**

East/West/Other

	(In millions)
Lower gross margin due to the deconsolidations of Ivanpah in April 2018 and Agua Caliente in August 2018	$ (43)
Lower gross margin primarily due to the sale of BETM, Keystone and Conemaugh in the third quarter of 2018, Guam in the first quarter of 2019 and the retirement of Encina in December 2018	(41)
Lower gross margin due to insurance proceeds from outages in 2018	(14)
Lower gross margin due to a 22% decrease in realized capacity pricing in New York	(10)
Lower gross margin due to an extended forced outage at the Sunrise facility in 2019	(7)
Lower gross margin due to a 11% decrease in average realized prices at Cottonwood	(7)
Lower gross margin driven by a decrease in economic generation volume due to planned outages in 2019	(6)
Higher gross margin due to a 20% increase in PJM capacity prices and a 10% increase in ISO-NE capacity prices	16
Higher gross margin from commercial optimization activities	6
Other	(4)
Decrease in economic gross margin	$ (110)
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	84
Decrease in gross margin	**$ (26)**

Mark-to-Market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results increased by $97 million during the three months ended June 30, 2019, compared to the same period in 2018.

The breakdown of gains and losses included in operating revenues and operating costs and expenses by region was as follows:

	Three months ended June 30, 2019				
		Generation			
	Retail	Texas	East/West/Other	Eliminations[a]	Total
	(In millions)				
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (1)	$ (74)	$ 16	$ 59	$ —
Net unrealized gains on open positions related to economic hedges	3	534	48	(344)	241
Total mark-to-market gains in operating revenues	$ 2	$ 460	$ 64	$ (285)	$ 241
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 69	$ 1	$ —	$ (59)	$ 11
Reversal of acquired loss positions related to economic hedges	1	—	—	—	1
Net unrealized (losses) on open positions related to economic hedges	(556)	(17)	(3)	344	(232)
Total mark-to-market (losses) in operating costs and expenses	$ (486)	$ (16)	$ (3)	$ 285	$ (220)

(a) Represents the elimination of the intercompany activity between Retail and Generation

	Three months ended June 30, 2018				
		Generation			
	Retail	Texas	East/West/Other	Eliminations[a]	Total
	(In millions)				
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ —	$ (53)	$ (6)	$ 28	$ (31)
Net unrealized gains/(losses) on open positions related to economic hedges	—	349	(16)	(292)	41
Total mark-to-market gains/(losses) in operating revenues	$ —	$ 296	$ (22)	$ (264)	$ 10
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	$ 62	$ (1)	$ (4)	$ (28)	$ 29
Reversal of acquired gain positions related to economic hedges	(1)	—	—	—	(1)
Net unrealized (losses)/gains on open positions related to economic hedges	(407)	(2)	3	292	(114)
Total mark-to-market (losses) in operating costs and expenses	$ (346)	$ (3)	$ (1)	$ 264	$ (86)

(a) Represents the elimination of the intercompany activity between Retail and Generation

Mark-to-market results consist of unrealized gains and losses on contracts that are not yet settled. The settlement of these transactions is reflected in the same revenue or cost caption as the items being hedged.

For the three months ended June 30, 2019, the $241 million gain in operating revenues from economic hedge positions was driven primarily by an increase in the value of open positions as a result of decreases in natural gas prices, ERCOT heat rate contraction, and decreases in ERCOT electricity prices. The $220 million loss in operating costs and expenses from economic hedge positions was driven primarily by a decrease in the value of open positions as a result of decreases in natural gas prices, ERCOT heat rate contraction, and decreases in ERCOT electricity prices, partially offset by the reversal of previously recognized unrealized losses on contracts that settled during the period.

For the three months ended June 30, 2018, the $10 million gain in operating revenues from economic hedge positions was driven primarily by an increase in the value of open positions as a result of ERCOT heat rate contraction and decreases in ERCOT electricity prices, partially offset by the reversal of previously recognized unrealized gains on contracts that settled during the period. The $86 million loss in operating costs and expenses from economic hedge positions was driven primarily by a decrease in value of open positions as a result of ERCOT heat rate contraction and decreases in ERCOT electricity prices, partially offset by the reversal of previously recognized unrealized losses on contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of the Company's financial and physical trading of energy commodities for the three months ended June 30, 2019 and 2018. The realized and unrealized financial and physical trading results are included in operating revenue within the Generation segment. The Company's trading activities are subject to limits based on the Company's Risk Management Policy.

	Three months ended June 30,	
(In millions)	**2019**	**2018**
Trading gains		
Realized	$ 15	$ 25
Unrealized	12	5
Total trading gains	$ 27	$ 30

Operations and Maintenance Expense

Operations and maintenance expense are comprised of the following:

		Generation				
	Retail	**Texas**	**East/West/Other**	**Corporate**	**Eliminations**	**Total**
			(In millions)			
Three months ended June 30, 2019	$ 56	$ 114	$ 113	$ 2	$ (1)	$ 284
Three months ended June 30, 2018	$ 49	$ 123	$ 112	$ —	$ (2)	$ 282

(a) Includes International, Renewables, and Generation eliminations

Operations and maintenance expenses increased by $2 million for the three months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Increase as a result of timing of the realization of Transformation Plan savings	$ 20
Increase in investments in Texas plants in preparation for summer operations	14
Increase primarily related to the lease of Cottonwood from February 4, 2019	10
Increase due to the XOOM acquisition in June 2018	3
Decrease due to the timing of outages in 2019	(23)
Decrease due to 2018 payments in settlement of certain legal matters	(10)
Decrease due to the deconsolidations of Ivanpah and Agua Caliente in 2018	(6)
Other	(6)
Increase in operations and maintenance expense	$ 2

Other Cost of Operations

Other cost of operations are comprised of the following:

		Generation		
	Retail	**Texas**	**East/West/Other**	**Total**
		(In millions)		
Three months ended June 30, 2019	$ 27	$ 16	$ 19	$ 62
Three months ended June 30, 2018	$ 26	$ 15	$ 20	$ 61

Depreciation and Amortization

Depreciation and amortization decreased by $27 million for the three months ended June 30, 2019, compared to the three months ended June 30, 2018, driven primarily by the deconsolidations of Ivanpah in April 2018 and Agua Caliente in August 2018, the sale of Cottonwood in February 2019 and prior year impairments.

Selling, General and Administrative

Selling, general and administrative expenses are comprised of the following:

	Retail	Generation	Corporate	Total
		(In millions)		
Three months ended June 30, 2019	$ 135	$ 71	$ 5	$ 211
Three months ended June 30, 2018	125	58	17	200

Selling, general and administrative expenses increased by $11 million for the three months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Increase in selling and marketing expenses associated with costs incurred for margin enhancement initiatives	$ 19
Increase in bad debt expense primarily due to higher customer attrition	12
Increase in selling expense due to the acquisition of XOOM in June 2018	3
Decrease due to additional litigation in 2018	(10)
Decrease in general and administrative expense from cost initiatives as a result of the Transformation Plan	(9)
Decrease related to fees incurred in the acquisition of businesses	(3)
Other	(1)
Increase in selling, general and administrative expenses	$ 11

Reorganization Costs

Reorganization costs, primarily related to employee severance and contract cancellation costs, decreased by $21 million for the three months ended June 30, 2019 compared to the same period in 2018, driven primarily by significant achievement of the operations and cost excellence portion of the Transformation Plan during 2018.

Gain on Sale of Assets

Gain on sale of assets for the three months ended June 30, 2018 consisted primarily of gains on the sales of Canal 3 and a piece of land, while the gain on the sale of assets for the three months ended June 30, 2019 consisted primarily of a gain on the sale of land.

Loss on Debt Extinguishment

A loss on debt extinguishment of $47 million was recorded during the three months ended June 30, 2019, driven by the redemption of the 2024 Senior Notes and the repayment of the 2023 Term Loan Facility.

Interest Expense

Interest expense decreased by $18 million for the three months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Increase in derivative interest expense due to the termination of interest rate swaps	$ 32
Decrease related to the termination of in-the-money interest rate swaps	(25)
Decrease related to the debt reduction of $1.2 billion and refinancing $2.4 billion of debt at lower interest rates in 2019 and 2018	(21)
Decrease related to the deconsolidations of Ivanpah and Agua Caliente in 2018	(9)
Other	5
Decrease in interest expense	$ (18)

Income Tax (Benefit)/Expense

For the three months ended June 30, 2019, an income tax benefit of $1 million was recorded on pre-tax income of $188 million. For the same period in 2018, income tax expense of $5 million was recorded on pre-tax income of $32 million. The effective tax rate was (0.5)% and 15.6% for the three months ended June 30, 2019 and 2018, respectively.

For the three months ended June 30, 2019 and 2018, NRG's overall effective tax rates were lower than the statutory rate of 21%, primarily due to the tax benefit for the change in valuation allowance, partially offset by current state tax expense.

Income from Discontinued Operations, Net of Income Tax

	Three Months Ended June 30,		
(In millions)	**2019**	**2018**	**Change**
South Central Portfolio	1	16	$ (15)
Yield Renewables Platform & Carlsbad	10	78	(68)
Genon	2	(25)	27
Income from discontinued operations, net of tax	**$ 13**	**$ 69**	**$ (56)**

For the three months ended June 30, 2019, NRG recorded income from discontinued operations, net of income tax of $13 million, a decrease of $56 million from income of $69 million in the same period in 2018, as further described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*.

Net Income Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

Net income attributable to noncontrolling interests and redeemable noncontrolling interests was $1 million for the three months ended June 30, 2019, compared to $24 million for three months ended June 30, 2018. For the three months ended June 30, 2018, NRG Yield, Inc.'s share of net income was partially offset by the net losses allocated to tax equity investors in tax equity arrangements using the hypothetical liquidation at book value, or HLBV, method and Ivanpah's share of net losses. As a result of the disposition of NRG Yield Inc. and its Renewables Platform, as well as the deconsolidation of Ivanpah, the Company does not anticipate material NCI in the future.

Management's discussion of the results of operations for the six months ended June 30, 2019 and 2018

Electricity Prices

The following table summarizes average on peak power prices for each of the major markets in which NRG operates for the six months ended June 30, 2019 and 2018. The average on-peak power prices have generally decreased primarily due to lower winter demand and heat rate contraction.

	Average on Peak Power Price ($/MWh)		
	Six months ended June 30,		
Region	**2019**	**2018**	**Change %**
Texas			
ERCOT - Houston [a]	$ 30.04	$ 33.98	(12)%
ERCOT - North[a]	29.08	33.28	(13)%
MISO - Louisiana Hub[b]	33.12	45.22	(27)%
East/West			
NY J/NYC[b]	37.34	49.19	(24)%
NEPOOL[b]	37.28	51.07	(27)%
COMED (PJM)[b]	28.44	32.54	(13)%
PJM West Hub[b]	31.17	43.58	(28)%
CAISO - SP15[b]	36.86	31.60	17 %

(a) Average on peak power prices based on real time settlement prices as published by the respective ISOs
(b) Average on peak power prices based on day ahead settlement prices as published by the respective ISOs

The following table summarizes average realized power prices for each region in which NRG operates, including the impact of settled hedges, for the six months ended June 30, 2019 and 2018:

	Average Realized Power Price ($/MWh)		
	Six months ended June 30,		
Region	**2019**	**2018**	**Change %**
Texas	$ 42.06	$ 34.44	22 %
East/West/Other [a] [b]	36.45	47.43	(23)%

(a) Does not include BETM energy revenue of $32 million for 2018, respectively
(b) Does not include Ivanpah or Agua Caliente energy revenue of $94 million, as they were deconsolidated in April 2018 and August 2018, respectively

The average realized power prices fluctuated at different rates for the six months ended June 30, 2019 as compared to the same period in 2018 due to two factors:

- The Company's multi-year hedging program
- During the year, the Company transfers power between the Retail and Generation segments based on market prices. Within Texas, the Retail and Generation segments transact a large internal transfer of power based on average annualized market prices that can result in significant fluctuations on a quarterly basis, but annually have a mark-to-market of $0 at the time of execution. The impact of this internal transfer is more prominent in 2019 due to the increased forward power prices in summer 2019.

Gross Margin

The Company calculates gross margin in order to evaluate operating performance as operating revenues less cost of sales, which includes cost of fuel, other costs of sales, contract and emission credit amortization and mark-to-market for economic hedging activities.

Economic Gross Margin

In addition to gross margin, the Company evaluates its operating performance using the measure of economic gross margin, which is not a GAAP measure and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Economic gross margin should be viewed as a supplement to and not a substitute for the Company's presentation of gross margin, which is the most directly comparable GAAP measure. Economic gross margin is not intended to represent gross margin. The Company believes that economic gross margin is useful to investors as it is a key operational measure reviewed by the Company's chief operating decision maker. Economic gross margin is defined as the sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales.

Economic gross margin does not include mark-to-market gains or losses on economic hedging activities, contract amortization, emission credit amortization, or other operating costs.

The below tables present the composition and reconciliation of gross margin and economic gross margin for the six months ended June 30, 2019 and 2018:

	Six months ended June 30, 2019					
		Generation				
($ In millions)	Retail	Texas	East/West/Other[a]	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 855	$ 341	$ 1,196	$ (641)	$ 555
Capacity revenue	—	—	309	309	—	309
Retail revenue	3,353	—	—	—	(2)	3,351
Mark-to-market for economic hedging activities	2	473	56	529	(270)	261
Other revenue	—	45	111	156	(2)	154
Operating revenue	3,355	1,373	817	2,190	(915)	4,630
Cost of fuel	(51)	(352)	(165)	(517)	3	(565)
Other cost of sales [b]	(2,472)	(69)	(148)	(217)	640	(2,049)
Mark-to-market for economic hedging activities	(494)	2	2	4	270	(220)
Contract and emission credit amortization	—	(11)	—	(11)	—	(11)
Gross margin	**$ 338**	**$ 943**	**$ 506**	**$ 1,449**	**$ (2)**	**$ 1,785**
Less: Mark-to-market for economic hedging activities, net	(492)	475	58	533	—	41
Less: Contract and emission credit amortization, net	—	(11)	—	(11)	—	(11)
Economic gross margin	**$ 830**	**$ 479**	**$ 448**	**$ 927**	**$ (2)**	**$ 1,755**
Business Metrics						
MWh sold (thousands)		20,329	9,354			
MWh generated (thousands)		18,279	6,957			

(a) Includes International, Renewables, and Generation eliminations

(b) Includes purchased energy, capacity and emissions credits

	Six months ended June 30, 2018					
		Generation				
($ In millions)	Retail	Texas	East/West/Other[a] [b]	Subtotal	Corporate/Eliminations	Total
Energy revenue	$ —	$ 666	$ 598	$ 1,264	$ (411)	$ 853
Capacity revenue	—	—	308	308	(1)	307
Retail revenue	3,300	—	—	—	(2)	3,298
Mark-to-market for economic hedging activities	(6)	(273)	(27)	(300)	220	(86)
Other revenue	—	64	102	166	(12)	154
Operating revenue	3,294	457	981	1,438	(206)	4,526
Cost of fuel	(11)	(311)	(239)	(550)	(2)	(563)
Other cost of sales [b]	(2,417)	(62)	(154)	(216)	421	(2,212)
Mark-to-market for economic hedging activities	446	(5)	(5)	(10)	(220)	216
Contract and emission credit amortization	—	(12)	(1)	(13)	—	(13)
Gross margin	**$ 1,312**	**$ 67**	**$ 582**	**$ 649**	**$ (7)**	**$ 1,954**
Less: Mark-to-market for economic hedging activities, net	440	(278)	(32)	(310)	—	130
Less: Contract and emission credit amortization, net	—	(12)	(1)	(13)	—	(13)
Economic gross margin	**$ 872**	**$ 357**	**$ 615**	**$ 972**	**$ (7)**	**$ 1,837**
Business Metrics						
MWh sold (thousands)		19,340	12,607			
MWh generated (thousands)		17,304	9,957			

(a) Includes International, Renewables, and Generation eliminations

(b) Includes BETM, which was sold as of July 31, 2018

(c) Includes purchased energy, capacity and emissions credits

The table below represents the weather metrics for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
Weather Metrics	**Texas**	**East/West/Other** [(b)]
2019		
CDDs [(a)]	1,008	490
HDDs [(a)]	1,111	1,897
2018		
CDDs	1,246	573
HDDs	1,059	1,844
10-year average		
CDDs	1,115	529
HDDs	1,031	1,850

(a) National Oceanic and Atmospheric Administration-Climate Prediction Center - A Cooling Degree Day, or CDD, represents the number of degrees that the mean temperature for a particular day is above 65 degrees Fahrenheit in each region. A Heating Degree Day, or HDD, represents the number of degrees that the mean temperature for a particular day is below 65 degrees Fahrenheit in each region. The CDDs/HDDs for a period of time are calculated by adding the CDDs/HDDs for each day during the period

(b) The East/West/Other weather metrics are comprised of the average of the CDD and HDD regional results for the Northeast, West-California and West- South Central regions

Retail Gross Margin and Economic Gross Margin

The following is a discussion of gross margin and economic gross margin for Retail.

(In millions, except as otherwise noted)	**Six months ended June 30, 2019**	**2018**
Retail revenue	$ 3,220	$ 3,132
Supply management revenue	84	75
Capacity revenue	49	93
Customer mark-to-market	2	(6)
Operating revenue [(a)]	3,355	3,294
Cost of sales [(b)]	(2,523)	(2,428)
Mark-to-market for economic hedging activities	(494)	446
Gross Margin	**$ 338**	**$ 1,312**
Less: Mark-to-market for economic hedging activities, net	(492)	440
Economic Gross Margin	**$ 830**	**$ 872**
Business Metrics		
Mass electricity sales volume — GWh - Texas	17,119	17,736
Mass electricity sales volume — GWh - All other regions	4,407	3,319
C&I electricity sales volume — GWh - All regions	9,839	10,430
Natural gas sales volumes (MDth)	13,601	3,419
Average Retail Mass customer count (in thousands)	3,317	2,922
Ending Retail Mass customer count (in thousands)	3,277	3,149

(a) Includes intercompany sales of $5 million and $6 million in 2019 and 2018, respectively, representing sales from Retail to the Texas region

(b) Includes intercompany purchases of $676 million and $415 million in 2019 and 2018, respectively, inclusive of the internal transfer of large average annualized market price transactions

Retail gross margin decreased $974 million and economic gross margin decreased $42 million for the six months ended June 30, 2019, compared to the same period in 2018, due to:

	(In millions)
Lower gross margin due to the unfavorable impact from weather that resulted in a decrease in load of 900,000 MWh in 2019 as compared to 2018	$ (36)
Lower gross margin from Business Solutions primarily due to a reduction in the volume of an early settlement of capacity obligations in 2019 as compared to 2018	(28)
Lower gross margin from Mass due to higher supply costs driven by an increase in power prices of approximately $12.25 per MWh or $134 million, partially offset by higher revenue of approximately $10.25 per MWh or $111 million primarily driven by margin enhancement initiatives	(23)
Lower gross margin from Business Solutions due to lower revenue driven by lower rates to customers of approximately $6.25 per MWh or $61 million, partially offset by lower supply costs driven by a decrease in power prices at the time of procurement of approximately $3.50 per MWh or $36 million and lower volumes due to customer usage and mix of $24 million	(1)
Higher gross margin primarily driven by higher volumes from XOOM and other customer acquisitions	46
Decrease in economic gross margin	$ (42)
Decrease in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	(932)
Decrease in gross margin	**$ (974)**

Generation Gross Margin and Economic Gross Margin

Generation gross margin increased $800 million and economic gross margin decreased $45 million, both of which include intercompany sales, during the six months ended June 30, 2019, compared to the same period in 2018.

The tables below describe the increase in Generation gross margin and the decrease in economic gross margin:

Texas Region

		(In millions)
Higher gross margin due to a 22% increase in weighted average realized prices, due primarily to the inter-segment transactions at annual average power prices	$	89
Higher gross margin driven by planned outage at STP, Cedar Bayou and a forced outage at T.H.Wharton in 2018		39
Higher gross margin due to commercial optimization activities		10
Higher gross margin due to margin enhancement initiatives from reduced fuel supply costs		10
Decreased gross margin from lower sales of NOx emission credits		(22)
Other		(4)
Increase in economic gross margin	$	122
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges		753
Increase in contract and emission credit amortization		1
Increase in gross margin	**$**	**876**

East/West/Other

		(In millions)
Lower gross margin due to Ivanpah and Agua deconsolidations in April 2018 and August 2019, respectively	$	(87)
Lower gross margin due to the sale of BETM, Keystone and Conemaugh in the third quarter of 2018, Guam in the first quarter of 2019 and the retirement of Encina in December		(75)
Lower gross margin due to decrease in economic generation volumes, primarily due to dark spread and spark spread contractions in the northeast and planned outages in 2019		(30)
Lower gross margin driven by a 27% decrease in realized capacity pricing in New York		(18)
Lower gross margin due to insurance proceeds from outages in 2018		(14)
Lower gross margin due to an extended forced outage at the Sunrise facility in 2019		(12)
Higher gross margin due to a 29% increase in PJM capacity prices and a 13% increase in ISO-NE capacity prices		46
Higher gross margin due to a 14% increase in weighted average realized prices, primarily at Midwest Generation		19
Higher gross margin from commercial optimization activities		4
Decrease in economic gross margin	$	(167)
Increase to mark-to-market for economic hedges primarily due to net unrealized gains/losses on open positions related to economic hedges		90
Increase in contract and emission credit amortization		1
Decrease in gross margin	**$**	**(76)**

Mark-to-Market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results decreased by $89 million during the six months ended June 30, 2019, compared to the same period in 2018.

The breakdown of gains and losses included in operating revenues and operating costs and expenses by region was as follows:

	Six months ended June 30, 2019				
		Generation			
	Retail	Texas	East/West/Other	Eliminations[(a)]	Total
	(In millions)				
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ (1)	$ (153)	$ (6)	$ 152	$ (8)
Net unrealized gains on open positions related to economic hedges	3	626	62	(422)	269
Total mark-to-market gains in operating revenues	$ 2	$ 473	$ 56	$ (270)	$ 261
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 184	$ 4	$ 2	$ (152)	$ 38
Reversal of acquired gain positions related to economic hedges	(1)	—	—	—	(1)
Net unrealized (losses) on open positions related to economic hedges	(677)	(2)	—	422	(257)
Total mark-to-market (losses)/gains in operating costs and expenses	$ (494)	$ 2	$ 2	$ 270	$ (220)

(a) Represents the elimination of the intercompany activity between Retail and Generation

	Six months ended June 30, 2018				
		Generation			
	Retail	Texas	East/West/Other	Eliminations[(a)]	Total
	(In millions)				
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ (1)	$ (88)	$ (6)	$ 31	$ (64)
Net unrealized (losses) on open positions related to economic hedges	(5)	(185)	(21)	189	(22)
Total mark-to-market (losses) in operating revenues	$ (6)	$ (273)	$ (27)	$ 220	$ (86)
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	$ 104	$ (2)	$ (8)	$ (31)	$ 63
Reversal of acquired gain positions related to economic hedges	(1)	—	—	—	(1)
Net unrealized gains/(losses) on open positions related to economic hedges	343	(3)	3	(189)	154
Total mark-to-market gains/(losses) in operating costs and expenses	$ 446	$ (5)	$ (5)	$ (220)	$ 216

(a) Represents the elimination of the intercompany activity between Retail and Generation

Mark-to-market results consist of unrealized gains and losses on contracts that are not yet settled. The settlement of these transactions is reflected in the same revenue or cost caption as the items being hedged.

For the six months ended June 30, 2019, the $261 million gain in operating revenues from economic hedge positions was driven primarily by an increase in value of open positions as a result of decreases in natural gas prices, ERCOT heat rate contraction, and decreases in ERCOT electricity prices, partially offset by the reversal of previously recognized unrealized gains on contracts that settled during the period. The $220 million loss in operating costs and expenses from economic hedge positions was driven primarily by a decrease in value of open positions as a result of decreases in natural gas prices, ERCOT heat rate contraction, and decreases in ERCOT electricity prices, partially offset by the reversal of previously recognized unrealized losses on contracts that settled during the period.

For the six months ended June 30, 2018, the $86 million loss in operating revenues from economic hedge positions was driven primarily by the reversal of previously recognized unrealized gains on contracts that settled during the period, as well as a decrease in the value of open positions as a result of ERCOT heat rate expansion and increases in ERCOT electricity prices. The $216 million gain in operating costs and expenses from economic hedge positions was driven primarily by the increase in value of open positions as a result of ERCOT heat rate expansion and increases in ERCOT electricity prices, as well as the reversal of previously recognized unrealized losses on contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of the Company's financial and physical trading of energy commodities for the six months ended June 30, 2019 and 2018. The realized and unrealized financial and physical trading results are included in operating revenue within the Generation segment. The Company's trading activities are subject to limits based on the Company's Risk Management Policy.

	Six months ended June 30,	
(In millions)	**2019**	**2018**
Trading gains		
Realized	$ 31	$ 40
Unrealized	19	13
Total trading gains	$ 50	$ 53

Operations and Maintenance Expense

Operations and maintenance expense are comprised of the following:

		Generation				
	Retail	**Texas**	**East/West/Other(a)**	**Corporate**	**Eliminations**	**Total**
			(In millions)			
Six months ended June 30, 2019	$ 110	$ 228	$ 190	$ 4	$ (1)	$ 531
Six months ended June 30, 2018	$ 96	$ 243	$ 236	$ 1	$ (3)	573

(a) Includes International, Renewables, and Generation eliminations

Operations and maintenance expense decreased by $42 million for the six months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Decrease due to the reduction in accrual for the Midwest Generation asbestos liability following final settlement	(27)
Decrease due to the timing of outages in 2019	(23)
Decrease due to the deconsolidations of Ivanpah and Agua Caliente in 2018	(20)
Decrease due to 2018 payments in settlement of certain legal matters	(10)
Decrease due to cost efficiencies as a result of the Transformation Plan	(5)
Increase in investments in Texas plants in preparation for summer operations	21
Increase primarily related to the lease of Cottonwood from February 4, 2019	17
Increase due to the XOOM acquisition in June 2018	8
Increase associated with costs incurred for margin enhancement initiatives	2
Other	(5)
Decrease in operations and maintenance expense	$ (42)

Other Cost of Operations

Other Cost of operations are comprised of the following:

	Retail	Generation Texas	Generation East/West/Other	Total
		(In millions)		
Six months ended June 30, 2019	$ 53	$ 32	$ 35	$ 120
Six months ended June 30, 2018	$ 50	$ 36	$ 43	$ 129

Other cost of operations decreased by $9 million for the six months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Decrease in other cost of operations due to cost efficiencies as a result of the Transformation Plan	$ (5)
Decrease in ARO accretion expense due to prior year write-off of S.R. Berton	(4)
Decrease in other cost of operations	$ (9)

Depreciation and Amortization

Depreciation and amortization decreased by $62 million for the six months ended June 30, 2019, compared to the same period in 2018, driven primarily by the deconsolidations of Ivanpah in April 2018 and Agua Caliente in August 2018, the sale of Cottonwood in February 2019 and prior year impairments.

Selling, General and Administrative

Selling, general and administrative expenses comprised of the following:

	Retail	Generation	Corporate	Total
		(In millions)		
Six months ended June 30, 2019	$ 277	$ 117	$ 11	$ 405
Six months ended June 30, 2018	240	110	26	376

Selling, general and administrative expenses increased by $29 million for the six months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Increase in selling and marketing expenses associated with costs incurred for margin enhancement initiatives	$ 34
Increase in bad debt expense primarily due to higher customer attrition	22
Increase in selling expense due to the acquisition of XOOM in June 2018	12
Decrease in general and administrative expense from cost efficiencies as a result of the Transformation Plan	(26)
Decrease due to higher accruals for estimated legal liabilities in 2018	(10)
Decrease related to fees incurred in the acquisition of businesses	(3)
Increase in selling, general and administrative expenses	$ 29

Reorganization Costs

Reorganization costs, primarily related to employee severance and contract cancellation costs, decreased by $28 million for the six months ended June 30, 2019, compared to the same period in 2018, driven primarily by significant achievement of the operations and cost excellence portion of the Transformation Plan during 2018.

Gain on Sale of Assets

The gain on sale of assets for the six months ended June 30, 2018 consisted primarily of gains on the sales of Canal 3 and a piece of land, while the gain on the sale of assets for the six months ended June 30, 2019 consisted primarily of a gain on the sale of land.

Equity in (Losses)/Earnings of Unconsolidated Affiliates

Equity in (losses)/earnings of unconsolidated affiliates decreased by $27 million for the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily driven by six months of losses for Ivanpah in 2019 as a result of the deconsolidations in 2018.

Other Income/(Expense), Net

Other income for the six months ended June 30, 2019 primarily relates to interest income, dividends received from cost method investments and income from pension and postretirement investments. Other expense for the six months ended June 30, 2018 primarily relates to the loss on the deconsolidation of Ivanpah.

Loss on Debt Extinguishment

A loss on debt extinguishment of $47 million was recorded during the six months ended June 30, 2019, driven by the redemption of the 2024 Senior Notes and the repayment of the 2023 Term Loan Facility.

Interest Expense

Interest expense decreased by $20 million for the six months ended June 30, 2019, compared to the same period in 2018, due to the following:

	(In millions)
Decrease related to the deconsolidations of Ivanpah and Agua Caliente in 2018	$ (23)
Decrease related to the termination of in-the-money interest rate swaps	(25)
Decrease related to the debt reduction of $1.2 billion and refinancing $2.4 billion of debt at lower interest rates in 2019 and 2018	(30)
Increase in derivative interest expense due to the termination of interest rate swaps in 2019	53
Other	5
Decrease in interest expense	$ (20)

Income Tax Expense

For the six months ended June 30, 2019, income tax expense of $3 million was recorded on pre-tax income of $286 million. For the same period in 2018, income tax expense of $11 million was recorded on a pre-tax income of $276 million. The effective tax rate was 1.0% and 4.0% for the six months ended June 30, 2019 and 2018, respectively.

For the six months ended June 30, 2019 and 2018, NRG's overall effective tax rates were lower than the statutory rate of 21%, primarily due to the tax benefit for the change in valuation allowance partially offset by the current state tax expense.

Income from Discontinued Operations, Net of Income Tax

	Six Months Ended June 30,		
(In millions)	2019	2018	Change
South Central Portfolio	36	32	$ 4
Yield Renewables Platform & Carlsbad	363	57	306
GenOn	2	(25)	27
Income from discontinued operations, net of tax	**$ 401**	**$ 64**	**$ 337**

For the six months ended June 30, 2019, NRG recorded income from discontinued operations, net of income tax of $401 million, an increase of $337 million from income of $64 million in the same period in 2018, as further described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*.

Net Income/(Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

Net income/(loss) attributable to noncontrolling interests and redeemable noncontrolling interests was net income of $1 million for the six months ended June 30, 2019, compared to a net loss of $22 million for the six months ended June 30, 2018. For the six months ended June 30, 2018, the net loss primarily reflects net losses allocated to tax equity investors in tax equity arrangements using the hypothetical liquidation at book value, or HLBV, method and Ivanpah's share of net losses, partially offset by NRG Yield, Inc.'s share of net income. As a result of the disposition of NRG Yield Inc. and its Renewables Platform, as well as the deconsolidation of Ivanpah, the Company does not anticipate material NCI in the future.

Liquidity and Capital Resources

Liquidity Position

As of June 30, 2019 and December 31, 2018, NRG's total liquidity, excluding funds deposited by counterparties, of approximately $2.1 billion and $2.0 billion, respectively, was comprised of the following:

(In millions)	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 294	$ 563
Restricted cash - operating	9	6
Restricted cash - reserves[a]	2	11
Total	305	580
Total credit facility availability	1,799	1,397
Total liquidity, excluding funds deposited by counterparties	$ 2,104	$ 1,977

[a] Includes reserves primarily for debt service, performance obligations, and capital expenditures

For the six months ended June 30, 2019, total liquidity, excluding funds deposited by counterparties, increased by $127 million. Changes in cash and cash equivalent balances are further discussed hereinafter under the heading *Cash Flow Discussion*. Cash and cash equivalents at June 30, 2019 were predominantly held in money market funds invested in treasury securities, treasury repurchase agreements or government agency debt.

Management believes that the Company's liquidity position and cash flows from operations will be adequate to finance operating and maintenance capital expenditures, to fund dividends to NRG's common stockholders, and to fund other liquidity commitments. Management continues to regularly monitor the Company's ability to finance the needs of its operating, financing and investing activity within the dictates of prudent balance sheet management.

Sources of Liquidity

The principal sources of liquidity for NRG's future operating and maintenance capital expenditures are expected to be derived from cash on hand, cash flows from operations, and financing arrangements, as described in Note 10, *Debt and Capital Leases*, to this Form 10-Q. The Company's financing arrangements consist mainly of the Senior Notes, the Senior Credit Facility, and project-related financings.

The table below represents the approximate cash proceeds received from sale transactions and related financings, net of working capital and other adjustments, completed by the Company during the six months ended June 30, 2019:

Sales	Cash Proceeds (in millions)
South Central Portfolio	$ 962
Carlsbad	396
Guam	8
Other	10
Sales transactions during the six months ended June 30, 2019	$ 1,376

Issuance of 2029 Senior Notes

On May 14, 2019, NRG issued $733 million of aggregate principal amount at par of 5.25% senior unsecured notes due 2029. The proceeds from the issuance of the 2029 Senior Notes were utilized to redeem the Company's remaining 6.25% Senior Notes due 2024.

Issuance of 2024 and 2029 Senior Secured Notes

On May 28, 2019, NRG issued $1.1 billion of aggregate principal amount of senior secured first lien notes, consisting of $600 million 3.75% senior secured first lien notes due 2024 and $500 million 4.45% senior secured first lien notes due 2029, at a discount. The proceeds from the issuance of the Senior Secured First Lien Notes, together with cash on hand, were used to repay the Company's 2023 Term Loan Facility, resulting in a decrease of $594 million to long-term debt outstanding.

Revolving Credit Facility Modification

On May 28, 2019, the Company amended its existing credit agreement to, among other things, (i) provide for a $184 million increase in revolving commitments, resulting in aggregate revolving commitments under the amended credit agreement equal to $2.6 billion, (ii) extend the maturity date of the revolving loans and commitments under the amended credit agreement to May 28, 2024, (iii) provide for a release of the collateral securing the amended credit agreement if NRG obtains an investment grade rating from two out of the three rating agencies, subject to an obligation to reinstate the collateral if such rating agencies withdraw NRG’s investment grade rating or downgrade NRG’s rating below investment grade, (iv) reduce the applicable margins for borrowings under (a) ABR Revolving Loans from 1.25% to 0.75% and (b) Eurodollar Revolving Loans from 2.25% to 1.75%, (v) add a sustainability-linked pricing metric that permits an interest rate adjustment tied to NRG meeting targets related to environmental sustainability and (vi) make certain other changes to the existing covenants.

First Lien Structure

NRG has granted first liens to certain counterparties on a substantial portion of the Company's assets, excluding NRG's assets that have project-level financing and the assets of certain non-guarantor subsidiaries, to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedge agreements for forward sales of power or MWh equivalents. To the extent that the underlying hedge positions for a counterparty are out-of-the-money to NRG, the counterparty would have a claim under the first lien program. The first lien program limits the volume that can be hedged, not the value of underlying out-of-the-money positions. The first lien program does not require NRG to post collateral above any threshold amount of exposure. Within the first lien structure, the Company can hedge up to 80% of its coal and nuclear capacity, and 10% of its other assets, with these counterparties for the first 60 months and then declining thereafter. Net exposure to a counterparty on all trades must be positively correlated to the price of the relevant commodity for the first lien to be available to that counterparty. The first lien structure is not subject to unwind or termination upon a ratings downgrade of a counterparty and has no stated maturity date.

The Company's first lien counterparties may have a claim on its assets to the extent market prices exceed the hedged prices. As of June 30, 2019, all hedges under the first liens were in-the-money on a counterparty aggregate basis.

The following table summarizes the amount of MW hedged against the Company's coal and nuclear assets and as a percentage relative to the Company's coal and nuclear capacity under the first lien structure as of June 30, 2019:

Equivalent Net Sales Secured by First Lien Structure[(a)]	**2019**	**2020**	**2021**	**2022**	**2023**
In MW	514	865	740	792	846
As a percentage of total net coal and nuclear capacity[(b)]	11%	19%	16%	17%	19%

(a) Equivalent Net Sales include natural gas swaps converted using a weighted average heat rate by region

(b) Net coal and nuclear capacity represents 80% of the Company’s total coal and nuclear assets eligible under the first lien, which excludes coal assets acquired with Midwest Generation and NRG's assets that have project level financing

Uses of Liquidity

The Company's requirements for liquidity and capital resources, other than for operating its facilities, can generally be categorized by the following: (i) commercial operations activities; (ii) debt service obligations; (iii) capital expenditures, including repowering, development, and environmental; (iv) allocations in connection with acquisition opportunities, debt repayments, share repurchases, return of capital and dividend payments to stockholders; and (v) costs necessary to execute the Transformation Plan.

Commercial Operations

The Company's commercial operations activities require a significant amount of liquidity and capital resources. These liquidity requirements are primarily driven by: (i) margin and collateral posted with counterparties; (ii) margin and collateral required to participate in physical markets and commodity exchanges; (iii) timing of disbursements and receipts (i.e. buying fuel before receiving energy revenues); and (iv) initial collateral for large structured transactions. As of June 30, 2019, the Company had total cash collateral outstanding of $163 million and $682 million outstanding in letters of credit to third parties primarily to support its commercial activities for both wholesale and retail transactions. As of June 30, 2019, total funds deposited by counterparties was $31 million in cash and $100 million of letters of credit.

Future liquidity requirements may change based on the Company's hedging activities and structures, fuel purchases, and future market conditions, including forward prices for energy and fuel and market volatility. In addition, liquidity requirements are dependent on the Company's credit ratings and general perception of its creditworthiness.

Capital Expenditures

The following tables and descriptions summarize the Company's capital expenditures for maintenance, growth investments, and environmental for the six months ended June 30, 2019, and the estimated capital expenditures forecast for the remainder of 2019.

	Maintenance	Environmental	Growth Investments[c]	Total
		(In millions)		
Retail	$ 9	$ —	$ 19	$ 28
Generation				
Texas	39	—	—	39
East/West/Other[a]	25	2	—	27
Corporate	3	—	10	13
Total cash capital expenditures for the six months ended June 30, 2019	76	2	29	107
Other investments	—	—	58	58
Total capital expenditures and investments, net of financings	76	2	87	165
Estimated capital expenditures for the remainder of 2019[b]	$ 79	$ 1	$ 17	$ 97

(a) Includes International, Renewables and Cottonwood
(b) Growth investments includes $17 million of costs to achieve associated with the Transformation Plan
(c) Includes other investments, acquisitions and costs to achieve

Growth Investments Capital Expenditures

For the six months ended June 30, 2019, the Company's growth investments capital expenditures included $27 million for cost to achieve projects associated with the Transformation Plan and $2 million for the Company's other growth projects.

Environmental Capital Expenditures

NRG estimates that environmental capital expenditures from 2019 through 2023 required to comply with environmental laws will be approximately $36 million.

Common Stock Dividends

Dividends of $0.06 per share were paid on the Company's common stock during the six months ended June 30, 2019. On July 19, 2019, NRG declared a quarterly dividend on the Company's common stock of $0.03 per share, payable August 15, 2019, to stockholders of record as of August 1, 2019, representing $0.12 per share on an annualized basis.

The Company's common stock dividends are subject to available capital, market conditions, and compliance with associated laws and regulations. The Company expects that, based on current circumstances, comparable cash dividends will continue to be paid in the foreseeable future.

Share Repurchases

During January and February, the Company completed $250 million of share repurchases in connection with the 2018 share repurchase program, at an average price of $40.61 per share. In February 2019, the Company's board of directors authorized an additional $1.0 billion share repurchase program. Through August 7, 2019, the Company completed share repurchases of $1.0 billion in connection with the 2019 share repurchase program, at an average price of $38.38 per share, of which $804 million was repurchased during the six months ended June 30, 2019.

Senior Note Repurchases

During the three months ended June 30, 2019, the Company redeemed $733 million of its 6.25% Senior Notes due 2024 and recorded a loss on debt extinguishment of $29 million, which included the write-off of previously deferred debt issuance costs of $5 million.

2023 Term Loan Facility Repayment

On May 28, 2019, the Company repaid its $1.7 billion 2023 Term Loan Facility using the proceeds from the issuance of the Senior Secured First Lien Notes, as well as cash on hand. The Company recorded a loss on debt extinguishment of $17 million, which included the write-off of previously deferred debt issuance costs of $13 million. As a result of the repayment of the outstanding 2023 Term Loan Facility, the Company terminated the related interest rate swap agreements, which were in-the-money, and received $25 million that was recorded as a reduction to interest expense.

Stream Energy Acquisition

On May 15, 2019, the Company entered into an agreement to acquire Stream Energy's retail electricity and natural gas business operating in 9 states and Washington, D.C. for $300 million in cash and estimated transaction costs and working capital adjustments of approximately $25 million. The acquisition increased NRG's retail portfolio by approximately 600,000 RCEs or 450,000 customers. The acquisition closed on August 1, 2019.

Petra Nova Debt Repayment

NRG has guaranteed up to $124 million of Petra Nova's $248 million project debt to its lenders for purposes of debt repayment in the event Petra Nova is unable to meet its projected debt coverage covenant as stipulated in its financing agreements. The covenant test and possible repayment, or a portion thereof, are scheduled to occur in the third quarter of 2019. Once such payment is made, NRG's guarantee will terminate.

Balance Sheet Target Ratio

NRG revised its credit metrics target in order to further strengthen its balance sheet by reducing leverage. During the second quarter of 2019, in connection with the repayment of the 2023 Term Loan Facility repayment, as further discussed in Note 10, *Debt and Capital Leases*, the Company reduced total outstanding debt by $594 million.

Cash Flow Discussion

The following table reflects the changes in cash flows for the comparative six month periods:

	Six months ended June 30,		
	2019	2018	Change
		(In millions)	
Net Cash Provided by Operating Activities	$ 389	$ 513	$ (124)
Net Cash Provided/(Used) by Investing Activities	1,103	(1,162)	2,265
Net Cash (Used)/Provided by Financing Activities	(1,720)	450	(2,170)

Net Cash Provided by Operating Activities

Changes to net cash provided by operating activities were driven by:

	(In millions)
Change in cash provided by discontinued operations	$ (241)
Decrease in working capital	(39)
Changes in cash collateral in support of risk management activities due to changes in commodity prices	134
Increase in operating income adjusted for other non-cash items	22
	$ (124)

Net Cash Provided/(Used) by Investing Activities

Changes to net cash provided/(used) by investing activities were driven by:

	(In millions)
Increase in proceeds from sale of assets and discontinued operations primarily due to sales of South Central Portfolio and Carlsbad	$ 1,143
Decrease in cash used by discontinued operations	582
Decrease in cash paid for acquisitions primarily due to XOOM acquisition in 2018	190
Decrease in capital expenditures	175
Cash removed due to deconsolidation of Ivanpah in 2018	160
Increase in proceeds received from sales of nuclear decommissioning trust fund securities, net of purchases	25
Increase in contributions to discontinued operations	(28)
Other	18
	$ 2,265

Net Cash (Used)/Provided by Financing Activities

Changes to net cash (used)/provided by financing activities were driven by:

	(In millions)
Increase in payments of short and long-term debt	$ (2,137)
Increase in payments for treasury stock	(539)
Change in cash provided by discontinued operations	(302)
Increase in payments of debt extinguishment costs and deferred issuance costs	(38)
Increase in proceeds from issuance of short and long-term debt	839
Other	7
	$ (2,170)

NOLs, Deferred Tax Assets and Uncertain Tax Position Implications, under ASC 740

For the six months ended June 30, 2019, the Company had domestic pre-tax book income of $276 million and foreign pre-tax book income of $10 million. As of December 31, 2018, the Company had cumulative domestic Federal NOL carryforwards of $10.7 billion, which will begin expiring in 2031, and cumulative state NOL carryforwards of $5.6 billion for financial statement purposes. NRG also has cumulative foreign NOL carryforwards of $213 million, which do not have an expiration date. In addition to the above NOLs, NRG has a $442 million carryforward for interest deductions, as well as $381 million of tax credits to be utilized in future years. In addition to these amounts, the Company has $24 million of tax effected uncertain tax benefits. As a result of the Company's tax position, and based on current forecasts, NRG anticipates income tax payments, primarily to state and local jurisdictions, of up to $20 million in 2019.

The Company has recorded a non-current tax liability of $28 million until final resolution with the related taxing authority. The $28 million non-current tax liability for uncertain tax benefits is from positions taken on various state income tax returns, including accrued interest.

The Company is no longer subject to U.S. federal income tax examinations for years prior to 2015. With few exceptions, state and local income tax examinations are no longer open for years before 2010.

As of June 30, 2019 and December 31, 2018, the Company had a valuation allowance on its domestic net deferred tax assets of $3.7 billion and $3.8 billion, respectively, due to its history of net operating losses. The realization of net deferred tax assets is dependent on the Company's ability to generate sufficient future taxable income during periods prior to the expiration of the tax attributes. Given the Company's current earnings and forecasted future earnings, there is a reasonable possibility that within the next six months there may be sufficient positive evidence to allow for the release of a significant portion of the valuation allowance, which will result in a material increase to net income in the period such conclusion is made. The Company will continue to evaluate the evidence on a quarterly basis.

Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

NRG and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include financial and performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

Retained or Contingent Interests

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

Obligations Arising Out of a Variable Interest in an Unconsolidated Entity

Variable interest in equity investments — As of June 30, 2019, NRG has investments in energy and energy-related entities that are accounted for under the equity method of accounting. NRG’s investment in Ivanpah is a variable interest entity for which NRG is not the primary beneficiary. See also Note 11, *Investments Accounted for Using the Equity Method and Variable Interest Entities, or VIEs*, to this Form 10-Q.

NRG's pro-rata share of non-recourse debt held by unconsolidated affiliates was approximately $1.0 billion as of June 30, 2019. This indebtedness may restrict the ability of these subsidiaries to issue dividends or distributions to NRG. See also Note 15, *Investments Accounted for by the Equity Method and Variable Interest Entities,* to the Company's 2018 Form 10-K.

Contractual Obligations and Commercial Commitments

NRG has a variety of contractual obligations and other commercial commitments that represent prospective cash requirements in addition to the Company's capital expenditure programs, as disclosed in the Company's 2018 Form 10-K. See also Note 8, *Leases*, Note 10, *Debt and Capital Leases*, and Note 17, *Commitments and Contingencies*, to this Form 10-Q for a discussion of new commitments and contingencies that also include contractual obligations and commercial commitments that occurred during the three and six months ended June 30, 2019.

Fair Value of Derivative Instruments

NRG may enter into power purchase and sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at generation facilities or retail load obligations. Historically, in order to mitigate interest rate risk associated with the issuance of the Company's variable rate and fixed rate debt, NRG entered into interest rate swap agreements. As of June 30, 2019, NRG had no interest rate derivative instruments. The following disclosures about fair value of derivative instruments provide an update to, and should be read in conjunction with, *Fair Value of Derivative Instruments* in Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of the Company's 2018 Form 10-K.

The tables below disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820. Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values at June 30, 2019, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at June 30, 2019.

Derivative Activity Gains/(Losses)	(In millions)
Fair Value of Contracts as of December 31, 2018	$ 104
Contracts realized or otherwise settled during the period	(16)
Contracts acquired during the period	(2)
Changes in fair value	38
Fair Value of Contracts as of June 30, 2019	$ 124

	Fair Value of Contracts as of June 30, 2019				
	Maturity				
Fair value hierarchy (Losses)/Gains	1 Year or Less	Greater than 1 Year to 3 Years	Greater than 3 Years to 5 Years	Greater than 5 Years	Total Fair Value
	(In millions)				
Level 1	$ (93)	$ (18)	$ (3)	$ —	$ (114)
Level 2	69	75	7	(10)	141
Level 3	96	32	(5)	(26)	97
Total	$ 72	$ 89	$ (1)	$ (36)	$ 124

The Company has elected to present derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Also, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company's portfolio. As discussed in Item 3, *Quantitative and Qualitative Disclosures About Market Risk, Commodity Price Risk*, to this Form 10-Q, NRG measures the sensitivity of the Company's portfolio to potential changes in market prices using VaR, a statistical model which attempts to predict risk of loss based on market price and volatility. NRG's risk management policy places a limit on one-day holding period VaR, which limits the Company's net open position. As the Company's trade-by-trade derivative accounting results in a gross-up of the Company's derivative assets and liabilities, the net derivative asset and liability position is a better indicator of NRG's hedging activity. As of June 30, 2019, NRG's net derivative asset was $124 million, an increase to total fair value of $20 million as compared to December 31, 2018. This increase was driven by gains in fair value, partially offset by roll-off of trades that settled during the period and contracts acquired.

Based on a sensitivity analysis using simplified assumptions, the impact of a $0.50 per MMBtu increase in natural gas prices across the term of the derivative contracts would result in a decrease of approximately $94 million in the net value of derivatives as of June 30, 2019. The impact of a $0.50 per MMBtu decrease in natural gas prices across the term of derivative contracts would result in an increase of approximately $94 million in the net value of derivatives as of June 30, 2019.

Critical Accounting Policies and Estimates

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

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

The Company identifies its most critical accounting policies as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. NRG's critical accounting policies include derivative instruments, income taxes and valuation allowance for deferred tax assets, impairment of long lived assets and investments, goodwill and other intangible assets, and contingencies.

The Company's significant accounting policies are outlined in Note 2, *Summary of Significant Accounting Policies*, of this Form 10-Q, and in Note 2, *Summary of Significant Accounting Policies*, under Part IV, Item 15 the Company's 2018 Form 10-K. The Company's critical accounting estimates are described in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in the Company's 2018 Form 10-K. There have been no material changes to the Company's critical accounting policies and estimates since the 2018 Form 10-K.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NRG is exposed to several market risks in the Company's normal business activities. Market risk is the potential loss that may result from market changes associated with the Company's merchant power generation or with an existing or forecasted financial or commodity transaction. The types of market risks the Company is exposed to are commodity price risk, interest rate risk, liquidity risk, credit risk and currency exchange risk. The following disclosures about market risk provide an update to, and should be read in conjunction with, Item 7A — *Quantitative and Qualitative Disclosures About Market Risk*, of the Company's 2018 Form 10-K.

Commodity Price Risk

Commodity price risks result from exposures to changes in spot prices, forward prices, volatilities and correlations between various commodities, such as natural gas, electricity, coal, oil and emissions credits. NRG manages the commodity price risk of the Company's merchant generation operations and load serving obligations by entering into various derivative or non-derivative instruments to hedge the variability in future cash flows from forecasted sales and purchases of electricity and fuel. NRG measures the risk of the Company's portfolio using several analytical methods, including sensitivity tests, scenario tests, stress tests, position reports and VaR. NRG uses a Monte Carlo simulation based VaR model to estimate the potential loss in the fair value of its energy assets and liabilities, which includes generation assets, load obligations and bilateral physical and financial transactions.

The following table summarizes average, maximum and minimum VaR for NRG's commodity portfolio, including generation assets, load obligations and bilateral physical and financial transactions, calculated using the VaR model for the three and six months ending June 30, 2019 and 2018:

(In millions)	**2019**	**2018**
VaR as of June 30,	$ 33	$ 54
Three months ended June 30,		
Average	$ 40	$ 59
Maximum	46	68
Minimum	33	52
Six months ended June 30,		
Average	43	$ 59
Maximum	49	69
Minimum	33	48

In order to provide additional information for comparative purposes to NRG's peers, the Company also uses VaR to estimate the potential loss of derivative financial instruments that are subject to mark-to-market accounting. These derivative instruments include transactions that were entered into for both asset management and trading purposes. The VaR for the derivative financial instruments calculated using the diversified VaR model as of June 30, 2019, for the entire term of these instruments entered into for both asset management and trading, was $11 million, primarily driven by asset-backed transactions.

Interest Rate Risk

NRG was exposed to fluctuations in interest rates through its issuance of variable rate debt. Exposures to interest rate fluctuations may be mitigated by entering into derivative instruments known as interest rate swaps, caps, collars and put or call options. These contracts reduce exposure to interest rate volatility and result in primarily fixed rate debt obligations when taking into account the combination of the variable rate debt and the interest rate derivative instrument. NRG's risk management policies allow the Company to reduce interest rate exposure from variable rate debt obligations.

The Company has previously entered into interest rate swaps. As of June 30, 2019, NRG had no interest rate derivative instruments. See Note 11, *Debt and Capital Leases*, of the Company's 2018 Form 10-K for more information on the Company's interest rate swaps.

As of June 30, 2019, the fair value and related carrying value of the Company's debt was $6.4 billion and $6.0 billion respectively. NRG estimates that a 1% decrease in market interest rates would have increased the fair value of the Company's long-term debt by $569 million.

Liquidity Risk

Liquidity risk arises from the general funding needs of NRG's activities and in the management of the Company's assets and liabilities. The Company is currently exposed to additional collateral posting if natural gas prices decline primarily due to the long natural gas equivalent position at various exchanges used to hedge NRG's retail supply load obligations.

Based on a sensitivity analysis for power and gas positions under marginable contracts, a $0.50 per MMBtu change in natural gas prices across the term of the marginable contracts would cause a change in margin collateral posted of approximately $93 million as of June 30, 2019, and a 1 MMBtu/MWh change in heat rates for heat rate positions would result in a change in margin collateral posted of approximately $71 million as of June 30, 2019. This analysis uses simplified assumptions and is calculated based on portfolio composition and margin-related contract provisions as of June 30, 2019.

Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail load activities. See Note 5, *Fair Value of Financial Instruments*, to this Form 10-Q for discussions regarding counterparty credit risk and retail customer credit risk, and Note 7, *Accounting for Derivative Instruments and Hedging Activities*, to this Form 10-Q for discussion regarding credit risk contingent features.

Currency Exchange Risk

NRG's foreign earnings and investments may be subject to foreign currency exchange risk, which NRG generally does not hedge. As these earnings and investments are not material to NRG's consolidated results, the Company's foreign currency exposure is limited.

ITEM 4 — CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of NRG's management, including its principal executive officer, principal financial officer and principal accounting officer, NRG conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act. Based on this evaluation, the Company's principal executive officer, principal financial officer and principal accounting officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in NRG's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred in the quarter ended June 30, 2019 that materially affected, or are reasonably likely to materially affect, NRG's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

For a discussion of material legal proceedings in which NRG was involved through June 30, 2019, see Note 17, *Commitments and Contingencies*, to this Form 10-Q.

ITEM 1A — RISK FACTORS

Information regarding risk factors appears in Part I, Item 1A, *Risk Factors Related to NRG Energy, Inc.*, in the Company's 2018 Form 10-K. There have been no material changes in the Company's risk factors since those reported in its 2018 Form 10-K.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In 2018, the Company's board of directors authorized the Company to repurchase $1.5 billion of its common stock. $1.25 billion common stock repurchases were completed in 2018 and the remaining $0.25 billion completed through February 2019. In addition the Company's board of directors authorized in February 2019 an additional $1.0 billion share repurchase program to be executed in 2019. Through August 7, 2019, the Company completed the $1.0 billion share repurchase program at an average price of $38.38 per share. In August 2019, the Company announced that the board of directors authorized an additional $0.25 billion of share repurchases to be executed in the second half of 2019.

The table below sets forth the information with respect to purchases made by or on behalf of NRG or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of NRG's common stock during the quarter ended June 30, 2019.

For the three months ended June 30, 2019	Total Number of Shares Purchased	Average Price Paid per Share[(a)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[(a)]
Month #1				
(April 1, 2019 to April 30, 2019)	390,908	(b)	390,908	$ 499,773,516
Month #2				
(May 1, 2019 to May 31, 2019)	4,246,164	$ 35.83	4,246,164	$ 347,547,868
Month #3				
(June 1, 2019 to June 30, 2019)	4,375,000	$ 34.67	4,375,000	$ 195,779,264
Total at June 30, 2019	9,012,072		9,012,072	

(a) Includes commissions paid

(b) Includes 351,768 additional shares delivered under the ASR agreement upon settlement. The average price paid per share for April purchases excluding the additional shares delivered under the ASR was $41.99

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 — OTHER INFORMATION

None.

ITEM 6 — EXHIBITS

Number	Description	Method of Filing
4.1	Indenture, dated May 23, 2016, between NRG Energy, Inc. and Delaware Trust Company (as successor in interest to Law Debenture Trust Company of New York), as trustee.	Incorporated herein by reference to Exhibit 4.1 to the Registrant's current report on Form 8-K filed on May 16, 2019
4.2	Fifth Supplemental Indenture, dated May 14, 2019, among NRG energy, Inc., the guarantors named therein and Delaware Trust Company, as trustee.	Incorporated herein by reference to Exhibit 4.2 to the Registrant's current report on Form 8-K filed on May 16, 2019
4.3	Form of 5.250% Senior Notes due 2029.	Incorporated herein by reference to Exhibit 4.3 to the Registrant's current report on Form 8-K filed on May 16, 2019
4.4	Indenture, dated May 28, 2019, between NRG Energy, Inc. and Delaware Trust Company, as trustee.	Incorporated herein by reference to Exhibit 4.1 to the Registrant's current report on Form 8-K filed on May 30, 2019
4.5	Supplemental Indenture, dated May 28, 2019, among NRG Energy, Inc., the guarantors named therein and Delaware Trust Company, as trustee.	Incorporated herein by reference to Exhibit 4.2 to the Registrant's current report on Form 8-K filed on May 30, 2019
4.6	Form of 3.750% Senior Secured First Lien Notes due 2024.	Incorporated herein by reference to Exhibit 4.3 to the Registrant's current report on Form 8-K filed on May 30, 2019
4.7	Form of 4.450% Senior Secured First Lien Notes due 2029.	Incorporated herein by reference to Exhibit 4.4 to the Registrant's current report on Form 8-K filed on May 30, 2019
10.1	Fourth Amendment, dated as of May 28, 2019, among NRG Energy, Inc., the lenders party thereto and Citicorp North America, Inc., as administrative agent and as collateral agent	Incorporated herein by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed on May 30, 2019
31.1	Rule 13a-14(a)/15d-14(a) certification of Mauricio Gutierrez.	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) certification of Kirkland B. Andrews.	Filed herewith.
31.3	Rule 13a-14(a)/15d-14(a) certification of David Callen.	Filed herewith.
32	Section 1350 Certification.	Furnished herewith.
101 INS	Inline XBRL Instance Document.	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101 SCH	Inline XBRL Taxonomy Extension Schema.	Filed herewith.
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	Filed herewith.
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
104	Cover Page Interactive Data File (the cover page interactive data file does not appear in Exhibit 104 because it's Inline XBRL tags are embedded within the Inline XBRL document).	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NRG ENERGY, INC.
(Registrant)

/s/ MAURICIO GUTIERREZ

Mauricio Gutierrez
Chief Executive Officer
(Principal Executive Officer)

/s/ KIRKLAND B. ANDREWS

Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

/s/ DAVID CALLEN

David Callen
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 7, 2019

EXHIBIT 31.1

CERTIFICATION

I, Mauricio Gutierrez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NRG Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MAURICIO GUTIERREZ

Mauricio Gutierrez
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2019

EXHIBIT 31.2

CERTIFICATION

I, Kirkland B. Andrews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NRG Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ KIRKLAND B. ANDREWS

Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2019

EXHIBIT 31.3

CERTIFICATION

I, David Callen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NRG Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID CALLEN

David Callen
Chief Accounting Officer
(Principal Accounting Officer)

Date: August 7, 2019

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NRG Energy, Inc. on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: August 7, 2019

/s/ MAURICIO GUTIERREZ
Mauricio Gutierrez
Chief Executive Officer
(Principal Executive Officer)

/s/ KIRKLAND B. ANDREWS
Kirkland B. Andrews
Chief Financial Officer
(Principal Financial Officer)

/s/ DAVID CALLEN
David Callen
Chief Accounting Officer
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NRG Energy, Inc. and will be retained by NRG Energy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.