NRG ENERGY, INC.
Form 10-Q
November 03, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
	For the Quarterly Period Ended: September 30, 2011
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-15891
NRG Energy, Inc.
(Exact name of registrant as specified in its charter)

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

(609) 524-4500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes x No o

As of October 31, 2011, there were 229,967,461 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 the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of 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 Energy, Inc.'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, 2010, including the following:

- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of NRG's risk management policies and procedures, and the ability of NRG's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- NRG's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including compliance with regulatory requirements and changes in market rules, rates, tariffs and environmental laws and increased regulation of carbon dioxide and other greenhouse gas emissions;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately compensate NRG's generation units for all of its costs;
- NRG's ability to borrow additional funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness going forward;
- NRG's ability to receive Federal loan guarantees or cash grants to support development projects;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in the indentures governing NRG's outstanding notes, in NRG's 2011 Senior Credit Facility, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- NRG's ability to implement its RepoweringNRG strategy of developing and building new power generation facilities, including new wind and solar projects;
- NRG's ability to implement its econrg 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 achieve its strategy of regularly returning capital to shareholders;
- NRG's ability to maintain retail market share;
- NRG's ability to successfully evaluate investments in new business and growth initiatives;
- NRG's ability to successfully integrate and manage any acquired businesses; and
- NRG's ability to develop and maintain successful partnering relationships.

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

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GLOSSARY OF TERMS

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

2010 Form 10-K	NRG’s Annual Report on Form 10-K for the year ended December 31, 2010
2011 Revolving Credit Facility	The Company's $2.3 billion revolving credit facility due 2016, a component of the 2011 Senior Credit Facility
2011 Senior Credit Facility	As of July 1, 2011, NRG's new senior secured facility, comprised of a $1.6 billion term loan facility and a $2.3 billion revolving credit facility, which replaces the Senior Credit Facility
2011 Term Loan Facility	The Company's $1.6 billion term loan facility due 2018, a component of the 2011 Senior Credit Facility
316(b) Rule	A section of the Clean Water Act regulating cooling water intake structures
ASR Agreement	Accelerated Share Repurchase Agreement
Baseload capacity	Electric power generation capacity normally expected to serve loads on an around-the-clock basis throughout the calendar year
BTA	Best Technology Available
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CATR	Clean Air Transport Rule
Capital Allocation Plan	Share repurchase program
Capital Allocation Program	NRG's plan of allocating capital between debt reduction, reinvestment in the business, and share repurchases through the Capital Allocation Plan
C&I	Commercial, industrial and governmental/institutional
CFTC	U.S. Commodity Futures Trading Commission
CPS	CPS Energy
CSAPR	Cross-State Air Pollution Rule
DNREC	Delaware Department of Natural Resources and Environmental Control
Energy Plus	Energy Plus Holdings LLC

ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
Exchange Act	The Securities Exchange Act of 1934, as amended
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank

Funded Letter of Credit Facility	Prior to July 1, 2011, NRG's $1.3 billion term loan-backed fully funded senior secured letter of credit facility, of which $500 million would have matured on February 1, 2013, and $800 million would have matured on August 31, 2015, and was a component of NRG's Senior Credit Facility. On July 1, 2011, NRG replaced its Senior Credit Facility, including the Funded Letter of Credit Facility, with the 2011 Senior Credit Facility.
GHG	Greenhouse Gases
Green Mountain Energy	Green Mountain Energy Company
GWh	Gigawatt hour
ISO	Independent System Operator, also referred to as Regional Transmission Organizations, or RTO
ISO-NE	ISO New England Inc.
LFRM	Locational Forward Reserve Market
LIBOR	London Inter-Bank Offer Rate
LTIP	Long-Term Incentive Plan
MACT	Maximum Achievable Control Technology
Mass	Residential and small business
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Saleable megawatt hours net of internal/parasitic load megawatt-hours
NAAQS	National Ambient Air Quality Standards
NINA	Nuclear Innovation North America LLC
NO_x	Nitrogen oxide
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NYISO	New York Independent System Operator
OCI	Other comprehensive income
PJM	PJM Interconnection, LLC

PJM market	The wholesale and retail electric market operated by PJM primarily in all or parts of Delaware, the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia
PM 2.5	Particulate matter particles with a diameter of 2.5 micrometers or less
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
Repowering	Technologies utilized to replace, rebuild, or redevelop major portions of an existing electrical generating facility, not only to achieve a substantial emissions reduction, but also to increase facility capacity, and improve system efficiency

RepoweringNRG	NRG's program designed to develop, finance, construct and operate new, highly efficient, environmentally responsible capacity
Revolving Credit Facility	Prior to July 1, 2011, NRG's $925 million senior secured revolving credit facility, which would have matured on August 31, 2015, and was a component of NRG's Senior Credit Facility. On July 1, 2011, NRG replaced the Senior Credit Facility, including the Revolving Credit Facility, with the 2011 Senior Credit Facility.
SEC	United States Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	Prior to July 1, 2011, NRG's senior secured facility, which was comprised of a Term Loan Facility, a $925 million Revolving Credit Facility and a $1.3 billion Funded Letter of Credit Facility. On July 1, 2011, NRG replaced the Senior Credit Facility with the 2011 Senior Credit Facility.
Senior Notes	The Company's $6.1 billion outstanding unsecured senior notes, consisting of $1.1 billion of 7.375% senior notes due 2017, $1.2 billion of 7.625% senior notes due 2018, $700 million of 8.5% senior notes due 2019, $800 million of 7.625% senior notes due 2019, $1.1 billion of 8.25% senior notes due 2020 and $1.2 billion of 7.875% senior notes due 2021
SO_2	Sulfur dioxide
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
TANE	Toshiba America Nuclear Energy Corporation
TANE Facility	NINA's $500 million credit facility with TANE which matures on February 24, 2012
TEPCO	The Tokyo Electric Power Company of Japan, Inc.
Term Loan Facility	Prior to July 1, 2011, a senior first priority secured term loan, of which approximately $608 million would have matured on February 1, 2013, and $990 million would have matured on August 31, 2015, and was a component of NRG's Senior Credit Facility. On July 1, 2011, NRG replaced its Senior Credit Facility, including the Term Loan Facility, with the 2011 Senior Credit Facility.
U.S.	United States of America
U.S. DOE	United States Department of Energy
U.S. EPA	United States Environmental Protection Agency
U.S. GAAP	Accounting principles generally accepted in the United States

VaR	Value at Risk

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PART I — FINANCIAL INFORMATION
ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions, except for per share amounts)	2011	2010	2011	2010
Operating Revenues				
Total operating revenues	$2,674	$2,685	$6,947	$7,033
Operating Costs and Expenses				
Cost of operations	2,053	1,835	4,985	4,803
Depreciation and amortization	238	210	665	620
Impairment charge on emission allowances	160	—	160	—
Selling, general and administrative	169	172	479	441
Development costs	11	14	32	36
Total operating costs and expenses	2,631	2,231	6,321	5,900
Gain on sale of assets	—	—	—	23
Operating Income	43	454	626	1,156
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	16	16	26	41
Impairment charge on investment	(3)	—	(495)	—
Other income, net	5	11	13	34
Loss on debt extinguishment	(32)	(1)	(175)	(2)
Interest expense	(164)	(168)	(504)	(467)
Total other expense	(178)	(142)	(1,135)	(394)
(Loss)/Income Before Income Taxes	(135)	312	(509)	762
Income tax (benefit)/expense	(80)	89	(815)	271
Net (Loss)/Income	(55)	223	306	491
Less: Net loss attributable to noncontrolling interest	—	—	—	(1)
Net (Loss)/Income Attributable to NRG Energy, Inc.	(55)	223	306	492
Dividends for preferred shares	2	2	7	7
(Loss)/Income Available for Common Stockholders	$(57)	$221	$299	$485
(Loss)/Earnings Per Share Attributable to NRG Energy, Inc. Common Stockholders				
Weighted average number of common shares outstanding — basic	240	252	243	254
Net (loss)/income per weighted average common share — basic	$(0.24)	$0.88	$1.23	$1.91
Weighted average number of common shares outstanding — diluted	240	253	245	255
Net (loss)/income per weighted average common share — diluted	$(0.24)	$0.87	$1.22	$1.90

See notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except shares)	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	$1,127	$2,951
Funds deposited by counterparties	259	408
Restricted cash	441	8
Accounts receivable — trade, less allowance for doubtful accounts of $33 and $21	1,042	734
Inventory	320	453
Derivative instruments	2,588	1,964
Cash collateral paid in support of energy risk management activities	316	323
Prepayments and other current assets	245	296
Total current assets	6,338	7,137
Property, plant and equipment, net of accumulated depreciation of $4,371 and $3,796	12,843	12,517
Other Assets		
Equity investments in affiliates	576	536
Note receivable — affiliate and capital leases, less current portion	327	384
Goodwill	1,859	1,868
Intangible assets, net of accumulated amortization of $1,345 and $1,064	1,561	1,776
Nuclear decommissioning trust fund	399	412
Derivative instruments	533	758
Restricted cash supporting funded letter of credit facility	—	1,300
Other non-current assets	324	208
Total other assets	5,579	7,242
Total Assets	$24,760	$26,896
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt and capital leases	$81	$463
Accounts payable	974	783
Derivative instruments	2,089	1,685
Deferred income taxes	65	108
Cash collateral received in support of energy risk management activities	259	408
Accrued expenses and other current liabilities	527	773
Total current liabilities	3,995	4,220
Other Liabilities		
Long-term debt and capital leases	9,208	8,748
Funded letter of credit	—	1,300
Nuclear decommissioning reserve	331	317
Nuclear decommissioning trust liability	237	272
Deferred income taxes	1,588	1,989
Derivative instruments	408	365
Out-of-market commodity contracts	191	223
Other non-current liabilities	622	1,142
Total non-current liabilities	12,585	14,356
Total Liabilities	16,580	18,576

3.625% convertible perpetual preferred stock (at liquidation value, net of issuance costs)	248	248
Commitments and Contingencies		
Stockholders' Equity		
Common stock	3	3
Additional paid-in capital	5,348	5,323
Retained earnings	4,099	3,800
Less treasury stock, at cost — 65,568,119 and 56,808,672 shares, respectively	(1,881)	(1,503)
Accumulated other comprehensive income	201	432
Noncontrolling interest	162	17
Total Stockholders' Equity	7,932	8,072
Total Liabilities and Stockholders' Equity	$24,760	$26,896

See notes to condensed consolidated financial statements.

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

Nine months ended September 30,	2011	2010
Cash Flows from Operating Activities		
Net income	$306	$491
Adjustments to reconcile net income to net cash provided by operating activities:		
Distributions and equity in earnings of unconsolidated affiliates	8	(19)
Depreciation and amortization	665	620
Provision for bad debts	41	46
Amortization of nuclear fuel	31	30
Amortization of financing costs and debt discount/premiums	25	23
Loss on debt extinguishment	58	—
Amortization of intangibles and out-of-market commodity contracts	118	(17)
Changes in deferred income taxes and liability for uncertain tax benefits	(829)	272
Changes in nuclear decommissioning trust liability	20	26
Changes in derivative instruments	(201)	(48)
Changes in collateral deposits supporting energy risk management activities	7	(116)
Impairment charge on investment	481	—
Impairment charge on emission allowances	160	—
Cash used by changes in other working capital	(222)	(167)
Net Cash Provided by Operating Activities	668	1,141
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(352)	(142)
Capital expenditures	(1,355)	(490)
Increase in restricted cash, net	(92)	(17)
Increase in restricted cash to support equity requirements for U.S. DOE funded projects	(316)	—
Decrease in notes receivable	27	28
Purchases of emission allowances	(27)	(56)
Proceeds from sale of emission allowances	6	14
Investments in nuclear decommissioning trust fund securities	(314)	(245)
Proceeds from sales of nuclear decommissioning trust fund securities	294	219
Proceeds from renewable energy grants	—	102
Proceeds from sale of assets	14	30
Investments in unconsolidated affiliates	(17)	—
Other	(29)	(13)
Net Cash Used by Investing Activities	(2,161)	(570)
Cash Flows from Financing Activities		
Payment of dividends to preferred stockholders	(7)	(7)
Payment for treasury stock	(378)	(180)
Net (payments for)/receipts from settlement of acquired derivatives that include financing elements	(61)	58
Installment proceeds from sale of noncontrolling interest in subsidiary	—	50
Proceeds from issuance of long-term debt	5,710	1,252
Proceeds from issuance of term loan for funded letter of credit facility	—	1,300
Decrease/(increase) in restricted cash supporting funded letter of credit	1,300	(1,301)
Payment for settlement of funded letter of credit facility	(1,300)	—

Proceeds from issuance of common stock	2	2
Payment of debt issuance costs	(149)	(70)
Payments for short and long-term debt	(5,450)	(529)
Net Cash (Used)/Provided by Financing Activities	(333)	575
Effect of exchange rate changes on cash and cash equivalents	2	(3)
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,824)	1,143
Cash and Cash Equivalents at Beginning of Period	2,951	2,304
Cash and Cash Equivalents at End of Period	$1,127	$3,447

See notes to condensed consolidated financial statements.

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

Note 1 — Basis of Presentation

NRG Energy, Inc., or NRG or the Company, is an integrated wholesale power generation and retail electricity company with a significant presence in major competitive power markets in the United States. NRG is engaged in: the ownership, development, construction and operation of power generation facilities; the transacting in and trading of fuel and transportation services; the trading of energy, capacity and related products in the United States and select international markets; and the supply of electricity, energy services, and cleaner energy products to retail electricity customers in deregulated markets through its retail businesses, Reliant Energy, Green Mountain Energy, and Energy Plus.

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 Company's financial statements in its Annual Report on Form 10-K for the year ended December 31, 2010, or 2010 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of September 30, 2011, the results of operations for the three and nine months ended September 30, 2011, and 2010, and cash flows for the nine months ended September 30, 2011, and 2010.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during the reporting period. Actual results could be different from these estimates.

Note 2 — Summary of Significant Accounting Policies

Other Cash Flow Information

NRG’s investing activities exclude capital expenditures of $217 million which were accrued and unpaid at September 30, 2011.

Recent Accounting Developments

ASU No. 2011-08 — On September 15, 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2011-08, Intangibles — Goodwill and Other (Topic 350) - Testing Goodwill for Impairment, or ASU 2011-08. The objective of ASU 2011-08 is to simplify how entities test goodwill for impairment. The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company will evaluate whether it will early adopt ASU 2011-08 for its annual impairment analysis in the fourth quarter 2011, and therefore has not yet determined whether there will be any impact on its results of operations, financial position or cash flows.

Note 3 — Comprehensive (Loss)/Income

The following table summarizes the components of the Company's comprehensive (loss)/income, net of tax:

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Net (loss)/income	$(55)	$223	$306	$491
Changes in derivative instruments	(76)	59	(225)	162
Foreign currency translation adjustment	(27)	36	(5)	(6)
Unrealized loss on available-for-sale securities	(1)	—	(1)	(1)
Other comprehensive (loss)/income	(104)	95	(231)	155
Less: Comprehensive loss attributable to noncontrolling interest	$—	$—	$—	$(1)
Comprehensive (loss)/income attributable to NRG Energy, Inc.	$(159)	$318	$75	$647

The following table summarizes the changes in the Company’s accumulated other comprehensive income, or OCI, net of tax:

(In millions)	
Accumulated other comprehensive income as of December 31, 2010	$432
Changes in derivative instruments	(225)
Foreign currency translation adjustment	(5)
Unrealized loss on available-for-sale securities	$(1)
Accumulated other comprehensive income as of September 30, 2011	$201

Note 4 — Business Acquisitions and Dispositions

The Company's acquisitions that are considered business combinations are accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification, or ASC, 805, Business Combinations, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The provisional amounts recognized are subject to revision until the evaluations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

2011 Acquisitions

Energy Plus — On September 30, 2011, NRG acquired Energy Plus Holdings LLC, or Energy Plus, for $193 million in cash, net of $5 million cash acquired, funded from cash on hand. Energy Plus is a retail electricity provider with 180,000 customers, a Northeast concentration and a unique sales channel involving exclusive loyalty and affinity program partnerships. Energy Plus will be run as a separate retail business within NRG. The initial accounting for this business combination is not complete because the evaluations necessary to assess the fair values of certain net assets acquired to be recognized are still in process, and therefore the purchase price has been preliminarily allocated to intangible assets as of September 30, 2011.

Solar Acquisitions

During the nine months ended September 30, 2011, NRG acquired stakes in three solar facilities for approximately $165 million in cash consideration, as part of the Company's initiative to capture opportunities for future growth in renewables. In addition, NRG committed to contribute additional amounts into the projects, comprised of $291 million in restricted cash and $934 million in letters of credit as of September 30, 2011. The Company may increase its letters of credit to replace the restricted cash at its discretion. In addition, the projects had $49 million in restricted cash for various agreements. NRG's minority partners had additional equity commitments of $96 million as of September 30, 2011.

The purchase price for these acquisitions, considered business combinations, was provisionally allocated as follows, using a cost approach while the Company is in the process of performing its fair value assessments:

(In millions)	
Assets	
Restricted cash	$25
Property, plant and equipment	575
Intangible assets	48
Other current and non-current assets	39
Total assets	$687
Liabilities	
Accrued expenses	$364
Long-term debt	4
Total liabilities	368
Less: Non-controlling interest (Ivanpah)	154
Net assets acquired	$165

As required by ASC 820, Fair Value Measurement., the Company is in the process of determining the provisional fair values of the property, plant and equipment and the intangible assets at the acquisition date, and expects to have these provisional fair values determined by the end of 2011.

The acquisitions of these three solar facilities are further described below:

California Valley Solar Ranch — On September 30, 2011, NRG Solar LLC, a wholly-owned subsidiary of NRG, acquired 100% of the 250 MW California Valley Solar Ranch project, or CVSR, in eastern San Luis Obispo County, California. Operations are expected to commence in phases beginning in the first quarter of 2012 through the fourth quarter of 2013. Power generated from CVSR will be sold to Pacific Gas and Electric under a 25 year Power Purchase Agreement, or PPA. In connection with the acquisition, High Plains Ranch II, LLC, a wholly-owned subsidiary of NRG, entered into the California Valley Solar Ranch Financing Agreement with the Federal Financing Bank, or FFB, which is guaranteed by the United States Department of Energy, or U.S. DOE, to borrow up to $1.2 billion to fund the costs of constructing this solar facility, or the CVSR Financing Agreement. The terms of the borrowing, which are non-recourse to NRG, are described further in Note 9, Long-Term Debt.

Agua Caliente — On August 5, 2011, NRG, through its wholly-owned subsidiary, NRG Solar PV LLC, acquired 100% of the 290 MW Agua Caliente solar project, or Agua Caliente, in Yuma, AZ. Operations are scheduled to commence in phases beginning in the third quarter of 2012 through the first quarter of 2014. Power generated from Agua Caliente will be sold to Pacific Gas and Electric under a 25 year PPA. In connection with the acquisition, Agua Caliente Solar, LLC, a wholly-owned subsidiary of NRG, entered into the Agua Caliente Financing Agreement with the FFB, which is guaranteed by the U.S. DOE, to borrow up to $967 million to fund the construction of this solar facility, or the Agua Caliente Financing Agreement. The terms of the borrowings, which are non-recourse to NRG, are described further in Note 9, Long-Term Debt.

Ivanpah — On April 5, 2011, NRG acquired a 50.1% stake in the 392 MW Ivanpah Solar Electric Generation System, or Ivanpah, from BrightSource Energy, Inc., or BSE. Ivanpah is composed of three separate facilities - Ivanpah 1 (126 MW), Ivanpah 2 (133 MW), and Ivanpah 3 (133 MW), all of which are expected to be fully operational by the end of 2013. Power generated from Ivanpah will be sold to Southern California Edison and Pacific Gas and Electric, under multiple 20 to 25 year PPAs. The non-controlling interest represents the fair value of the capital contributions from the minority investors in Ivanpah. Ivanpah has entered into the Ivanpah Credit Agreement with the FFB, which is guaranteed by the U.S. DOE, to borrow up to $1.6 billion to fund the construction of this solar facility, or the Ivanpah Credit Agreement. The terms of the borrowings, which are non-recourse to NRG, are described further in Note 9, Long-Term Debt.

2010 Acquisitions

The Company made several acquisitions in 2010, which were recorded as business combinations under ASC 805. Those acquisitions for which purchase accounting was not finalized as of December 31, 2010, are briefly summarized below. See Note 3, Business Acquisitions and Note 12, Debt and Capital Leases, in the Company's 2010 Form 10-K for additional information related to these acquisitions.

Green Mountain Energy — On November 5, 2010, NRG acquired Green Mountain Energy for $357 million in cash, net of $75 million cash acquired, funded from cash on hand. The identifiable assets acquired and liabilities assumed were provisionally recorded at their estimated fair values on the acquisition date. The accounting for the Green Mountain Energy acquisition was completed as of September 30, 2011, at which point the provisional fair values became final with no material changes.

Cottonwood — On November 15, 2010, NRG acquired the Cottonwood Generating Station, or Cottonwood, a 1,265 MW combined cycle natural gas plant in the Entergy zone of east Texas for $507 million in cash, funded from cash on hand. The purchase price was primarily allocated to fixed assets acquired, which were recorded at provisional fair value on the acquisition date. The accounting for the Cottonwood acquisition was completed as of March 31, 2011, at which point the provisional fair values became final with no material changes.

2010 Disposition

Padoma — On January 11, 2010, NRG sold its terrestrial wind development company, Padoma Wind Power LLC, or Padoma, to Enel North America, Inc. NRG recognized a gain on the sale of Padoma of $23 million, which was recorded as a component of operating income in the statement of operations during the nine months ended September 30, 2010.

Note 5 — Nuclear Innovation North America LLC Developments, Including Impairment Charge

Nuclear Innovation North America LLC, or NINA, which is majority-owned by NRG, was established in May 2008 to focus on marketing, siting, developing, financing and investing in new advanced design nuclear projects in select markets across North America, including the planned South Texas Project Units 3 and 4, or STP 3 & 4, Project. Toshiba America Nuclear Energy Corporation, or TANE, a wholly-owned subsidiary of Toshiba Corporation, is the minority owner of NINA. NINA is a bankruptcy remote entity under NRG's corporate structure and designated as an Excluded Project Subsidiary under NRG's 2011 Senior Credit Facility and senior unsecured notes, which require that NRG not be obligated to contribute any capital to service NINA's debt or fund the repayment of any NINA debt in the event of a default. Furthermore, NRG is not required to continue the funding of NINA and any capital provided to NINA by any other equity partner could result in the dilution of NRG's equity interest.

On March 11, 2011, Japan was hit by a devastating earthquake and tsunami which, in turn, triggered a nuclear incident at the Fukushima Daiichi Nuclear Power Station owned by The Tokyo Electric Power Company of Japan, Inc., or TEPCO. The nuclear incident in Japan introduced multiple and substantial uncertainties around new nuclear development in the United States and the availability of debt and equity financing to NINA. Consequently, NINA announced, on March 21, 2011, that it was reducing the scope of development at the STP 3 & 4 expansion to allow time for the U.S. Nuclear Regulatory Commission, or NRC, and other nuclear stakeholders to assess the impacts from the events in Japan. NINA suspended indefinitely all detailed engineering work and other pre-construction activities and, as a result, dramatically reduced the project workforce. The decision to reduce the scope of activities was made jointly by NINA, NRG and Toshiba. Further, on April 19, 2011, NRG announced that, while it will cooperate with and support its current partners and any prospective future partners in attempting to develop STP 3 & 4 successfully, NRG was withdrawing from further financial participation in NINA's development of STP 3 & 4. NINA, going forward, will be focused solely on securing a combined operating license from the NRC and on obtaining the loan guarantee from the U.S. DOE, two items that are essential to the success of any future project development. TANE agreed, for the time being, to assume responsibility for NINA's ongoing costs associated with continuation of the licensing process.

Due to the events described above, NRG evaluated its investment in NINA for impairment. As part of this process, NRG evaluated the contractual rights and economic interests held by the various stakeholders in NINA, and concluded that while it continues to hold majority legal ownership, NRG ceased to have a controlling financial interest in NINA at the end of the first quarter of 2011. Consequently, NRG deconsolidated NINA as of March 31, 2011, in accordance with ASC 810, Consolidation, or ASC 810. This resulted in the removal of the following amounts from NRG's consolidated balance sheet: $930 million of construction in progress; $154 million of accounts payable and accrued expenses; $297 million of long-term debt; $17 million of non-controlling interest; and $19 million of other assets and liabilities. Furthermore, NRG assessed the impact of the diminished prospects for the STP 3 & 4 project on the fair value of NINA's assets relative to NINA's existing liabilities as well as NINA's potential contingent liabilities. Based on this assessment, the Company concluded it was remote that NRG would recover any portion of the carrying amount of its equity investment in NINA and, consequently, recorded an impairment charge of $481 million as of March 31, 2011 for the full amount of its investment. In concurrence with the substantial reduction in NINA's project workforce, and to support NINA's reduced scope of work, NRG contributed approximately $11 million from the second quarter of 2011 and $3 million from the third quarter of 2011, bringing the total impairment charge to $495 million for the nine months ended September 30, 2011. NRG expects to incur additional one-time costs, related to contributions to NINA, of up to $6 million, bringing these total expected costs to $20 million. These additional contributions are expensed as incurred to "Impairment charge on investment." This impairment charge included net assets contributed from all of NINA's equity investors, both NRG and TANE, which the Company previously consolidated.

As part of a March 1, 2010, settlement of litigation with CPS Energy, or CPS, NRG had agreed to pay $80 million to CPS, subject to the U.S. DOE's approval of a fully executed term sheet for a conditional U.S. DOE loan guarantee for STP 3 & 4. NRG also had agreed to donate an additional $10 million, unconditionally, over four years in annual payments of $2.5 million to the Residential Energy Assistance Partnership, or REAP, in San Antonio. Payments of $5 million were made to REAP through March 31, 2011. As a result of the events stemming from the nuclear incident in Japan, the Company no longer believes it probable that the conditional U.S. DOE loan guarantee will be received or accepted. Therefore, as of March 31, 2011, the Company reversed the $80 million contingent liability to CPS previously recorded within other current liabilities, along with the $80 million of associated amounts capitalized to construction in progress within property, plant and equipment. At September 30, 2011, $5 million in liabilities remains on the condensed consolidated balance sheet for the obligations to REAP.

Note 6 — Fair Value of Financial Instruments

The estimated carrying values and fair values of NRG's recorded financial instruments are as follows:

	Carrying Amount		Fair Value	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(In millions)			
Assets:				
Cash and cash equivalents	$1,127	$2,951	$1,127	$2,951
Funds deposited by counterparties	259	408	259	408
Restricted cash	441	8	441	8
Cash collateral paid in support of energy risk management activities	316	323	316	323
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	8	8	8	8
Marketable equity securities	1	3	1	3
Trust fund investments	401	414	401	414
Notes receivable	131	177	136	190
Derivative assets	3,121	2,722	3,121	2,722
Restricted cash supporting funded letter of credit facility	—	1,300	—	1,300
Liabilities:				
Long-term debt, including current portion	9,185	9,104	8,830	9,236
Funded letter of credit	—	1,300	—	1,295
Cash collateral received in support of energy risk management activities	259	408	259	408
Derivative liabilities	$2,497	$2,050	$2,497	$2,050

Recurring Fair Value Measurements

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

(In millions)	Fair Value			
As of September 30, 2011	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$1,127	$—	$—	$1,127
Funds deposited by counterparties	259	—	—	259
Restricted cash	441	—	—	441
Cash collateral paid in support of energy risk management activities	316	—	—	316
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	—	—	8	8
Marketable equity securities	1	—	—	1
Trust fund investments:				
Cash and cash equivalents	1	—	—	1
U.S. government and federal agency obligations	45	—	—	45
Federal agency mortgage-backed securities	—	66	—	66
Commercial mortgage-backed securities	—	7	—	7
Corporate debt securities	—	52	—	52
Marketable equity securities	193	—	33	226
Foreign government fixed income securities	—	4	—	4
Derivative assets:				
Commodity contracts	1,513	1,569	39	3,121
Total assets	$3,896	$1,698	$80	$5,674
Cash collateral received in support of energy risk management activities	$259	$—	$—	$259
Derivative liabilities:				
Commodity contracts	1,564	805	46	2,415
Interest rate contracts	—	82	—	82
Total liabilities	$1,823	$887	$46	$2,756

(In millions)	Fair Value			
As of December 31, 2010	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$2,951	$—	$—	$2,951
Funds deposited by counterparties	408	—	—	408
Restricted cash	8	—	—	8
Cash collateral paid in support of energy risk management activities	323	—	—	323
Investment in available-for-sale securities (classified within other non-current assets):				
Debt securities	—	—	8	8
Marketable equity securities	3	—	—	3
Trust fund investments:				
Cash and cash equivalents	9	—	—	9
U.S. government and federal agency obligations	27	—	—	27
Federal agency mortgage-backed securities	—	57	—	57
Commercial mortgage-backed securities	—	11	—	11
Corporate debt securities	—	56	—	56
Marketable equity securities	213	—	39	252
Foreign government fixed income securities	—	2	—	2
Derivative assets:				
Commodity contracts	652	2,046	24	2,722
Restricted cash supporting funded letter of credit facility	1,300	—	—	1,300
Total assets	$5,894	$2,172	$71	$8,137
Cash collateral received in support of energy risk management activities	$408	$—	$—	$408
Derivative liabilities:				
Commodity contracts	660	1,251	51	1,962
Interest rate contracts	—	88	—	88
Total liabilities	$1,068	$1,339	$51	$2,458

There were no transfers during the three months and nine months ended September 30, 2011, and 2010, between Levels 1 and 2. The following tables reconcile, for the three months and nine months ended September 30, 2011, and 2010, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements at least annually using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)							
	Three months ended September 30, 2011				Nine months ended September 30, 2011			
(In millions)	Debt Securities	Trust Fund Investments	Derivatives[a]	Total	Debt Securities	Trust Fund Investments	Derivatives[a]	Total
Beginning Balance	$9	$41	$(26)	$24	$8	$39	$(27)	$20
Total gains/(losses) - realized/unrealized:								
Included in earnings	—	—	—	—	—	—	19	19
Included in OCI	(1)	—	—	(1)	—	—	—	—
Included in nuclear decommissioning obligations	—	(8)	—	(8)	—	(7)	—	(7)
Purchases	—	—	(2)	(2)	—	1	6	7
Transfers into Level 3 [b]	—	—	13	13	—	—	(17)	(17)
Transfers out of Level 3 [b]	—	—	8	8	—	—	12	12
Ending balance as of September 30, 2011	$8	$33	$(7)	$34	$8	$33	$(7)	$34
The amount of the total gains for the period included in earnings attributable to the change in unrealized gains relating to assets still held as of September 30, 2011	$—	$—	$(1)	$(1)	$—	$—	$6	$6

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)							
	Three months ended September 30, 2010				Nine months ended September 30, 2010			
(In millions)	Debt Securities	Trust Fund Investments	Derivatives[a]	Total	Debt Securities	Trust Fund Investments	Derivatives[a]	Total
Beginning Balance	$10	$32	$(76)	$(34)	$9	$37	$(13)	$33
Total gains/(losses) - realized/unrealized:								
Included in earnings	3	—	18	21	3	—	(13)	(10)
Included in OCI	(1)	—	—	(1)	—	—	—	—
Included in nuclear decommissioning obligations	—	5	—	5	—	—	—	—
Purchases	—	—	(10)	(10)	—	—	(1)	(1)
Sales	(5)	—	—	(5)	(5)			