NRG ENERGY, INC.
Form S-1/A
December 24, 2013

Table of Contents

As submitted to the Securities and Exchange Commission on December 24, 2013

Registration No. 333-191797

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NRG Energy, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**4911**	**41-1724239**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

211 Carnegie Center, Princeton, NJ 08540
Telephone: (609) 524-4500

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Brian Curci
Deputy General Counsel and Corporate Secretary
211 Carnegie Center
Princeton, NJ 08540
Telephone: (609) 524-4500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Katayun I. Jaffari
Ballard Spahr LLP
1735 Market St., 51st Floor
Philadelphia, PA 19103
Telephone: (215) 864-8475

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common Stock, $0.01 par value	$350,000,000	$45,080.00(3)

(1) The number of the shares distributed under this prospectus will be determined based on a price per share of $27.62, which price was determined in accordance with the Plan Sponsor Agreement, by and among NRG Energy, Inc., Edison Mission Energy and certain of its debtor subsidiaries, the Official Committee of Unsecured Creditors of Edison Mission Energy and its debtor subsidiaries, the PoJo Parties (as defined therein) and the proponent noteholders thereto, based on the volume-weighted average trading price of such shares over the 20 trading days prior to October 18, 2013.

(2) Solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) This amount was previously paid in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

EXPLANATORY NOTE

This prospectus relates to shares of NRG Energy, Inc. common stock to be distributed by Edison Mission Energy, or EME, in connection with a chapter 11 plan of reorganization, or the Plan, under chapter 11 of title 11 of the United States Code, or the Bankruptcy Code.

On December 17, 2012, EME and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, or the Bankruptcy Court. EME was deconsolidated from its parent company, Edison International, or EIX, for financial statement purposes but not for tax purposes as of December 17, 2012. On May 2, 2013, certain other subsidiaries of EME filed voluntary petitions for relief under the Bankruptcy Code.

On October 18, 2013, NRG and NRG Energy Holdings Inc., a wholly owned subsidiary of NRG, or NRG Holdings, entered into a Plan Sponsor Agreement with EME, certain of EME's debtor subsidiaries, the Official Committee of Unsecured Creditors of EME and its debtor subsidiaries, the PoJo Parties (as defined in the Plan Sponsor Agreement) and certain of EME's noteholders that are signatories to such agreement, or the Plan Sponsor Agreement, which provides for the parties to pursue confirmation by the Bankruptcy Court of the Plan that will implement a reorganization of EME and such debtor subsidiaries. Pursuant to the Plan Sponsor Agreement, on October 18, 2013, NRG entered into an Asset Purchase Agreement, or the Purchase Agreement, with EME and NRG Holdings, or the Purchaser, which provides for the acquisition of substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities, by the Purchaser upon confirmation of the Plan by the Bankruptcy Court. On October 25, 2013, the Bankruptcy Court approved the Plan Sponsor Agreement.

On November 15, 2013, EME and each of its direct and indirect subsidiaries that filed for relief under the Bankruptcy Code filed the Plan and a related chapter 11 disclosure statement with the Bankruptcy Court in connection with the transactions contemplated by the Plan Sponsor Agreement. If the Plan receives the required approval from EME's creditors that are entitled to vote on the Plan, it is expected to be confirmed on February 19, 2014.

Pursuant to the Purchase Agreement, NRG will pay a total purchase price of $2,635 million in exchange for the acquired assets of EME, of which $1,063 million consists of acquired cash. The purchase price is subject to certain adjustments provided in the Purchase Agreement. The Purchase Agreement provides that $350 million of the total purchase price payable by NRG in exchange for the acquired assets of EME will be paid in newly issued, registered shares of NRG's common stock and the remainder will be paid in cash. EME will distribute the shares acquired by EME pursuant to the Purchase Agreement to its unsecured creditors in accordance with the Plan. The price of the shares sold to EME under the Purchase Agreement will be $27.62 per share, which price was determined in accordance with the Plan Sponsor Agreement based on the volume-weighted average trading price of such shares over the 20 trading days prior to October 18, 2013. NRG will assume non-recourse debt of approximately $1,545 million, subject to adjustment, of which $273 million is associated with assets designated as Non-Core Assets (as defined in the Purchase Agreement) pursuant to the Purchase Agreement. This registration statement is being filed to be used by EME, the selling shareholder hereunder, to distribute the shares of common stock that will be issued under the Purchase Agreement and pursuant to the Plan. NRG will not receive any proceeds from the distribution of the shares by EME.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and the selling stockholders are not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED DECEMBER 24, 2013

NRG Energy, Inc.

12,671,977 Shares of Common Stock

This prospectus relates to the distribution of 12,671,977 shares of our common stock by Edison Mission Energy, or EME, the selling stockholder under this prospectus, pursuant to a chapter 11 plan of reorganization, or the Plan, under chapter 11 of title 11 of the United States Code, or the Bankruptcy Code. The 12,671,977 shares of common stock covered by this prospectus will be sold by us to EME pursuant to an Asset Purchase Agreement, or the Purchase Agreement, dated October 18, 2013, by and among EME, NRG Energy, Inc., or NRG, and NRG Energy Holdings Inc., a wholly owned subsidiary of NRG, or the Purchaser. Pursuant to the Purchase Agreement, the Purchaser will acquire substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities. As partial consideration for the acquisition of certain assets of EME by the Purchaser under the Purchase Agreement, we will issue shares of our common stock to EME. EME, as a selling stockholder under this prospectus and as a statutory underwriter, will distribute such shares to its unsecured creditors in accordance with the Plan. We provide more information about how EME will distribute the shares of common stock in the section titled "Plan of Distribution" on page 27 of this prospectus. The shares of common stock registered under this prospectus represent an aggregate amount of $350 million of the total consideration paid in the acquisition.

We will not receive any cash proceeds from the sale of shares registered under this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol "NRG." On December 23, 2013, the closing sale price of our common stock on the New York Stock Exchange was $28.37.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December , 2013

Table of Contents

	Page
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	iii
PROSPECTUS SUMMARY	1
RISK FACTORS	10
SELLING STOCKHOLDER	27
PLAN OF DISTRIBUTION	27
USE OF PROCEEDS	27
DIVIDEND POLICY	27
PRO FORMA FINANCIAL STATEMENTS	28
DESCRIPTION OF OUR CAPITAL STOCK	35
LEGAL MATTERS	38
EXPERTS	38
INCORPORATION BY REFERENCE	39
WHERE YOU CAN FIND MORE INFORMATION	40
EDISON MISSION ENERGY FINANCIAL STATEMENTS	F-1

You should rely only on the information contained in, or incorporated by reference in, this prospectus. We have not authorized anyone else to provide you with different or additional information. This prospectus does not offer to sell or solicit any offer to buy any shares of our common stock in any jurisdiction where such is unlawful. You should not assume that the information in this prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

You should read carefully the entire prospectus, as well as the documents incorporated by reference in the prospectus, before making an investment decision.

Unless the context provides otherwise, references herein to "we," "us," "our," "our company," or "NRG" refer to NRG Energy, Inc., together with its consolidated subsidiaries and references to "Issuer" or "Registrant" refer to NRG Energy, Inc., exclusive of its subsidiaries.

Industry and Market Data

This prospectus includes industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the included information. Statements as to our market position and market estimates are based on independent industry publications, government publications, third-party forecasts, management's estimates and assumptions about our markets and our internal research. While we are not aware of any misstatements regarding the market, industry or similar data presented herein or incorporated herein by reference, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors" in this prospectus.

Trademarks and Trade Names

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties' trademarks, service marks, trade names or products in this prospectus is not intended to, and should not be read to, imply a relationship with or endorsement or sponsorship of us. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks and trade names.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated into this prospectus by reference, contains "forward-looking statements," which involve risks and uncertainties. All statements, other than statements of historical facts, that are included in or incorporated by reference into this prospectus, or made in presentations, in response to questions or otherwise, that address activities, events or developments that we expect or anticipate to occur in the future, including such matters as projections, capital allocation, future capital expenditures, business strategy, competitive strengths, goals, future acquisitions or dispositions, development or operation of power generation assets, market and industry developments and the growth of our business and operations (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projection," "target," "goal," "objective" and "outlook"), are forward-looking statements. Although we believe that in making any such forward-looking statement our expectations are based on reasonable assumptions, any such forward-looking statement involves uncertainties and is qualified in its entirety by reference to the discussion of risk factors under "Risk Factors" contained elsewhere in this prospectus and in the section captioned "Risk Factors Related to NRG Energy, Inc." of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, or our 2012 Form 10-K, which is incorporated into this prospectus by reference, and the following important factors, among others, that could cause our actual results to differ materially from those projected in such forward-looking statements:

- 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 we may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of our risk management policies and procedures, and the ability of our counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting our liquidity position and financial condition;
- Our ability to operate our businesses efficiently, manage capital expenditures and costs tightly, and generate earnings and cash flows from our asset-based businesses in relation to our debt and other obligations;
- Our 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 independent system operators or regional transmission organizations that result in a failure to adequately compensate our generation units for all of their costs;

Table of Contents

- Our ability to borrow additional funds and access capital markets, as well as our substantial indebtedness and the possibility that we may incur additional indebtedness going forward;

- Our ability to receive federal loan guarantees or cash grants to support development projects;

- Operating and financial restrictions placed on us and our subsidiaries that are contained in the indentures governing our outstanding notes, in our senior credit facility, and in debt and other agreements of certain of our subsidiaries and project affiliates generally;

- Our ability to implement our strategy of developing and building new power generation facilities, including new solar projects;

- Our ability to implement our econrg strategy of finding ways to address environmental challenges while taking advantage of business opportunities;

- Our ability to implement our FORNRG strategy to increase cash from operations through operational and commercial initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout our company to reduce costs or generate revenues;

- Our ability to achieve our strategy of regularly returning capital to shareholders;

- Our ability to maintain retail market share;

- Our ability to successfully evaluate investments in new business and growth initiatives;

- Our ability to successfully integrate and manage any acquired businesses; and

- Our ability to develop and maintain successful partnership relationships.

Any forward-looking statement speaks only as of the date on which it is made, and except as may be required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of them; nor can we assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. You should not unduly rely on such forward-looking statements.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus or incorporated by reference into this prospectus. It does not contain all the information you need to consider in making your investment decision. Before making an investment decision, you should read this entire prospectus carefully, including the information set forth in the section entitled "Risk Factors" and all of the information that is incorporated by reference into this prospectus. See the section entitled "Incorporation by Reference."

Unless the context provides otherwise, references herein to "we," "us," "our," "our company," "the Company," or "NRG" refer to NRG Energy, Inc., together with its consolidated subsidiaries and references to "Issuer" or "Registrant" refer to NRG Energy, Inc., exclusive of its subsidiaries.

Our Business

We are a competitive power and energy company that aspires to be a leader in the way the industry and consumers think about, use, produce and deliver energy and energy services in major competitive power markets in the United States. First, at our core, we are a wholesale power generator engaged in the ownership and operation of power generation facilities; the trading of energy, capacity and related products; and the transacting in and trading of fuel and transportation services. Second, while leveraging our core wholesale power business, we are a retail energy company engaged in the supply of energy, services, and innovative, sustainable products to retail customers in competitive markets through multiple channels and brands like Reliant Energy, Green Mountain Energy, and NRG Residential Solutions. Finally, we are a clean energy leader and are focused on the deployment and commercialization of potentially disruptive technologies, like electric vehicles, solar power produced for customers on site, or distributed solar projects, and smart meter technology, which have the potential to change the nature of the power supply industry.

The following table summarizes our global generation portfolio as of September 30, 2013, by operating segment, which includes 86 fossil fuel plants, nine solar power facilities connected to the grid to sell wholesale power, or utility scale solar, facilities, and four wind farms, as well as distributed solar facilities. Also included is one utility scale solar facility and additional distributed solar facilities currently under construction, and one utility scale facilities partially in-service. All utility scale and distributed solar facilities are described as in megawatts, or MW, on an alternating current basis. MW figures provided represent nominal summer net megawatt capacity of power generated as adjusted for our ownership position excluding capacity from inactive/mothballed units.

Table of Contents

	Fossil Fuel, Nuclear and Renewable (in MW)								
Generation Type	**Texas**	**East**	**South Central**	**West**	**Alternative Energy**	**NRG Yield(a)**	**Total Domestic**	**Other (International)**	**Total Global**
Natural Gas	5,927	7,651	3,817	6,779		843	25,017		25,017
Coal	4,193	7,272	1,496				12,961	605	13,566
Oil(b)		5,533				190	5,723		5,723
Nuclear	1,176						1,176		1,176
Wind					347	101	448		448
Utility scale solar					406	253	659		659
Distributed solar					37	10	47		47
Total generation capacity	11,296	20,456	5,313	6,779	790	1,397	46,031	605	46,636
Capacity attributable to noncontrolling interest					(142)	(482)	(624)		(624)
Total net generation capacity	11,296	20,456	5,313	6,779	648	915	45,407	605	46,012
Under Construction									
Utility scale solar					444	50	494		494
Distributed solar					6		6		6
Total under construction					450	50	500		500
Capacity attributable to noncontrolling interest					(195)	(17)	(212)		(212)
Total net under construction					255	33	288		288

(a) NRG sold 34.5% of its ownership in NRG Yield LLC, consisting of 499 MWs, in July 2013.

(b) The NRG Yield operating segment consists of two dual-fuel (natural gas and oil) simple-cycle generation facilities.

In addition, our thermal assets provide steam and chilled water capacity of approximately 1,098 MW thermal equivalents through our district energy business.

Our generation facilities are primarily located in the United States and comprise generation facilities across the merit order. The sale of capacity and power from baseload and intermediate generation facilities accounts for a majority of our generation revenues. In addition, our generation portfolio provides us with opportunities to capture additional revenues by selling power during periods of peak demand, offering capacity or similar products, and providing ancillary services to support system reliability.

Our retail business arranges for the transmission and delivery of energy-related products to customers, bills customers, collects payments for products sold, and maintains call centers to provide customer service. The retail business sells products that range from system power to bundled products, which combine system power with protection products, energy efficiency and renewable energy solutions, or other value added products and services, including customer rewards offered through exclusive loyalty and affinity program partnerships. Based on metered locations, as of September 30, 2013, our retail business served approximately 2.3 million residential, small business, and commercial and industrial customers.

Our investment in, and development of, new technologies is focused on identifying significant commercial opportunities and creating a comparative advantage for us. Our development and investment initiatives are primarily focused in the areas of distributed solar projects, solar thermal and

Table of Contents

solar photovoltaic, and also include other low-or no-green-house gas emitting energy generating sources, such as the fueling infrastructure for electric vehicle ecosystems.

GenOn Acquisition

On December 14, 2012, we completed the previously announced merger, or the GenOn Merger, with GenOn Energy, Inc., or GenOn, in accordance with a merger agreement dated as of July 20, 2012, or the GenOn Merger Agreement, with GenOn continuing as a wholly owned subsidiary of NRG. Details of the merger and its accounting treatment are described in our 2012 Form 10-K.

NRG Yield, Inc. Spin-Off

In July 2013, NRG Yield, Inc., formerly a wholly owned subsidiary of NRG, completed its initial public offering of shares of its Class A common stock. We formed NRG Yield, Inc. to own and operate a portfolio of contracted generation assets and thermal infrastructure assets that have historically been owned and/or operated by us and our subsidiaries. On July 22, 2013, NRG Yield, Inc. closed its initial public offering of 22,511,250 shares of Class A common stock at a price of $22 per share.

Acquisition of EME Assets and Distribution by EME of NRG Common Stock Pursuant to the Plan

On December 17, 2012, EME and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, or the Bankruptcy Court. EME was deconsolidated from its parent company, EIX, for financial statement purposes but not for tax purposes as of December 17, 2012. On May 2, 2013, certain other subsidiaries of EME filed voluntary petitions for relief under the Bankruptcy Code.

On October 18, 2013, NRG and the Purchaser entered into a Plan Sponsor Agreement with EME, certain of EME's debtor subsidiaries, the Official Committee of Unsecured Creditors of EME and its debtor subsidiaries, or the Committee, the PoJo Parties (as defined in the Plan Sponsor Agreement) and certain of EME's noteholders that are signatories to such agreement, which provides for the parties to pursue confirmation by the Bankruptcy Court of the Plan that will implement a reorganization of EME and its debtor subsidiaries. Pursuant to the Plan Sponsor Agreement, on October 18, 2013, NRG entered into a Purchase Agreement with EME and the Purchaser, a wholly owned subsidiary of NRG, which provides for the acquisition of substantially all of EME's assets, including its equity interests in certain of its direct subsidiaries and thereby such subsidiaries' assets and liabilities, by the Purchaser upon confirmation of the Plan by the Bankruptcy Court, referred to herein as the Acquisition. On October 25, 2013, the Bankruptcy Court approved the Plan Sponsor Agreement.

On November 15, 2013, EME and each of its direct and indirect subsidiaries that filed for relief under the Bankruptcy Code filed the Plan and a related chapter 11 disclosure statement with the Bankruptcy Court in connection with the Acquisition contemplated by the Plan Sponsor Agreement. If the Plan receives the required approval from EME's creditors that are entitled to vote on the Plan, it is expected to be confirmed by the Bankruptcy Court on February 19, 2014.

Pursuant to the Purchase Agreement, as described below, a portion of the purchase price to be paid by NRG in exchange for the acquired assets of EME will be paid in newly issued, registered shares of NRG's common stock. EME will distribute the newly issued shares of NRG common stock in accordance with the terms and conditions of the Plan, and will not occur until the transactions contemplated by the Plan are consummated and the Plan becomes effective. The Plan generally will provide for each of EME's unsecured creditors to receive a pro rata portion of (i) the total amount of the newly issued shares of NRG common stock and (ii) certain cash proceeds. After the sale under the Plan, creditors of EME that receive shares of NRG common stock pursuant to the Plan will be stockholders of NRG.

Table of Contents

The following is a summary of certain material terms of the Purchase Agreement and the Plan Sponsor Agreement. This summary does not include a description of all of the terms, conditions and provisions of the Purchase Agreement and the Plan Sponsor Agreement and is qualified by reference to the complete text of the Purchase Agreement and the Plan Sponsor Agreement, which are attached as exhibits to the registration statement of which this prospectus is a part and incorporated by reference herein.

Purchase Agreement

The Purchase Agreement provides for the acquisition by the Purchaser of substantially all of EME's and certain of EME's debtor subsidiaries' assets and the assumption of certain liabilities, other than the acquisition of certain excluded assets and the assumption of certain liabilities. The assets acquired include the outstanding equity interests in certain of EME's direct subsidiaries and thereby such subsidiaries' assets and liabilities, EME's cash and cash equivalents, and EME's interest in substantially all of the other assets used in the operation of EME's and its subsidiaries' businesses. The Purchaser will assume substantially all of the liabilities related to the acquired assets, including, among other things, (1) all liabilities of EME under those certain leveraged leases relating to the Powerton station and Units 7 and 8 of the Joliet station, which EME's indirect subsidiary, Midwest Generation, LLC, or MWG, leases from third-party lessors pursuant to a sale-leaseback transaction completed in August 2000, or the PoJo Leases, other than certain amounts owed by MWG relating to past due amounts owing under the PoJo Leases as set forth in the Purchase Agreement; (2) all trade and vendor accounts payable and accrued liabilities arising from the operation of EME's and certain of its debtor subsidiaries' businesses prior to the date of the closing of the Acquisition; and (3) all cure amounts and other liabilities of EME and certain of its debtor subsidiaries (other than Chestnut Ridge Energy Company, Edison Mission Energy Services, Inc., Edison Mission Finance Co., Edison Mission Holdings Co., EME Homer City Generation L.P., Homer City Property Holdings, Inc., and Mission Energy Westside, Inc. and certain agreed-upon excluded liabilities).

Purchase Price

Pursuant to the Purchase Agreement, NRG shall pay a total purchase price of $2,635 million to be paid by NRG in exchange for the acquired assets of EME, of which $1,063 million consists of acquired cash. The purchase price is subject to certain adjustments provided in the Purchase Agreement. The Purchase Agreement provides that $350 million of the total purchase price payable by NRG in exchange for the acquired assets of EME will be paid in newly issued, registered shares of NRG's common stock and the remainder will be paid in cash. EME, as the selling stockholder under this prospectus, will distribute the shares acquired by EME pursuant to the Purchase Agreement to its unsecured creditors in accordance with the Plan, which shares will be freely tradable by such creditors that are not affiliates of NRG. The price of the shares sold to EME under the Purchase Agreement will be $27.62 per share, which price was determined in accordance with the Plan Sponsor Agreement based on the volume-weighted average trading price of such shares over the 20 trading days prior to October 18, 2013. NRG will assume non-recourse debt of approximately $1,545 million, subject to adjustment, of which $273 million is associated with assets designated as Non-Core Assets (as defined in the Purchase Agreement) pursuant to the Purchase Agreement.

Closing Conditions

The Purchase Agreement contains customary conditions to closing, including confirmation of the Plan by the Bankruptcy Court, receipt of approval from the FERC, expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, effectiveness of the registration statement of which this prospectus is a part, and approval for listing of the shares registered under this prospectus on the New York Stock Exchange. Pursuant to the PoJo Lease Modifications (as defined in

Table of Contents

the Purchase Agreement), at the closing of the Acquisition, NRG would (i) replace the existing EME guarantees with NRG guarantees, (ii) replace EME as a party to the tax indemnity agreements relating to the Powerton and Joliet facility leases, and (iii) covenant to make a capital investment in the Powerton and Joliet facilities, provided that NRG will not be obligated to make capital investments in excess of $350 million. In consideration of the foregoing, at the closing of the Acquisition, the estate of EME would retain all liabilities relating to the payment of the Agreed PoJo Cure Amount (as defined in the Purchase Agreement), the intercompany note issued by EME for the benefit of MWG, a debtor subsidiary of EME, would be extinguished, MWG would assume the Powerton and Joliet facility leases and the other operative documents related thereto, as modified by mutual agreement of the parties thereto and all monetary defaults under each lease will be cured at closing.

Covenants

EME was permitted solicit alternative transactions from third parties through December 6, 2013, after which EME may not solicit proposals from or negotiate with any third party. NRG will receive copies of all written bona fide offers received on or after October 18, 2013. If EME's board of directors determines, consistent with its fiduciary duties, that another proposal or proposals is better for EME and its stakeholders than the terms of the Acquisition, or a Superior Proposal, then NRG will have advance notice of EME's intention to terminate the Purchase Agreement. EME may terminate the Purchase Agreement in order to enter into a Superior Proposal at any time prior to entry of a confirmation order.

Termination Rights

The Purchase Agreement and the Plan Sponsor Agreement provide specific termination rights to each party, which include a right to terminate if certain milestone dates are not met, for material breaches of either agreement not cured within a specified period or if EME enters into or seeks approval of a Superior Proposal. Under specified circumstances, including if EME enters into or seeks approval of a Superior Proposal, NRG will be entitled to receive a cash fee of $65 million, or the Termination Fee, and expense reimbursement of all reasonable and documented out-of-pocket expenses, or the Expense Reimbursement, if the Purchase Agreement is terminated. The Termination Fee and the Expense Reimbursement are referred to collectively herein as the Plan Sponsor Protections.

Plan Sponsor Agreement

The Plan Sponsor Agreement contains representations and warranties, and covenants of the parties to pursue confirmation of the Plan. The Bankruptcy Court approved the Plan Sponsor Agreement and the Plan Sponsor Protections on October 24, 2013, and the Plan Sponsor Protections became effective on that date.

Pursuant to the Plan Sponsor Agreement and the Purchase Agreement, NRG is required to use reasonable best efforts to cause the registration statement of which this prospectus is a part to become effective on or before closing. NRG's obligation to cause the registration statement of which this prospectus is a part to become effective is subject to customary covenants, representations, warranties and other conditions. NRG is required to use reasonable best efforts to have the registration statement of which this prospectus is a part declared effective as promptly as reasonably practicable after its filing with the SEC and to keep such registration statement effective until at least the thirtieth day after the Plan Effective Date (as defined in the Plan Sponsor Agreement).

Table of Contents

Business Strategy

Our business is focused on: (i) excellence in safety and operating performance of our existing assets; (ii) 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; (iii) optimal hedging of generation assets and retail load operations; (iv) repowering of power generation assets at premium sites; (v) investing in, and deploying, alternative energy technologies both in our wholesale and, particularly, in and around our retail business and our customers; (vi) pursuing selective acquisitions, joint ventures, divestitures and investments; and (vii) engaging in a proactive capital allocation plan focused on achieving the regular return of and on stockholder capital within the dictates of prudent balance sheet management.

In addition, our company created NRG Yield, Inc. to enhance value for our stockholders by seeking to achieve the following objectives: (i) gain access to an alternative investor base with a more competitive source of equity capital that would accelerate NRG Yield, Inc.'s long-term growth and acquisition strategy and optimize the NRG Yield, Inc. capital structure; (ii) highlight the value inherent in the contracted conventional and renewable generation and thermal infrastructure assets by separating them from other NRG non-contracted assets; and (iii) create a pure-play public issue with operating, financial and tax characteristics that we believe will appeal to dividend growth-oriented investors seeking exposure to the contracted power sector.

We believe that the U.S. energy industry is going to be increasingly impacted by the long-term societal trend towards sustainability which is both generational and irreversible. Moreover, the information technology-driven revolution, which has enabled greater and easier personal choice in other sectors of the consumer economy, will do the same in the U.S. energy sector over the years to come. As a result, energy consumers are expected to have increasing personal control over whom they buy their energy from, how that energy is generated and used and what environmental impact these individual choices will have. Our initiatives in this area of future growth are focused on: (i) renewables, with a concentration in solar development; (ii) electric vehicle ecosystems; (iii) customer-facing energy products and services, including smart energy services that give consumers individual energy insights, choices and convenience, a variety of renewable and energy efficiency products, and numerous loyalty and affinity options and tailored product and service bundles sold through unique retail sales channels; and (iv) construction of other forms of on-site clean power generation. Our advancements in each of these areas are driven by select acquisitions, joint ventures, and investments that are more fully described in our 2012 Form 10-K and our Form 10-Q for the quarter ended September 30, 2013.

In summary, our business strategy is intended to maximize stockholder value through the production and sale of safe, reliable and affordable power to our customers in the markets served by us, while aggressively positioning us to meet the market's increasing demand for sustainable and low carbon energy solutions. This strategy is designed to enhance our core business of competitive power generation and mitigate the risk of declining power prices. We expect to become a leading provider of sustainable energy solutions that promotes national energy security, while utilizing our retail business to complement and advance both initiatives.

Summary of Risk Factors

We are subject to a variety of risks related to our competitive position and business strategies. Some of the more significant challenges and risks include those associated with the operation of our power generation plants, volatility in power prices and fuel costs, our leveraged capital structure and extensive governmental regulation. See the section entitled "Risk Factors" beginning on page 10 of this prospectus and the section entitled "Risk Factors Related to NRG Energy, Inc." of our 2012 Form 10-K for a discussion of the factors you should consider before investing in our common stock.

Table of Contents

Corporate Information

We were incorporated as a Delaware corporation on May 29, 1992. Our common stock is listed on the New York Stock Exchange under the symbol "NRG." Our headquarters and principal executive offices are located at 211 Carnegie Center, Princeton, New Jersey 08540. Our telephone number is (609) 524-4500. Our website is located at www.nrgenergy.com. The information on, or linked to, our website is not a part of this prospectus and is not incorporated in this prospectus by reference.

You can get more information regarding our business by reading our 2012 Form 10-K, and the other reports we file with the Securities and Exchange Commission, or SEC. For additional information, see the section entitled "Where You Can Find More Information" beginning on page 40 of this prospectus and the section entitled "Incorporation by Reference" beginning on page 39 of this prospectus.

Table of Contents

THE OFFERING

The following is a brief summary of the terms of this offering.

Issuer	NRG Energy, Inc.
Common stock offered by the selling stockholder	12,671,977 shares, valued at $27.62 per share. See the section entitled "Plan of Distribution" beginning on page 27.
Common stock outstanding prior to the offering	323,416,260 shares
Common stock to be outstanding after the offering	335,999,545 shares(1)
Use of proceeds	We will not receive any proceeds from the distribution of our common stock by EME.
Offering	The shares of common stock will be issued to EME under the Purchase Agreement, which will be distributed by EME to its unsecured creditors of EME pursuant to the Plan. See the section entitled "Plan of Distribution" beginning on page 27.
Transfer Agent	Computershare Limited
NYSE Ticker Symbol	"NRG"
Risk factors	See the section entitled "Risk Factors" beginning on page 10 and other information included in this prospectus for a discussion of factors that you should consider carefully.

(1) The number of shares of common stock to be outstanding after this distribution is based on 323,416,260 shares of common stock outstanding as of October 31, 2013, excluding 77,347,528 shares held in treasury and all restricted stock units and options issued under NRG's Amended and Restated Long-Term Incentive Plan and 2010 Stock Plan for employees of GenOn regardless of whether such units or options have vested.

Table of Contents

SUMMARY FINANCIAL DATA

The following tables set forth a summary of our consolidated historical financial data as of, and for the period ended on, the dates indicated. The annual historical information is derived from our audited consolidated financial statements as of and for the five-year period ended December 31, 2012. The consolidated interim historical information as of and for the nine months ended September 30, 2013 and 2012 has been derived from our unaudited consolidated financial statements and in the opinion of management, includes all normal and recurring adjustments that are considered necessary for the fair presentations of the results of the interim period. You should read this data together with our audited consolidated financial statements and related notes to our financial statements contained in our 2012 Form 10-K and our quarterly report on Form 10-Q for the quarter ended September 30, 2013, which have been incorporated by reference into this prospectus. Our historical results are not necessarily indicative of our future results, and results for the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the full year ending December 31, 2013.

	Nine Months Ended September 30,		Year Ended December 31,				
	2013	2012	2012(a)	2011(b)	2010	2009	2008
	(unaudited)		(in millions, except per share data)				
Statement of Income Data:							
Total operating revenues	$ 8,500	$ 6,359	$ 8,422	$ 9,079	$ 8,849	$ 8,952	$ 6,885
Total operating costs and expenses, and other expenses	8,594	6,544	8,170	9,725	8,119	7,283	5,119
Income (loss) from continuing operations, net	(47)	61	579	197	476	941	1,053
Income from discontinued operations, net							172
Net income (loss) attributable to NRG Energy, Inc.	$ (74)	$ 43	$ 559	$ 197	$ 477	$ 942	$ 1,225
Per Share Data:							
Income (loss) attributable to NRG from continuing operations basic	$ (0.25)	$ 0.16	$ 2.37	$ 0.78	$ 1.86	$ 3.70	$ 4.25
Income attributable to NRG from continuing operations diluted	(0.25)	0.16	2.35	0.78	1.84	3.44	3.80
Net income (loss) attributable to NRG basic	(0.25)	0.16	2.37	0.78	1.86	3.70	4.98
Net income (loss) attributable to NRG diluted	(0.25)	0.16	2.35	0.78	1.84	3.44	4.43
Cash dividends per common share	0.33	0.09	0.18				
Balance Sheet Data:							
Current assets	$ 7,249	$ 6,383	$ 7,956	$ 7,749	$ 7,137	$ 6,208	$ 8,492
Current liabilities	4,382	4,777	4,677	5,861	4,220	3,762	6,581
Property, plant and equipment, net	20,600	15,866	20,268	13,621	12,517	11,564	11,545
Total assets	34,863	27,220	35,128	26,900	26,896	23,378	24,808
Long-term debt, including current maturities, capital leases, and funded letter of credit	16,713	11,342	15,883	9,832	10,511	8,418	8,161
Total stockholders' equity	$ 10,881	$ 7,890	$ 10,533	$ 7,669	$ 8,072	$ 7,697	$ 7,123

(a) Refer to Note 3, *Business Acquisitions and Dispositions*, to our 2012 Form 10-K, for a description of the acquisition of GenOn on December 14, 2012.

(b) Refer to Note 2, *Summary of Significant Accounting Policies, Asset Impairments*, to our 2012 Form 10-K, for a description of impairment charges recorded in 2011.

Table of Contents

RISK FACTORS

You should carefully consider the risk factors set forth below and the risk factors incorporated into this prospectus by reference to our 2012 Form 10-K, as well as the other information contained in and incorporated by reference into this prospectus before deciding to participate in this distribution. The selected risks described below and the risks that are incorporated into this prospectus by reference to our 2012 Form 10-K are not our only risks. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial also may materially and adversely affect our business, financial condition or results of operations. Any of the following risks or any of the risks described in our 2012 Form 10-K could materially and adversely affect our business, financial condition, operating results or cash flow. In such a case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Many of NRG's power generation facilities operate, wholly or partially, without long-term power sale agreements.

Many of NRG's facilities operate as "merchant" facilities without long-term power sales agreements for some or all of their generating capacity and output, and therefore are exposed to market fluctuations. Without the benefit of long-term power sales agreements for these assets, NRG cannot be sure that it will be able to sell any or all of the power generated by these facilities at commercially attractive rates or that these facilities will be able to operate profitably. This could lead to future impairments of the Company's property, plant and equipment or to the closing of certain of its facilities, resulting in economic losses and liabilities, which could have a material adverse effect on the Company's results of operations, financial condition or cash flows.

NRG's financial performance may be impacted by changing natural gas prices, significant and unpredictable price fluctuations in the wholesale power markets and other market factors that are beyond the Company's control.

A significant percentage of the Company's domestic revenues are derived from baseload power plants that are fueled by coal. In many of the competitive markets where NRG operates, the price of power typically is set by natural gas-fired power plants that generally have higher variable costs than NRG's coal-fired power plants. This allows the Company's coal generation assets to earn attractive operating margins compared to plants fueled by natural gas. A decrease in natural gas prices could result in a corresponding decrease in the market price of power that could significantly reduce the operating margins of the Company's baseload generation assets and materially and adversely impact its financial performance. At low enough natural gas prices, gas plants become more economical than coal generation. In such a price environment, the Company's coal units cycle more often or even shut down until prices or load increases enough to justify running them again.

In addition, because changes in power prices in the markets where NRG operates are generally correlated with changes in natural gas prices, NRG's hedging portfolio includes natural gas derivative instruments to hedge power prices for its coal and nuclear generation. If this correlation between power prices and natural gas prices is not maintained and a change in gas prices is not proportionately offset by a change in power prices, the Company's natural gas hedges may not fully cover this differential. This could have a material adverse impact on the Company's cash flow and financial position.

Market prices for power, capacity and ancillary services tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances, especially in the day-ahead and spot markets. Long- and short-term

Table of Contents

power prices may also fluctuate substantially due to other factors outside of the Company's control, including:

- changes in generation capacity in the Company's markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation plants, expansion of existing plants or additional transmission capacity;
- electric supply disruptions, including plant outages and transmission disruptions;
- changes in power transmission infrastructure;
- fuel transportation capacity constraints;
- weather conditions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- development of new fuels and new technologies for the production of power;
- development of new technologies for the production of natural gas;
- regulations and actions of the independent system operators, or ISOs; and
- federal and state power market and environmental regulation and legislation.

These factors have caused the Company's operating results to fluctuate in the past and will continue to cause them to do so in the future.

NRG's costs, results of operations, financial condition and cash flows could be adversely impacted by disruption of its fuel supplies.

NRG relies on coal, oil and natural gas to fuel a majority of its power generation facilities. Delivery of these fuels to the facilities is dependent upon the continuing financial viability of contractual counterparties as well as upon the infrastructure (including rail lines, rail cars, barge facilities, roadways, riverways and natural gas pipelines) available to serve each generation facility. As a result, the Company is subject to the risks of disruptions or curtailments in the production of power at its generation facilities if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure.

NRG has sold forward a substantial portion of its coal and nuclear power in order to lock in long-term prices that it deemed to be favorable at the time it entered into the forward sale contracts. In order to hedge its obligations under these forward power sales contracts, the Company has entered into long-term and short-term contracts for the purchase and delivery of fuel. Many of the forward power sales contracts do not allow the Company to pass through changes in fuel costs or discharge the power sale obligations in the case of a disruption in fuel supply due to force majeure events or the default of a fuel supplier or transporter. Disruptions in the Company's fuel supplies may therefore require it to find alternative fuel sources at higher costs, to find other sources of power to deliver to counterparties at a higher cost, or to pay damages to counterparties for failure to deliver power as contracted. Any such event could have a material adverse effect on the Company's financial performance.

NRG also buys significant quantities of fuel on a short-term or spot market basis. Prices for all of the Company's fuels fluctuate, sometimes rising or falling significantly over a relatively short period of time. The price NRG can obtain for the sale of energy may not rise at the same rate, or may not rise at all, to match a rise in fuel or delivery costs. This may have a material adverse effect on the

11

Table of Contents

Company's financial performance. Changes in market prices for natural gas, coal and oil may result from the following:

- weather conditions;
- seasonality;
- demand for energy commodities and general economic conditions;
- disruption or other constraints or inefficiencies of electricity, gas or coal transmission or transportation;
- additional generating capacity;
- availability and levels of storage and inventory for fuel stocks;
- natural gas, crude oil, refined products and coal production levels;
- changes in market liquidity;
- federal, state and foreign governmental regulation and legislation; and
- the creditworthiness and liquidity and willingness of fuel suppliers/transporters to do business with the Company.

NRG's plant operating characteristics and equipment, particularly at its coal-fired plants, often dictate the specific fuel quality to be combusted. The availability and price of specific fuel qualities may vary due to supplier financial or operational disruptions, transportation disruptions and force majeure. At times, coal of specific quality may not be available at any price, or the Company may not be able to transport such coal to its facilities on a timely basis. In this case, the Company may not be able to run the coal facility even if it would be profitable. Operating a coal facility with different quality coal can lead to emission or operating problems. If the Company had sold forward the power from such a coal facility, it could be required to supply or purchase power from alternate sources, perhaps at a loss. This could have a material adverse impact on the financial results of specific plants and on the Company's results of operations.

There may be periods when NRG will not be able to meet its commitments under forward sale obligations at a reasonable cost or at all.

A substantial portion of the output from NRG's coal and nuclear facilities has been sold forward under fixed price power sales contracts through 2014, and the Company also sells forward the output from its intermediate and peaking facilities when it deems it commercially advantageous to do so. Because the obligations under most of these agreements are not contingent on a unit being available to generate power, NRG is generally required to deliver power to the buyer, even in the event of a plant outage, fuel supply disruption or a reduction in the available capacity of the unit. To the extent that the Company does not have sufficient lower cost capacity to meet its commitments under its forward sale obligations, the Company would be required to supply replacement power either by running its other, higher cost power plants or by obtaining power from third-party sources at market prices that could substantially exceed the contract price. If NRG fails to deliver the contracted power, it would be required to pay the difference between the market price at the delivery point and the contract price, and the amount of such payments could be substantial.

In the South Central region, NRG has long-term contracts with rural cooperatives that require it to serve all of the cooperatives' requirements at prices that generally reflect the costs of coal-fired generation. During limited peak demand periods, the load requirements of these contract customers exceed the capacity of NRG's coal-fired Big Cajun II plant. During such peak demand periods, NRG employs its intermediate and/or peaking facilities. Depending upon the then-current gas commodity

12

pricing, NRG's financial returns from its South Central region could be negatively impacted for a limited period if the cost of its intermediate and/or peaking power is at higher prices than can be recovered under the Company's contracts.

NRG's trading operations and the use of hedging agreements could result in financial losses that negatively impact its results of operations.

The Company typically enters into hedging agreements, including contracts to purchase or sell commodities at future dates and at fixed prices, in order to manage the commodity price risks inherent in its power generation operations. These activities, although intended to mitigate price volatility, expose the Company to other risks. When the Company sells power forward, it gives up the opportunity to sell power at higher prices in the future, which not only may result in lost opportunity costs but also may require the Company to post significant amounts of cash collateral or other credit support to its counterparties. The Company also relies on counterparty performance under its hedging agreements and is exposed to the credit quality of its counterparties under those agreements. Further, if the values of the financial contracts change in a manner that the Company does not anticipate, or if a counterparty fails to perform under a contract, it could harm the Company's business, operating results or financial position.

NRG does not typically hedge the entire exposure of its operations against commodity price volatility. To the extent it does not hedge against commodity price volatility, the Company's results of operations and financial position may be improved or diminished based upon movement in commodity prices.

NRG may engage in trading activities, including the trading of power, fuel and emissions allowances that are not directly related to the operation of the Company's generation facilities or the management of related risks. These trading activities take place in volatile markets and some of these trades could be characterized as speculative. The Company would expect to settle these trades financially rather than through the production of power or the delivery of fuel. This trading activity may expose the Company to the risk of significant financial losses which could have a material adverse effect on its business and financial condition.

NRG may not have sufficient liquidity to hedge market risks effectively.

The Company is exposed to market risks through its power marketing business, which involves the sale of energy, capacity and related products and the purchase and sale of fuel, transmission services and emission allowances. These market risks include, among other risks, volatility arising from location and timing differences that may be associated with buying and transporting fuel, converting fuel into energy and delivering the energy to a buyer.

NRG undertakes these marketing activities through agreements with various counterparties. Many of the Company's agreements with counterparties include provisions that require the Company to provide guarantees, offset of netting arrangements, letters of credit, a first lien on assets and/or cash collateral to protect the counterparties against the risk of the Company's default or insolvency. The amount of such credit support that must be provided typically is based on the difference between the price of the commodity in a given contract and the market price of the commodity. Significant movements in market prices can result in the Company being required to provide cash collateral and letters of credit in very large amounts. The effectiveness of the Company's strategy may be dependent on the amount of collateral available to enter into or maintain these contracts, and liquidity requirements may be greater than the Company anticipates or will be able to meet. Without a sufficient amount of working capital to post as collateral in support of performance guarantees or as a cash margin, the Company may not be able to manage price volatility effectively or to implement its strategy. An increase in the amount of letters of credit or cash collateral required to be provided to the Company's counterparties may negatively affect the Company's liquidity and financial condition.

Further, if any of NRG's facilities experience unplanned outages, the Company may be required to procure replacement power at spot market prices in order to fulfill contractual commitments. Without adequate liquidity to meet margin and collateral requirements, the Company may be exposed to significant losses, may miss significant opportunities, and may have increased exposure to the volatility of spot markets.

The accounting for NRG's hedging activities may increase the volatility in the Company's quarterly and annual financial results.

NRG engages in commodity-related marketing and price-risk management activities in order to financially hedge its exposure to market risk with respect to electricity sales from its generation assets, fuel utilized by those assets and emission allowances.

NRG generally attempts to balance its fixed-price physical and financial purchases and sales commitments in terms of contract volumes and the timing of performance and delivery obligations through the use of financial and physical derivative contracts. These derivatives are accounted for in accordance with the Financial Accounting Standards Board, or FASB, ASC 815, Derivatives and Hedging, or ASC 815, which requires the Company to record all derivatives on the balance sheet at fair value with changes in the fair value resulting from fluctuations in the underlying commodity prices immediately recognized in earnings, unless the derivative qualifies for cash flow hedge accounting treatment. Whether a derivative qualifies for cash flow hedge accounting treatment depends upon it meeting specific criteria used to determine if the cash flow hedge is and will remain appropriate for the term of the derivative. All economic hedges may not necessarily qualify for cash flow hedge accounting treatment. As a result, the Company's quarterly and annual results are subject to significant fluctuations caused by changes in market prices.

Competition in wholesale power markets may have a material adverse effect on NRG's results of operations, cash flows and the market value of its assets.

NRG has numerous competitors in all aspects of its business, and additional competitors may enter the industry. Because many of the Company's facilities are old, newer plants owned by the Company's competitors are often more efficient than NRG's aging plants, which may put some of these plants at a competitive disadvantage to the extent the Company's competitors are able to consume the same or less fuel as the Company's plants consume. Over time, the Company's plants may be squeezed out of their markets, or may be unable to compete with these more efficient plants.

In NRG's power marketing and commercial operations, it competes on the basis of its relative skills, financial position and access to capital with other providers of electric energy in the procurement of fuel and transportation services, and the sale of capacity, energy and related products. In order to compete successfully, the Company seeks to aggregate fuel supplies at competitive prices from different sources and locations and to efficiently utilize transportation services from third-party pipelines, railways and other fuel transporters and transmission services from electric utilities.

Other companies with which NRG competes with may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses, longer-standing relationships with customers, greater potential for profitability from ancillary services or greater flexibility in the timing of their sale of generation capacity and ancillary services than NRG does.

NRG's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their power generation facilities than NRG can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that NRG will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on NRG's revenues and results of operations. NRG may not have adequate insurance to cover these risks and hazards.

The ongoing operation of NRG's facilities involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport the Company's product to its customers in an efficient manner due to a lack of transmission capacity. Unplanned outages of generating units, including extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Company's business. Unplanned outages typically increase the Company's operation and maintenance expenses and may reduce the Company's revenues as a result of selling fewer saleable MW hours or require NRG to incur significant costs as a result of running one of its higher cost units or obtaining replacement power from third parties in the open market to satisfy the Company's forward power sales obligations. NRG's inability to operate the Company's plants efficiently, manage capital expenditures and costs, and generate earnings and cash flow from the Company's asset-based businesses could have a material adverse effect on the Company's results of operations, financial condition or cash flows. While NRG maintains insurance, obtains warranties from vendors and obligates contractors to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not be adequate to cover the Company's lost revenues, increased expenses or liquidated damages payments should the Company experience equipment breakdown or non-performance by contractors or vendors.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks such as earthquake, flood, lightning, hurricane and wind, other hazards, such as fire, explosion, structural collapse and machinery failure are inherent risks in the Company's operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in NRG being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. NRG maintains an amount of insurance protection that it considers adequate, but the Company cannot provide any assurance that its insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which it may be subject. A successful claim for which the Company is not fully insured could hurt its financial results and materially harm NRG's financial condition. Further, due to rising insurance costs and changes in the insurance markets, NRG cannot provide any assurance that its insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Table of Contents

Maintenance, expansion and refurbishment of power generation facilities involve significant risks that could result in unplanned power outages or reduced output and could have a material adverse effect on NRG's results of operations, cash flow and financial condition.

Many of NRG's facilities are old and require periodic upgrading and improvement. Any unexpected failure, including failure associated with breakdowns, forced outages or any unanticipated capital expenditures could result in reduced profitability.

NRG cannot be certain of the level of capital expenditures that will be required due to changing environmental and safety laws and regulations (including changes in the interpretation or enforcement thereof), needed facility repairs and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on the Company's liquidity and financial condition.

If NRG makes any major modifications to its power generation facilities, the Company may be required to install the best available control technology or to achieve the lowest achievable emission rates as such terms are defined under the new source review provisions of the federal Clean Air Act. Any such modifications would likely result in substantial additional capital expenditures.

The Company may incur additional costs or delays in the development, construction and operation of new plants, improvements to existing plants, or the implementation of environmental control equipment at existing plants and may not be able to recover their investment or complete the project.

The Company is developing or constructing new generation facilities, improving its existing facilities; and adding environmental controls to its existing facilities. The development, construction, expansion, modification and refurbishment of power generation facilities involve many additional risks, including:

- the inability to receive U.S. Department of Energy, or U.S. DOE, loan guarantees, funding or cash grants;
- delays in obtaining necessary permits and licenses;
- the inability to sell down interests in a project or develop successful partnering relationships;
- environmental remediation of soil or groundwater at contaminated sites;
- interruptions to dispatch at the Company's facilities;
- supply interruptions;
- work stoppages;
- labor disputes;
- weather interferences;
- unforeseen engineering, environmental and geological problems;
- unanticipated cost overruns;

exchange rate risks; and

failure of contracting parties to perform under contracts, including engineering, procurement and construction, or EPC, contractors.

Any of these risks could cause NRG's financial returns on new investments to be lower than expected, or could cause the Company to operate below expected capacity or availability levels, which could result in lost revenues, increased expenses, higher maintenance costs and penalties. Insurance is maintained to protect against these risks, warranties are generally obtained for limited periods relating to the construction of each project and its equipment in varying degrees, and contractors and equipment suppliers are obligated to meet certain performance levels. The insurance, warranties or performance guarantees, however, may not be adequate to cover increased expenses. As a result, a project may cost more than projected and may be unable to fund principal and interest payments under its construction financing obligations, if any. A default under such a financing obligation could result in losing the Company's interest in a power generation facility.

Furthermore, where the Company has partnering relationships with a third party, the Company is subject to the viability and performance of the third party. The Company's inability to find a replacement contracting party, particularly an EPC contractor, where the original contracting party has failed to perform, could result in the abandonment of the development and/or construction of such project, while the Company could remain obligated on other agreements associated with the project, including power purchase agreements, or PPAs.

If the Company is unable to complete the development or construction of a facility or environmental control, or decides to delay, downsize, or cancel such project, it may not be able to recover its investment in that facility or environmental control. Furthermore, if construction projects are not completed according to specification, the Company may incur liabilities and suffer reduced plant efficiency, higher operating costs and reduced net income.

NRG and its subsidiaries have guaranteed the performance of third parties, which may result in substantial costs in the event of non-performance.

NRG and its subsidiaries have issued certain guarantees of the performance of others, which obligate NRG and its subsidiaries to perform in the event that the third parties do not perform. In the event of non-performance by the third parties, NRG could incur substantial cost to fulfill their obligations under these guarantees. Such performance guarantees could have a material impact on the operating results, financial condition, or cash flows of the Company.

The Company's development programs are subject to financing and public policy risks that could adversely impact NRG's financial performance or result in the abandonment of such development projects.

While NRG currently intends to develop and finance the more capital intensive projects on a non-recourse or limited recourse basis through separate project financed entities, and intends to seek additional investments in most of these projects from third parties, NRG anticipates that it will need to make significant equity investments in these projects. NRG may also decide to develop and finance some of the projects, such as smaller gas-fired and renewable projects, using corporate financial resources rather than non-recourse debt, which could subject NRG to significant capital expenditure requirements and to risks inherent in the development and construction of new generation facilities. In addition to providing some or all of the equity required to develop and build the proposed projects, NRG's ability to finance these projects on a non-recourse basis is contingent upon a number of factors, including the terms of the EPC contracts, construction costs, PPAs and fuel procurement contracts, capital markets conditions, the availability of tax credits and other government incentives for certain new technologies. To the extent NRG is not able to obtain non-recourse financing for any project or should the credit rating agencies attribute a material amount of the project finance debt to NRG's credit, the financing of the development projects could have a negative impact on the credit ratings of NRG.

NRG may also choose to undertake the repowering, refurbishment or upgrade of current facilities based on the Company's assessment that such activity will provide adequate financial returns. Such projects often require several years of development and capital expenditures before commencement of commercial operations, and key assumptions underpinning a decision to make such an investment may prove incorrect, including assumptions regarding construction costs, timing, available financing and future fuel and power prices.

Furthermore, the viability of the Company's renewable development projects are largely contingent on public policy mechanisms including production and investment tax credits, cash grants, loan guarantees, accelerated depreciation tax benefits, renewable portfolio standards, or RPS, and carbon trading plans. These mechanisms have been implemented at the state and federal levels to support the development of renewable generation, demand-side and smart grid, and other clean infrastructure technologies. The availability and continuation of public policy support mechanisms will drive a significant part of the economics and viability of the Company's development program and expansion into clean energy investments.

Supplier and/or customer concentration at certain of NRG's facilities may expose the Company to significant financial credit or performance risks.

NRG often relies on a single contracted supplier or a small number of suppliers for the provision of fuel, transportation of fuel and other services required for the operation of certain of its facilities. If these suppliers cannot perform, the Company utilizes the marketplace to provide these services. There can be no assurance that the marketplace can provide these services as, when and where required.

At times, NRG relies on a single customer or a few customers to purchase all or a significant portion of a facility's output, in some cases under long-term agreements that account for a substantial percentage of the anticipated revenue from a given facility. The Company has also hedged a portion of its exposure to power price fluctuations through forward fixed price power sales and natural gas price swap agreements. Counterparties to these agreements may breach or may be unable to perform their obligations. NRG may not be able to enter into replacement agreements on terms as favorable as its existing agreements, or at all. If the Company was unable to enter into replacement PPA's, the Company would sell its plants' power at market prices. If the Company is unable to enter into replacement fuel or fuel transportation purchase agreements, NRG would seek to purchase the Company's fuel requirements at market prices, exposing the Company to market price volatility and the risk that fuel and transportation may not be available during certain periods at any price.

The failure of any supplier or customer to fulfill its contractual obligations to NRG could have a material adverse effect on the Company's financial results. Consequently, the financial performance of the Company's facilities is dependent on the credit quality of, and continued performance by, suppliers and customers.

NRG relies on power transmission facilities that it does not own or control and that are subject to transmission constraints within a number of the Company's core regions. If these facilities fail to provide NRG with adequate transmission capacity, the Company may be restricted in its ability to deliver wholesale electric power to its customers and the Company may either incur additional costs or forego revenues. Conversely, improvements to certain transmission systems could also reduce revenues.

NRG depends on transmission facilities owned and operated by others to deliver the wholesale power it sells from the Company's power generation plants to its customers. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, NRG's ability to sell and deliver wholesale power may be adversely impacted. If a region's power transmission infrastructure is inadequate, the Company's recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure. The Company cannot also predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

In addition, in certain of the markets in which NRG operates, energy transmission congestion may occur and the Company may be deemed responsible for congestion costs if it schedules delivery of power between congestion zones during times when congestion occurs between the zones. If NRG were liable for such congestion costs, the Company's financial results could be adversely affected.

Table of Contents

The Company has a significant amount of generation located in load pockets, making that generation valuable, particularly with respect to maintaining the reliability of the transmission grid. Expansion of transmission systems to reduce or eliminate these load pockets could negatively impact the value or profitability of the Company's existing facilities in these areas.

Because NRG owns less than a majority of some of its project investments, the Company cannot exercise complete control over their operations.

NRG has limited control over the operation of some project investments and joint ventures because the Company's investments are in projects where it beneficially owns less than a majority of the ownership interests. NRG seeks to exert a degree of influence with respect to the management and operation of projects in which it owns less than a majority of the ownership interests by negotiating to obtain positions on management committees or to receive certain limited governance rights, such as rights to veto significant actions. However, the Company may not always succeed in such negotiations. NRG may be dependent on its co-venturers to operate such projects. The Company's co-venturers may not have the level of experience, technical expertise, human resources management and other attributes necessary to operate these projects optimally. The approval of co-venturers also may be required for NRG to receive distributions of funds from projects or to transfer the Company's interest in projects.

The GenOn Merger may not achieve its anticipated results, and NRG may be unable to integrate the operations of GenOn in the manner expected.

NRG and GenOn entered into the GenOn Merger Agreement with the expectation that the GenOn Merger will result in various benefits, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the GenOn Merger depends on whether the businesses of NRG and GenOn can be integrated in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of NRG's businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect the Company's ability to achieve the anticipated benefits of the GenOn Merger. NRG may have difficulty addressing possible differences in corporate cultures and management philosophies. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect NRG's future business, financial condition, operating results and prospects.

Future acquisition activities may have adverse effects.

NRG may seek to acquire additional companies or assets in the Company's industry or which complement the Company's industry. The acquisition of companies and assets is subject to substantial risks, including the failure to identify material problems during due diligence, the risk of over-paying for assets, the ability to retain customers and the inability to arrange financing for an acquisition as may be required or desired. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources and, ultimately, the Company's acquisitions may not be successfully integrated. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

NRG's business is subject to substantial governmental regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future regulations or requirements.

NRG's business is subject to extensive foreign, and U.S. federal, state and local laws. Compliance with the requirements under these various regulatory regimes may cause the Company to incur significant additional costs, and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines, and/or civil or criminal liability.

Table of Contents

Public utilities under the Federal Power Act, or FPA, are required to obtain Federal Energy Regulatory Commission, or the FERC, acceptance of their rate schedules for wholesale sales of electricity. Except for the Electric Reliability Council of Texas, or ERCOT, generating facilities and power marketers, all of NRG's non-qualifying facility generating companies and power marketing affiliates in the U.S. make sales of electricity in interstate commerce and are public utilities for purposes of the FPA. The FERC has granted each of NRG's generating and power marketing companies that make sales of electricity outside of ERCOT the authority to sell electricity at market-based rates. The FERC's orders that grant NRG's generating and power marketing companies market-based rate authority reserve the right to revoke or revise that authority if the FERC subsequently determines that NRG can exercise market power in transmission or generation, create barriers to entry, or engage in abusive affiliate transactions. In addition, NRG's market-based sales are subject to certain market behavior rules, and if any of NRG's generating and power marketing companies were deemed to have violated one of those rules, they are subject to potential disgorgement of profits associated with the violation and/or suspension or revocation of their market-based rate authority. If NRG's generating and power marketing companies were to lose their market-based rate authority, such companies would be required to obtain the FERC's acceptance of a cost-of-service rate schedule and could become subject to the accounting, record-keeping, and reporting requirements that are imposed on utilities with cost-based rate schedules. This could have an adverse effect on the rates NRG charges for power from its facilities.

NRG is also affected by legislative and regulatory changes, as well as changes to market design, market rules, tariffs, cost allocations, and bidding rules that occur in the existing ISOs. The ISOs that oversee most of the wholesale power markets impose, and in the future may continue to impose, mitigation, including price limitations, offer caps, and other mechanisms to address some of the volatility and the potential exercise of market power in these markets. These types of price limitations and other regulatory mechanisms may have an adverse effect on the profitability of NRG's generation facilities that sell energy and capacity into the wholesale power markets.

The regulatory environment has undergone significant changes in the last several years due to state and federal policies affecting wholesale and retail competition and the creation of incentives for the addition of large amounts of new renewable generation and, in some cases, transmission. These changes are ongoing and the Company cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on NRG's business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, as well as proposals to re-regulate the markets or require divestiture by generating companies to reduce their market share. Other proposals to re-regulate may be made and legislative or other attention to the electric power market restructuring process may delay or reverse the deregulation process. If competitive restructuring of the electric power markets is reversed, discontinued, or delayed, the Company's business prospects and financial results could be negatively impacted.

NRG cannot predict at this time the outcome of the ongoing efforts by the U.S. Commodity Futures Trading Commission, or CFTC, to implement the Dodd-Frank Act and to increase the regulation of over-the-counter derivatives including those related to energy commodities. The CFTC efforts are seeking, among other things, increased clearing of such derivatives through clearing organizations and the increased standardization of contracts, products, and collateral requirements. Such changes could negatively impact NRG's ability to hedge its portfolio in an efficient, cost-effective manner by, among other things, limiting NRG's ability to utilize liens as collateral and decreasing liquidity in the forward commodity markets. The Company expects that in 2013 the CFTC will clarify the scope of the Dodd-Frank Act and issue final rules concerning margin requirements for transactions and other issues that will affect the Company's over-the-counter derivatives trading.

Table of Contents

NRG's ownership interest in a nuclear power facility subjects the Company to regulations, costs and liabilities uniquely associated with these types of facilities.

Under the Atomic Energy Act of 1954, as amended, or AEA, operation of South Texas Project, or STP, nuclear generating facility, of which NRG indirectly owns a 44.0% interest, is subject to regulation by the NRC. Such regulation includes licensing, inspection, enforcement, testing, evaluation and modification of all aspects of nuclear reactor power plant design and operation, environmental and safety performance, technical and financial qualifications, decommissioning funding assurance and transfer and foreign ownership restrictions. NRG's 44% share of the output of STP represents approximately 1,175 MW of generation capacity.

There are unique risks to owning and operating a nuclear power facility. These include liabilities related to the handling, treatment, storage, disposal, transport, release and use of radioactive materials, particularly with respect to spent nuclear fuel, and uncertainties regarding the ultimate, and potential exposure to, technical and financial risks associated with modifying or decommissioning a nuclear facility. The NRC could require the shutdown of the plant for safety reasons or refuse to permit restart of the unit after unplanned or planned outages. New or amended NRC safety and regulatory requirements may give rise to additional operation and maintenance costs and capital expenditures. STP may be obligated to continue storing spent nuclear fuel if the U.S. DOE continues to fail to meet its contractual obligations to STP made pursuant to the U.S. Nuclear Waste Policy Act of 1982 to accept and dispose of STP's spent nuclear fuel. See also Item 1 Environmental Matters U.S. Federal Environmental Initiatives Nuclear Waste for further discussion. Costs associated with these risks could be substantial and have a material adverse effect on NRG's results of operations, financial condition or cash flow. In addition, to the extent that all or a part of STP is required by the NRC to permanently or temporarily shut down or modify its operations, or is otherwise subject to a forced outage, NRG may incur additional costs to the extent it is obligated to provide power from more expensive alternative sources either NRG's own plants, third party generators or the ERCOT to cover the Company's then existing forward sale obligations. Such shutdown or modification could also lead to substantial costs related to the storage and disposal of radioactive materials and spent nuclear fuel.

While STP maintains property and liability insurance for losses related to nuclear operations, there may be limitations on the amounts and types of insurance commercially available. An accident at STP or another nuclear facility could have a material adverse effect on NRG's financial condition, its operational results, or liquidity as losses may exceed the insurance coverage available and/or may result in the obligation to pay retrospective premium obligations.

NRG is subject to environmental laws that impose extensive and increasingly stringent requirements on the Company's ongoing operations, as well as potentially substantial liabilities arising out of environmental contamination. These environmental requirements and liabilities could adversely impact NRG's results of operations, financial condition and cash flows.

NRG is subject to the environmental laws of foreign and U.S., federal, state and local authorities. The Company must comply with numerous environmental laws and obtain numerous governmental permits and approvals to build and operate the Company's plants. Should NRG fail to comply with any environmental requirements that apply to its operations, the Company could be subject to administrative, civil and/or criminal liability and fines, and regulatory agencies could take other actions seeking to curtail the Company's operations. In addition, when new requirements take effect or when existing environmental requirements are revised, reinterpreted or subject to changing enforcement policies, NRG's business, results of operations, financial condition and cash flows could be adversely affected.

Environmental laws and regulations have generally become more stringent over time, and the Company expects this trend to continue. Regulations currently under revision by the United State Environmental Protection Agency, or EPA, including the 316(b) rule to mitigate impact by once-through cooling, could result in more stringent standards or reduced compliance flexibility. While the NRG fleet employs advanced controls, new regulations to address the ever more stringent National Ambient Air Quality Standards, limit greenhouse gas emissions, or GHGs, or restrict ash handling at coal-fired power plants could also further affect plant operations.

Table of Contents

Policies at the national, regional and state levels to regulate GHG emissions, as well as climate change, could adversely impact NRG's results of operations, financial condition and cash flows.

NRG's GHG emissions for 2012 can be found in Item 1, *Business Environmental Matters*, of our 2012 Form 10-K. The impact of further legislation or regulation of GHGs on the Company's financial performance will depend on a number of factors, including the level of GHG standards, the extent to which mitigation is required, the applicability of offsets, and the extent to which NRG would be entitled to receive CO2 emissions credits without having to purchase them in an auction or on the open market.

The Company operates generating units in Connecticut, Delaware, Maryland, Massachusetts, and New York that are subject to RGGI, which is a regional cap and trade system. In February 2013, RGGI, Inc. released a model rule that if adopted by the member states would reduce the number of allowances available and potentially increase the price of each allowance. Each of these states has proposed a rule that would reduce the number of allowances, which we believe would increase the price of each allowance. If adopted, the proposed rule could adversely impact NRG's results of operations, financial condition and cash flows.

The California CO2 cap and trade program for electric generating units greater than 25 MW commenced in 2013. The impact on the Company depends on the cost of the allowances and the ability to pass these costs through to customers.

GHG emissions from power plants are regulated under various section of the Clean Air Act. In 2012, EPA proposed stringent standards for GHG emissions from certain new fossil-fueled electric generating units (simple-cycle CTs are not covered). The proposed standard is in effect until the rule is finalized or re-proposed. EPA has released a pre-publication version of its re-proposed rule for new units, which we expect will be published in the fourth quarter of 2013. The re-proposal is expected to include simple cycle CTs that exceed a certain capacity factor and is expected to create a different but still stringent standard for coal-fired units. The Company expects EPA to issue another rule that will require states to develop CO2 standards that would apply to existing fossil-fueled generating facilities at some future date. This rule could adversely impact NRG's results of operations, financial condition and cash flows.

Hazards customary to the power production industry include the potential for unusual weather conditions, which could affect fuel pricing and availability, the Company's route to market or access to customers, i.e., transmission and distribution lines, or critical plant assets. To the extent that climate change contributes to the frequency or intensity of weather related events, NRG's operations and planning process could be impacted.

NRG's business, financial condition and results of operations could be adversely impacted by strikes or work stoppages by its unionized employees or inability to replace employees as they retire.

As of December 31, 2012, approximately 51% of NRG's employees at its U.S. generation plants were covered by collective bargaining agreements. In the event that the Company's union employees strike, participate in a work stoppage or slowdown or engage in other forms of labor strife or disruption, NRG would be responsible for procuring replacement labor or the Company could experience reduced power generation or outages. NRG's ability to procure such labor is uncertain. Strikes, work stoppages or the inability to negotiate future collective bargaining agreements on favorable terms could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow. In addition, a number of the Company's employees at NRG's plants are close to retirement. The Company's inability to replace those workers could create potential knowledge and expertise gaps as those workers retire.

Table of Contents

Changes in technology may impair the value of NRG's power plants.

Research and development activities are ongoing to provide alternative and more efficient technologies to produce power, including "clean" coal and coal gasification, wind, photovoltaic (solar) cells, energy storage, and improvements in traditional technologies and equipment, such as more efficient gas turbines. Advances in these or other technologies could reduce the costs of power production to a level below what the Company has currently forecasted, which could adversely affect its cash flow, results of operations or competitive position.

Risks that are beyond NRG's control, including but not limited to acts of terrorism or related acts of war, natural disaster, hostile cyber intrusions or other catastrophic events could have a material adverse effect on NRG's financial condition, results of operations and cash flows.

NRG's generation facilities and the facilities of third parties on which they rely may be targets of terrorist activities, as well as events occurring in response to or in connection with them, that could cause environmental repercussions and/or result in full or partial disruption of the facilities ability to generate, transmit, transport or distribute electricity or natural gas. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets. Hostile cyber intrusions, including those targeting information systems as well as electronic control systems used at the generating plants and for the distribution systems, could severely disrupt business operations and result in loss of service to customers, as well as significant expense to repair security breaches or system damage. Any such environmental repercussions or disruption could result in a significant decrease in revenues or significant reconstruction or remediation costs, beyond what could be recovered through insurance policies which could have a material adverse effect on the Company's financial condition, results of operations and cash flow.

NRG's level of indebtedness could adversely affect its ability to raise additional capital to fund its operations, or return capital to stockholders. It could also expose it to the risk of increased interest rates and limit its ability to react to changes in the economy or its industry.

NRG's substantial debt could have negative consequences, including:

- increasing NRG's vulnerability to general economic and industry conditions;
- requiring a substantial portion of NRG's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing NRG's ability to pay dividends to holders of its preferred or common stock or to use its cash flow to fund its operations, capital expenditures and future business opportunities;
- limiting NRG's ability to enter into long-term power sales or fuel purchases which require credit support;
- exposing NRG to the risk of increased interest rates because certain of its borrowings, including borrowings under its senior secured credit facility, are at variable rates of interest;
- limiting NRG's ability to obtain additional financing for working capital including collateral postings, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting NRG's ability to adjust to changing market conditions and placing it at a competitive disadvantage compared to its competitors who have less debt.

The indentures for NRG's notes and senior secured credit facility contain financial and other restrictive covenants that may limit the Company's ability to return capital to stockholders or otherwise engage in activities that may be in its long-term best interests. NRG's failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of the Company's indebtedness.

In addition, NRG's ability to arrange financing, either at the corporate level or at a non-recourse project-level subsidiary, and the costs of such capital, are dependent on numerous factors, including:

- general economic and capital market conditions;
- credit availability from banks and other financial institutions;
- investor confidence in NRG, its partners and the regional wholesale power markets;
- NRG's financial performance and the financial performance of its subsidiaries;
- NRG's level of indebtedness and compliance with covenants in debt agreements;
- maintenance of acceptable credit ratings;
- cash flow; and
- provisions of tax and securities laws that may impact raising capital.

NRG may not be successful in obtaining additional capital for these or other reasons. The failure to obtain additional capital from time to time may have a material adverse effect on its business and operations.

Goodwill and/or other intangible assets not subject to amortization that NRG has recorded in connection with its acquisitions are subject to mandatory annual impairment evaluations and as a result, the Company could be required to write off some or all of this goodwill and other intangible assets, which may adversely affect the Company's financial condition and results of operations.

In accordance with ASC 350, Intangibles Goodwill and Other, or ASC 350, goodwill is not amortized but is reviewed annually or more frequently for impairment and other intangibles are also reviewed at least annually or more frequently, if certain conditions exist, and may be amortized. Any reduction in or impairment of the value of goodwill or other intangible assets will result in a charge against earnings which could materially adversely affect NRG's reported results of operations and financial position in future periods.

A valuation allowance may be required for NRG's deferred tax assets.

A valuation allowance may need to be recorded against deferred tax assets that the Company estimates are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. A valuation allowance related to deferred tax assets can be affected by changes to tax laws, statutory tax rates and future taxable income levels. In the event that the Company determines that it would not be able to realize all or a portion of its net deferred tax assets in the future, the Company would reduce such amounts through a charge to income tax expense in the period in which that determination was made, which could have a material adverse impact on the Company's financial condition and results of operations.

Volatile power supply costs and demand for power could adversely affect the financial performance of NRG's retail energy businesses.

Although NRG is the primary provider of the supply requirements for NRG's retail energy businesses, or the Retail Business, the Retail Business purchases a significant portion of its supply requirements from third parties. As a result, financial performance depends on its ability to obtain adequate supplies of electric generation from third parties at prices below the prices it charges its customers. Consequently, the Company's earnings and cash flows could be adversely affected in any period in which the Retail Business power supply costs rise at a greater rate than the rates it charges to

Table of Contents

customers. The price of power supply purchases associated with the Retail Business's energy commitments can be different than that reflected in the rates charged to customers due to, among other factors:

- varying supply procurement contracts used and the timing of entering into related contracts;
- subsequent changes in the overall price of natural gas;
- daily, monthly or seasonal fluctuations in the price of natural gas relative to the 12-month forward prices;
- transmission constraints and the Company's ability to move power to its customers; and
- changes in market heat rate (i.e., the relationship between power and natural gas prices).

The Company's earnings and cash flows could also be adversely affected in any period in which the demand for power significantly varies from the forecasted supply, which could occur due to, among other factors, weather events, competition and economic conditions.

Significant events beyond the Company's control, such as hurricanes and other weather-related problems or acts of terrorism, could cause a loss of load and customers and thus have a material adverse effect on the Company's Retail Business.

The uncertainty associated with events beyond the Company's control, such as significant weather events and the risk of future terrorist activity, could cause a loss of load and customers and may affect the Company's results of operations and financial condition in unpredictable ways. In addition, significant weather events or terrorist actions could damage or shut down the power transmission and distribution facilities upon which the Retail Business is dependent. Power supply may be sold at a loss if these events cause a significant loss of retail customer load.

The Company's Retail Business may lose a significant number of retail customers due to competitive marketing activity by other retail electricity providers which could adversely affect the financial performance of NRG's Retail Business.

The Retail Business faces competition for customers. Competitors may offer lower prices and other incentives, which may attract customers away from the Retail Business. In some retail electricity markets, the principal competitor may be the incumbent retail electricity provider. The incumbent retail electricity provider has the advantage of long-standing relationships with its customers, including well-known brand recognition. Furthermore, the Retail Business may face competition from a number of other energy service providers, other energy industry participants, or nationally branded providers of consumer products and services who may develop businesses that will compete with NRG and its Retail Business.

The Company's Retail Business is subject to the risk that sensitive customer data may be compromised, which could result in an adverse impact to its reputation and/or the results of operations of the Retail Business.

The Retail Business requires access to sensitive customer data in the ordinary course of business. Examples of sensitive customer data are names, addresses, account information, historical electricity usage, expected patterns of use, payment history, credit bureau data, credit and debit card account numbers, drivers license numbers, social security numbers and bank account information. The Retail Business may need to provide sensitive customer data to vendors and service providers who require access to this information in order to provide services, such as call center operations, to the Retail Business. If a significant breach occurred, the reputation of NRG and the Retail Business may be adversely affected, customer confidence may be diminished, or NRG and the Retail Business may be subject to legal claims, any of which may contribute to the loss of customers and have a negative impact on the business and/or results of operations.

Risks Related to this Distribution and Our Common Stock

NRG cannot assure you that it will be able to continue paying dividends at the current rate.

As noted elsewhere in this prospectus, NRG currently expects to continue to pay quarterly dividends. However, NRG may not continue to pay dividends at the current rate or at all, for reasons that may include any of the following factors:

- NRG may not have enough cash to pay such dividends due to changes in NRG's cash requirements, capital spending plans, financing agreements, cash flow or financial position;

- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the NRG board of directors, or Board, which reserves the right to change NRG's dividend practices at any time and for any reason; and

- NRG may not receive dividend payments from its subsidiaries in the same level that it has historically. The ability of NRG's subsidiaries to make dividend payments to it is subject to factors similar to those listed above.

NRG's stockholders should be aware that they have no contractual or other legal right to dividends that have not been declared.

Risks Related to the Acquisition

If completed, the acquisition may not achieve its intended results, and NRG may be unable to successfully integrate the assets and operations acquired from EME.

NRG entered into the Purchase Agreement with EME and the Purchaser, on October 18, 2013. Pursuant to the Purchase Agreement, the Purchaser, a wholly owned subsidiary of NRG, agreed to purchase substantially all of the assets of EME with the expectation that the Acquisition will result in various benefits. Achieving the anticipated benefits of the Acquisition is subject to a number of uncertainties, including whether the assets of EME can be integrated in an efficient and effective manner.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company's ongoing businesses, processes and systems or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect NRG's ability to achieve the anticipated benefits of the acquisition. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect the combined company's future business, financial condition, operating results and prospects.

The pro forma financial statements included in this prospectus are presented for illustrative purposes only and may not be an indication of NRG's financial condition or results of operations following the acquisition.

The pro forma financial statements contained in this prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of NRG's financial condition or results of operations following the acquisition for several reasons. See "Unaudited Pro Forma Condensed Consolidated Combined Financial Statements" beginning on page 28 of this prospectus. The actual financial condition and results of operations of NRG following the acquisition may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect NRG's financial condition or results of operations following the acquisition. Any potential decline in NRG's financial condition or results of operations may cause significant variations in the stock price of NRG.

Table of Contents

SELLING STOCKHOLDER

Pursuant to the Purchase Agreement, NRG will issue the shares set forth in the table below to EME. EME, the selling stockholder, will distribute the shares of common stock to the unsecured creditors of EME pursuant to the Plan as described in the "Plan of Distribution."

Name and address of Selling Stockholder	Shares owned before the offering		Shares offered hereby	Shared owned after the offering	
	Number	Percentage		Number	Percentage
Edison Mission Energy 3 MacArthur Place, Suite 100 Santa Ana, California 92707	12,671,977	3.9%	12,671,977	0	0%

(1) EME is an indirect, wholly owned subsidiary of Edison International. As such, Edison International has voting and investment power over the shares being offered under this prospectus.

PLAN OF DISTRIBUTION

EME, as the selling stockholder and a statutory underwriter, will distribute the shares of our common stock covered by this prospectus to its unsecured creditors in accordance with the terms and conditions of the Plan. The distribution by EME will not occur until the transactions contemplated by the Plan are consummated and the Plan becomes effective. The Plan is expected to be confirmed by the Bankruptcy Court on February 19, 2014.

The Plan generally will provide for each of EME's unsecured creditors to receive a pro rata portion of (i) the total amount of the newly issued shares of NRG common stock, which shares will be freely tradable by such creditors that are not affiliates of NRG, and (ii) certain cash proceeds. After the distribution of our common stock by EME under the Plan, creditors of EME that receive shares of our common stock pursuant to the Plan will be stockholders of NRG.

NRG has agreed to indemnify EME and certain of its affiliates against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that EME and certain of its affiliates may be required to make for these liabilities.

USE OF PROCEEDS

We will not receive any proceeds from the distribution by EME, the selling stockholder, of shares of our common stock offered under this prospectus.

DIVIDEND POLICY

On February 28, 2012, NRG announced its intention to initiate an annual common stock dividend of $0.36 per share, and paid its first quarterly dividend on NRG's common stock of $0.09 per share on August 15, 2012. On each of November 15, 2012 and February 15, 2013, NRG paid a quarterly dividend on the Company's common stock of $0.09 per share. On February 27, 2013, NRG announced its intention to increase the annual common stock dividend to $0.48 per share, and on each of May 15, 2013, August 15, 2013 and November 15, 2013, NRG paid a quarterly dividend on the Company's common stock of $0.12 per share.

Table of Contents

PRO FORMA FINANCIAL STATEMENTS

Unaudited Pro Forma Condensed Consolidated Combined Financial Statements

The Unaudited Pro Forma Condensed Consolidated Combined Financial Statements, or the pro forma financial statements, combine the historical consolidated financial statements of NRG Energy, Inc., or NRG, and Edison Mission Energy, or EME, to illustrate the potential effect of the Acquisition. The pro forma financial statements are based on, and should be read in conjunction with, the:

- accompanying notes to the Unaudited Pro Forma Condensed Consolidated Combined Financial Statements;
- consolidated financial statements of NRG for the year ended December 31, 2012 and for the nine months ended September 30, 2013 and the notes relating thereto, incorporated herein by reference; and
- consolidated financial statements of EME for the year ended December 31, 2012 and for the nine months ended September 30, 2013 and the notes relating thereto, incorporated herein by reference.

The historical consolidated financial statements have been adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable and (3) with respect to the pro forma statements of operations, expected to have a continuing impact on the combined results. The Unaudited Pro Forma Condensed Consolidated Combined Statements of Operations, or the pro forma statement of operations, for the year ended December 31, 2012 and for the nine months ended September 30, 2013, give effect to the Acquisition as if it occurred on January 1, 2012. The Unaudited Pro Forma Condensed Consolidated Combined Balance Sheet, or the pro forma balance sheet, as of September 30, 2013, gives effect to the Acquisition as if it occurred on September 30, 2013.

As described in the accompanying notes, the pro forma financial statements have been prepared using the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP, and the regulations of the Securities and Exchange Commission. The expected purchase price will be allocated to EME's assets and liabilities based upon their estimated fair values as of the date of the Acquisition. Valuations necessary to determine the fair value of the assets and liabilities have not been completed and cannot be made prior to the completion of the transaction.

Accordingly, the pro forma purchase price adjustments are preliminary, subject to future adjustments, and have been made solely for the purpose of providing the unaudited pro forma combined financial information presented herewith. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position. The pro forma financial statements have been presented for informational purposes only and are not necessarily indicative of what the combined company's results of operations and financial position would have been had the Acquisition been completed on the dates indicated. NRG could incur significant costs to integrate NRG's and EME's businesses. The pro forma financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities. In addition, the pro forma financial statements do not purport to project the future results of operations or financial position of the combined company.

Table of Contents

Unaudited Pro Forma Condensed Consolidated Combined Income Statement
Nine months ended September 30, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical	Pro Forma Adjustments	Pro Forma Combined
	(in millions, except share and per share data)			
Operating revenues				
Total operating revenues	$ 8,500	$ 1,007	$ (20)(a)	$ 9,487
Operating Costs and Expenses				
Cost of operations	6,179	785		6,964
Depreciation and amortization	921	209	(66)(b)	1,064
Selling, general and administrative	671	92		763
Asset impairment and other charges		462		462
Acquisition-related transaction and integration costs	95			95
Development activity expense	63			63
Total operating costs and expenses	7,929	1,548	(66)	9,411
Operating Income/(Loss)	571	(541)	46	76
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	6	43		49
Other income, net	9	9		18
Loss on debt extinguishment	(50)	(3)		(53)
Interest expense	(630)	(64)	(34)(c)	(728)
Total other income / (expense)	(665)	(15)	(34)	(714)
Loss From Continuing Operations Before Income Taxes	(94)	(556)	12	(638)
Reorganization items, net		99		99
Income tax benefit	(47)	(25)	(5)(d)	(77)
Loss From Continuing Operations	$ (47)	$ (630)	$ 17	$ (660)
Income (Loss) Per Share From Continuing Operations				
Weighted average number of common shares outstanding basic	323			336
Income (Loss) from Continuing Operations per share basic	$ (0.15)			$ (1.96)
Weighted average number of common shares outstanding diluted	323			336
Income (Loss) from Continuing Operations per share diluted	$ (0.15)			$ (1.96)

Table of Contents

Unaudited Pro Forma Condensed Combined Consolidated Income Statement
Year ended December 31, 2012

	NRG Energy, Inc. Historical	Edison Mission Energy Historical	Pro Forma Adjustments	Pro Forma Combined
	(in millions, except share and per share data)			
Operating revenues				
Total operating revenues	$ 8,422	$ 1,287	$ (44)(a)	$ 9,665
Operating Costs and Expenses				
Cost of operations	6,087	1,172		7,259
Depreciation and amortization	950	268	(88)(b)	1,130
Selling, general and administrative	892	147		1,039
Asset impairments and other charges		28		28
Acquisition-related transaction and integration costs	107			107
Development activity expense	36			36
Total operating costs and expenses	8,072	1,615	(88)	9,599
Operating Income	350	(328)	44	66
Other Income / (Expense)				
Equity in earnings of unconsolidated affiliates	37	46		83
Gain on bargain purchase (GenOn)	560			560
Impairment charge on investment	(2)			(2)
Other income, net	19	14		33
Loss on debt extinguishment	(51)			(51)
Interest expense	(661)	(326)	226(c)	(761)
Total other income / (expense)	(98)	(266)	226	(138)
Income (Loss) From Continuing Operations Before Income Taxes	252	(594)	270	(72)
Reorganization items, net		43		43
Income tax expense (benefit)	(327)	160	(101)(d)	(268)
Income (Loss) From Continuing Operations	$ 579	$ (797)	$ 371	$ 153
Income (Loss) Per Share From Continuing Operations				
Weighted average number of common shares outstanding basic	232			245
Income (Loss) from Continuing Operations per share basic	$ 2.50			$ 0.62
Weighted average number of common shares outstanding diluted	234			247
Income (Loss) from Continuing Operations per share diluted	$ 2.47			$ 0.62

Table of Contents

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of September 30, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical(e)	Pro Forma Adjustments	Pro Forma Combined
		(in millions)		
ASSETS				
Current Assets				
Cash and cash equivalents	$ 2,129	$ 1,138	$ (1,585)(f)	$ 1,682
Funds deposited by counterparties	122			122
Restricted cash	307	15		322
Accounts receivable trade, net	1,366	81		1,447
Inventory	861	121		982
Derivative instruments valuation	1,389	35		1,424
Deferred income taxes				
Cash Collateral paid in support of energy risk mgmt activities	288	85		373
Renewable energy grant receivable	345			345
Prepayments and Other Current Assets	442	50		492
Total current assets	7,249	1,525	(1,585)	7,189
Property, Plant and Equipment				
Property, plant and equipment, net of accumulated depreciation	20,600	3,934	(1,445)(g)	23,089
Other Assets				
Equity investments in affiliates	626	543		1,169
Notes receivable, less current portion	76			76
Goodwill	1,953			1,953
Intangible assets, net of accumulated amortization	1,141			1,141
Nuclear decommissioning trust	524			524
Derivative instruments	506	21		527
Deferred income taxes	1,499			1,499
Other non-current assets	689	1,031		1,720
Total other assets	7,014	1,595		8,609
Total Assets	$ 34,863	$ 7,054	$ (3,030)	$ 38,887

Table of Contents

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet (Continued)
As of September 30, 2013

	NRG Energy, Inc. Historical	Edison Mission Energy Historical(e)	Pro Forma Adjustments	Pro Forma Combined
		(in millions)		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Current portion of long-term debt and capital leases	$ 911	$ 90		$ 1,001
Accounts payable	1,140	78		1,218
Payable to affiliates		32		32
Derivative instruments valuation	1,064			1,064
Deferred income tax	112			112
Cash collateral received in support of energy risk mgmt activities	122			122
Accrued expenses and other current liabilities	1,033	317		1,350
Total current liabilities	4,382	517		4,899
Other Liabilities				
Long-term debt and capital leases	15,802	5,133	(3,000)(h)	17,935
Nuclear decommissioning reserve	290			290
Nuclear decommissioning trust liability	303			303
Deferred revenues		513	(513)(i)	
Deferred income taxes	50	53		103
Derivative instruments	372	69		441
Out of market commodity contracts	1,157			1,157
Other non current liabilities	1,377	510		1,887
Total non-current liabilities	19,351	6,278	(3,513)	22,116
Total Liabilities	23,733	6,795	(3,513)	27,015
Preferred Stock Mezzanine	249			249
Stockholders' Equity				
Common stock	4	64	(64)(j)	4
Additional paid-in capital	7,843	1,137	(787)(j)(k)	8,193
Retained earnings	4,272	(1,225)	1,225(j)	4,272
Less treasury stock, at cost	(1,942)			(1,942)
Accumulated other comprehensive income	(129)	(109)	109(j)	(129)
Noncontrolling Interest	833	392		1,225
Total Stockholders' Equity	10,881	259	483	11,623
Total Liabilities and Stockholders' Equity	$ 34,863	$ 7,054	$ (3,030)	$ 38,887

Table of Contents

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

(a)
Represents an adjustment to conform EME's policy for recording the receipt of cash grants as deferred revenue to NRG's policy of reducing the value of the related property, plant and equipment. EME had recorded revenue related to these cash grants of $44 million for the year ended December 31, 2012 and $20 million for the nine months ended September 30, 2013.

(b)
Represents the estimated decrease in net depreciation expense resulting from potential fair value adjustments to EME's property, plant and equipment. The estimate is preliminary, subject to change and could vary materially from the actual adjustment on the date of the Acquisition. For each $100 million change in the fair value adjustment to property, plant and equipment, combined depreciation expense would be expected to change by approximately $6 million. The estimated useful lives of the property, plant and equipment range from 3 to 30 years.

(c)
Reflects the estimated decrease in interest expense as NRG will not assume the EME notes in connection with the Acquisition, offset by the estimated increase in interest expense for borrowings necessary to fund the purchase price of the Acquisition. For the year ended December 31, 2012, the estimated decrease in interest expense was $271 million. EME did not record interest expense for the EME notes for the nine months ended September 30, 2013. To fund the purchase price of the Acquisition, NRG estimates that it will issue $700 million of additional senior notes at an estimated interest rate of 6.50%. This would result in approximately $46 million of additional interest expense for the year ended December 31, 2012 and approximately $34 million of additional interest expense for the nine months ended September 30, 2013.

(d)
Represents the adjustment to record the tax effect of the reduction in revenue, depreciation expense and interest expense, calculated utilizing NRG's estimated combined statutory federal and state tax rate of 37.0%.

(e)
Based on the amounts reported in the consolidated balance sheet as of September 30, 2013, certain financial statement line items included in EME's historical presentation have been reclassified to the corresponding line items included in NRG's historical presentation. These reclassifications have no effect on the total assets, total liabilities or stockholders' equity reported by NRG or EME.

(f)
Represents cash utilized to fund the purchase price of the Acquisition.

(g)
Represents the adjustment to reflect EME's property, plant and equipment at its estimated fair value on the date of the Acquisition. The estimate is preliminary, subject to change and could vary materially from the actual adjustment at the date of the Acquisition. For each $100 million change in the fair value adjustment to property, plant and equipment, combined depreciation expense would be expected to change by approximately $6 million. The estimated useful lives of the property, plant and equipment range from 3 to 30 years.

(h)
Represents the estimated decrease in long-term debt as NRG will not assume the $3.7 billion of EME notes in connection with the Acquisition, offset by the estimated increase in long-term debt for borrowings necessary to fund the purchase price of the Acquisition. NRG estimates that it will issue $700 million of additional senior notes at an estimated interest rate of 6.50%. For each 0.25% change in the interest rate, annual interest expense would be expected to change by approximately $2 million.

(i)
Represents an adjustment to conform EME's policy for recording the receipt of cash grants as deferred revenue to NRG's policy of reducing the value of the related property, plant and equipment.

(j)
Represents the issuance of NRG common stock in connection with this offering and adjustments to equity to reflect the impact of the Acquisition.

Table of Contents

(k)

The estimated purchase price for the Acquisition is $2,635 million, which is expected to be funded by the following components:

	(in millions)
Cash and cash equivalents	$ 1,585
Senior notes to be issued	700
Common stock issued in this offering	350
	$ 2,635

The allocation of the preliminary purchase price to the fair values of the assets acquired and liabilities assumed is as follows:

	(in millions)
Current assets	$ 1,525
Property, plant and equipment	2,489
Other non-current assets	1,595
Total assets	5,609
Current liabilities, including current maturities of long-term debt	517
Long-term debt	1,433
Non-current liabilities	632
Total liabilities	2,582
Noncontrolling interest	392
Estimated fair value of net assets acquired	$ 2,635

The allocation of the preliminary purchase price to the fair values of assets acquired and liabilities assumed includes pro forma adjustments to reflect the fair values of EME's assets and liabilities at the time of the completion of the Acquisition. The final allocation of the purchase price could differ materially from the preliminary allocation used for the Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet primarily because power market prices, interest rates and other valuation variables will fluctuate over time and be different at the time of completion of the Acquisition compared to the amounts assumed in the pro forma adjustments.

DESCRIPTION OF OUR CAPITAL STOCK

The following is a summary of the material terms of NRG's capital stock that will be issued in the acquisition of EME's assets. Because the following is only a summary, it does not contain all of the information that may be important to you. You are encouraged to read NRG's amended and restated certificate of incorporation and amended and restated bylaws, which are incorporated by reference as Exhibit 3.1 and Exhibit 3.2, respectively, to the registration statement of which this prospectus forms a part, and is incorporated herein by reference. All references within this section to common stock mean the common stock of NRG unless otherwise noted.

Authorized Capital Stock of NRG

NRG's amended and restated certificate of incorporation provides that the total number of shares of capital stock which may be issued by NRG is 510,000,000, consisting of 500,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value 0.01 per share.

NRG Common Stock

As of October 31, 2013, there were 323,416,260 shares of NRG common stock outstanding. All outstanding shares of NRG common stock are fully paid and nonassessable. The number of outstanding shares of NRG common stock will be increased upon consummation of the transactions contemplated by the Plan, including the issuance of shares of NRG common stock to EME, which will distribute such shares to the unsecured creditors of EME pursuant to the Plan

NRG Preferred Stock

As of October 31, 2013, there were 250,000 shares of NRG's 3.625% Convertible Perpetual Preferred Stock issued and outstanding, or the NRG Preferred Stock. All of the outstanding shares of NRG Preferred Stock are held by affiliates of Credit Suisse, and such shares may not be transferred to an entity that is not an affiliate of Credit Suisse without the consent of NRG, such consent not to be unreasonably withheld.

The NRG Preferred Stock has a liquidation preference of $1,000 per share. Holders of NRG Preferred Stock are entitled to receive, out of funds legally available therefor, cash dividends at the rate of 3.625% per annum, payable in cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. Each share of NRG Preferred Stock is convertible into cash and shares of NRG Common Stock during the 90-day period beginning August 11, 2015 at the option of NRG or the holder, subject to the terms and conditions of the NRG Preferred Stock. The NRG Preferred Stock will be, with respect to dividend rights and rights upon liquidation, winding up or dissolution, senior to NRG Common Stock.

If a "Fundamental Change" occurs (as defined in the certificate of designations for the NRG Preferred Stock), the holders of the NRG Preferred Stock will have the right to require NRG to repurchase all or a portion of the NRG Preferred Stock for a period of time after the fundamental change at a purchase price equal to 100% of the liquidation preference, plus accumulated and unpaid dividends.

Description of NRG Common Stock

Voting Rights

The holders of NRG's common stock are entitled to one vote on each matter submitted for their vote at any meeting of NRG stockholders for each share of common stock held as of the record date for the meeting.

Generally, the vote of the holders of a majority of the total number of votes of NRG capital stock represented at a meeting and entitled to vote on a matter is required in order to approve such matter. Certain extraordinary transactions and other actions require supermajority votes, including but not limited to the supermajority voting provisions described below in " Anti-takeover Provisions Amendments."

Liquidation Rights

In the event that NRG is liquidated, dissolved or wound up, the holders of NRG common stock will be entitled to a pro rata share in any distribution to stockholders, but only after satisfaction of all of NRG's liabilities and of the prior rights of any outstanding series of NRG Preferred Stock.

Dividends

Subject to preferences that may be applicable to any outstanding preferred stock, the holders of NRG common stock are entitled to dividends when, as and if declared by the NRG Board out of funds legally available for that purpose.

No Preemptive Rights

The common stock has no preemptive rights or other subscription rights.

No Redemption Rights, Conversion Rights or Sinking Fund

There are no redemption, conversion or sinking fund provisions applicable to the common stock.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Computershare Limited.

Stock Market Listing

The common stock is listed on the New York Stock Exchange under the symbol "NRG."

Anti-takeover Provisions

Some provisions of Delaware law and NRG's amended and restated certificate of incorporation and bylaws could discourage or make more difficult a change in control of NRG without the support of the NRG Board. A summary of these provisions follows.

Meetings and Elections of Directors

Special Meetings of Stockholders. NRG's amended and restated certificate of incorporation provides that a special meeting of stockholders may be called only by the NRG Board by a resolution adopted by the affirmative vote of a majority of the total number of directors then in office or the chief executive officer of NRG (or, if there is no chief executive officer, by the most senior executive officer of NRG).

Elimination of Stockholder Action by Written Consent. NRG's amended and restated certificate of incorporation and its bylaws provide that holders of NRG common stock cannot act by written consent in lieu of a meeting.

Classification of Directors. Directors of NRG are currently divided into three classes of directors with each director serving a three-year term. However, at the 2012 annual meeting of NRG stockholders held on April 25, 2012, NRG stockholders approved an amendment to the amended and restated certificate of incorporation of NRG to declassify the NRG Board. The classified structure will be eliminated over a three-year period through the election of directors whose terms are expiring for one-year terms. Beginning with the 2015 annual meeting of NRG stockholders, the entire NRG Board will be elected annually.

Removal of Directors. Until the 2015 annual meeting of NRG stockholders, directors may only be removed for cause. From and after the 2015 annual meeting of NRG stockholders, directors may be removed without or without cause.

Vacancies. Any vacancy occurring on the NRG Board and any newly created directorship may be filled only by a majority of the directors remaining in office (even if less than a quorum), subject to the rights of holders of any series of preferred stock.

Amendments

Amendment of Certificate of Incorporation. The provisions described above under " Special Meetings of Stockholders", " Elimination of Stockholder Action by Written Consent" and " Classification of Directors" may be amended only by the affirmative vote of holders of at least two-thirds ($^2/_3$) of the combined voting power of outstanding shares of NRG capital stock entitled to vote in the election of directors, voting together as a single class.

Amendment of Bylaws. The NRG Board has the power to make, alter, amend, change or repeal NRG's bylaws or adopt new bylaws by the affirmative vote of a majority of the total number of directors then in office. This right is subject to repeal or change by the affirmative vote of a majority of the combined voting power of the then outstanding capital stock of NRG entitled to vote on any amendment or repeal of the bylaws.

Notice Provisions Relating to Stockholder Proposals and Nominees

NRG's bylaws also impose some procedural requirements on stockholders who wish to make nominations in the election of directors or propose any other business to be brought before an annual or special meeting of stockholders.

Specifically, a stockholder may (i) bring a proposal before an annual meeting of stockholders, (ii) nominate a candidate for election to the NRG Board at an annual meeting of stockholders, or (iii) nominate a candidate for election to the NRG Board at a special meeting of stockholders that has been called for the purpose of electing directors, only if such stockholder delivers timely notice to NRG's corporate secretary. The notice must be in writing and must include certain information and comply with the delivery requirements as set forth in the bylaws.

To be timely, a stockholder's notice must be received at the principal executive offices of NRG:

- in the case of a nomination or other business in connection with an annual meeting of stockholders, not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the previous year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days before or delayed more than 70 days after the first anniversary of the preceding year's annual meeting, notice by the stockholder must be delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by NRG; or

- in the case of a nomination in connection with a special meeting of stockholders, not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day before such special meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by NRG.

Table of Contents

With respect to special meetings of stockholders, NRG's bylaws provide that only such business shall be conducted as shall have been stated in the notice of the meeting.

Delaware Anti-takeover Law

NRG is subject to Section 203 of the General Corporation Law of the State of Delaware. Section 203 provides that, subject to certain exceptions specified in the law, a Delaware corporation shall not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder unless:

- prior to such time, the NRG Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by the NRG Board and by the affirmative vote of holders of at least $66^2/_3$% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with that person's affiliates and associates, owns, or within the previous three years did own, 15% or more of NRG's voting stock.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations with a corporation for a three-year period. The provisions of Section 203 may encourage companies interested in acquiring NRG to negotiate in advance with the NRG Board because the stockholder approval requirement would be avoided if the NRG Board approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions also may make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

LEGAL MATTERS

Certain legal matters relating to the validity of the shares of common stock distributed under this prospectus will be passed upon for us by David R. Hill, Executive Vice President and General Counsel of the Company.

EXPERTS

The consolidated financial statements and schedule of NRG Energy, Inc. as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2012 have been incorporated by reference herein upon the reports of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Edison Mission Energy as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph relating to Edison Mission Energy's ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

The financial statements of Midwest Generation, LLC as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph relating to the Midwest Generation LLC's ability to continue as a going concern as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them into this prospectus, which means that we can disclose important information to you by referring you to those documents and those documents will be considered part of this prospectus. We incorporate by reference the documents listed below that we file with the SEC under Sections 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than portions of these documents deemed to be "furnished" or not deemed to be "filed," including the portions of these documents that are either (1) described in paragraphs (d)(1), (d)(2), (d)(3) or (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, including any exhibits included with such Items):

- our annual report on Form 10-K for the year ended December 31, 2012 filed on February 27, 2013;

- the information specifically incorporated by reference into our Form 10-K from our proxy statement for our 2013 Annual Meeting of Stockholders filed on Schedule 14A on March 13, 2013;

- our quarterly reports on Form 10-Q for the quarters ended March 31, 2013 (filed May 7, 2013), June 30, 2013 (filed August 9, 2013 and September 30, 2013 (filed November 12, 2013)); and

- our current reports on Form 8-K filed on January 9, 2013, March 1, 2013, March 13, 2013, April 29, 2013, May 3, 2013, June 7, 2013, June 10, 2013, September 6, 2013, October 8, 2013, October 18, 2013, October 21, 2013, November 13, 2013 (on which date two reports were filed) and December 2, 2013.

If you make a request for such information in writing or by telephone, we will provide you, without charge, a copy of any or all of the information incorporated by reference in this prospectus. Any such request should be directed to:

NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540
(609) 524-4500
Attention: General Counsel

You should rely only on the information contained in, or incorporated by reference in, this prospectus. We have not authorized anyone else to provide you with different or additional information. This prospectus does not offer to sell or solicit any offer to buy any securities in any jurisdiction where the offer or sale is unlawful. You should not assume that the information in this prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to NRG Energy, Inc. and the common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings will also be available to you on the SEC's website. The address of this site is *http://www.sec.gov*.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm Edison Mission Energy	F-2
Report of Independent Registered Public Accounting Firm Midwest Generation	F-3
EDISON MISSION ENERGY	
Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010	F-4
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2012, 2011 and 2010	F-5
Consolidated Balance Sheets at December 31, 2012 and 2011	F-6
Consolidated Statements of Total Equity for the years ended December 31, 2012, 2011 and 2010	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010	F-10
MIDWEST GENERATION, LLC	
Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010	F-11
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2012, 2011 and 2010	F-12
Consolidated Balance Sheets at December 31, 2012 and 2011	F-13
Consolidated Statements of Member's Equity for the years ended December 31, 2012, 2011 and 2010	F-14
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010	F-15
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-16
EDISON MISSION ENERGY	
Consolidated Statements of Operations for the periods ended September 30, 2013 and 2012	F-114
Consolidated Statements of Comprehensive Income (Loss) for the periods ended September 30, 2013 and 2012	F-115
Consolidated Balance Sheets at September 30, 2013 and December 31, 2012	F-116
Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012	F-118
MIDWEST GENERATION, LLC	
Consolidated Statements of Operations for the periods ended September 30, 2013 and 2012	F-119
Consolidated Statements of Comprehensive Income (Loss) for the periods ended September 30, 2013 and 2012	F-120
Consolidated Balance Sheets at September 30, 2013 and December 31, 2012	F-121
Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012	F-122
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-123

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of Edison Mission Energy:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), total equity and cash flows present fairly, in all material respects, the financial position of Edison Mission Energy and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, on December 17, 2012, the Company and several of its subsidiaries filed voluntary petitions for relief under the provisions of Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 16. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in the consolidated statements of total equity, the Company changed the manner in which it accounts for variable interest entities as of January 1, 2010.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 15, 2013

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of Midwest Generation, LLC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), member's equity and cash flows present fairly, in all material respects, the financial position of Midwest Generation, LLC and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the consolidated financial statements, on December 17, 2012, the Company filed voluntary petitions for relief under the provisions of Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 16. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
March 15, 2013

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Operating Revenues	$ 1,287	$ 1,653	$ 1,788
Operating Expenses			
Fuel	602	530	531
Plant operations	495	571	538
Plant operating leases	75	75	75
Depreciation and amortization	268	289	229
Asset impairments and other charges	28	714	44
Administrative and general	147	172	177
Total operating expenses	1,615	2,351	1,594
Operating income (loss)	(328)	(698)	194
Other Income (Expense)			
Equity in income from unconsolidated affiliates	46	86	104
Dividend income	12	30	19
Interest income	2	1	2
Interest expense	(326)	(322)	(262)
Other income, net		15	8
Total other expense	(266)	(190)	(129)
Income (loss) from continuing operations before reorganization items and income taxes	(594)	(888)	65
Reorganization items	43		
Provision (benefit) for income taxes	160	(441)	(16)
Income (Loss) From Continuing Operations	(797)	(447)	81
Income (Loss) from Operations of Discontinued Subsidiaries, net of tax (Note 14)	(112)	(632)	82
Net Income (Loss)	(909)	(1,079)	163
Net (Income) Loss Attributable to Noncontrolling Interests (Note 3)	(16)	1	1
Net Income (Loss) Attributable to Edison Mission Energy Common Shareholder	$ (925)	$ (1,078)	$ 164
Amounts Attributable to Edison Mission Energy Common Shareholder			
Income (loss) from continuing operations, net of tax	$ (813)	$ (446)	$ 82
Income (loss) from discontinued operations, net of tax	(112)	(632)	82
Net Income (Loss) Attributable to Edison Mission Energy Common Shareholder	$ (925)	$ (1,078)	$ 164

The accompanying notes are an integral part of these consolidated financial statements.

F-4

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Net Income (Loss)	$ (909)	$ (1,079)	$ 163
Other comprehensive income (loss), net of tax			
Valuation allowance on deferred tax asset	(6)		
Pension and postretirement benefits other than pensions:			
Prior service adjustment, net of tax			(7)
Net gain (loss) adjustment, net of tax expense (benefit) of $4, $(10) and $(10) for 2012, 2011 and 2010, respectively		(15)	(14)
Amortization of net loss and prior service adjustment included in expense, net of tax	4	2	1
Unrealized gains (losses) on derivatives qualified as cash flow hedges			
Unrealized holding gains (losses) arising during the periods, net of income tax expense (benefit) of $(6), $(7), and $37 for 2012, 2011 and 2010, respectively	(17)	(12)	55
Reclassification adjustments included in net income (loss), net of income tax benefit of $16, $25 and $96 for 2012, 2011 and 2010, respectively	(25)	(38)	(144)
Other comprehensive loss, net of tax	(44)	(63)	(109)
Comprehensive Income (Loss)	(953)	(1,142)	54
Comprehensive (Income) Loss Attributable to Noncontrolling Interests	(16)	1	1
Comprehensive Income (Loss) Attributable to Edison Mission Energy Common Shareholder	$ (969)	$ (1,141)	$ 55

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions)

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 888	$ 1,221
Accounts receivable trade	73	107
Receivables from affiliates	8	4
Inventory	175	169
Derivative assets	53	40
Restricted cash and cash equivalents	11	103
Margin and collateral deposits	61	41
Prepaid expenses and other	54	49
Assets of discontinued operations		207
Total current assets	1,323	1,941
Investments in Unconsolidated Affiliates	534	523
Property, Plant and Equipment, less accumulated depreciation of $1,431 and $1,295 at respective dates	4,516	4,472
Other Assets		
Deferred financing costs	44	71
Long-term derivative assets	37	62
Restricted deposits	102	22
Rent payments in excess of levelized rent expense under plant operating leases	836	760
Deferred taxes		205
Other long-term assets	128	222
Total other assets	1,147	1,342
Assets of Discontinued Operations		45
Total Assets	$ 7,520	$ 8,323

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share amounts)

	December 31, 2012	December 31, 2011
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	$ 29	$ 78
Payables to affiliates	34	187
Accrued liabilities and other	67	163
Derivative liabilities		1
Interest payable	1	33
Deferred taxes		2
Current portion of long-term debt	307	57
Short-term debt	382	
Liabilities of discontinued operations		27
Total current liabilities	820	548
Liabilities subject to compromise	3,959	
Long-term debt net of current portion	749	4,855
Deferred taxes and tax credits	81	
Deferred revenues	533	530
Long-term derivative liabilities	118	90
Other long-term liabilities	528	627
Liabilities of discontinued operations		9
Total Liabilities	6,788	6,659
Commitments and Contingencies (Notes 5, 6, 9 and 10)		
Equity		
Common stock, par value $0.01 per share (10,000 shares authorized; 100 shares issued and outstanding at each date)	64	64
Additional paid-in capital	1,095	1,327
Retained earnings (deficit)	(577)	365
Accumulated other comprehensive loss	(138)	(94)
Total Edison Mission Energy common shareholder's equity	444	1,662
Noncontrolling Interests	288	2
Total Equity	732	1,664
Total Liabilities and Equity	$ 7,520	$ 8,323

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(in millions)

	Edison Mission Energy Shareholder's Equity					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance at December 31, 2009	$ 64	$ 1,339	$ 1,280	$ 78	$ 76	$ 2,837
Impact of consolidation and deconsolidation of variable interest entities(1)			10		(71)	(61)
Net income (loss)			164		(1)	163
Other comprehensive loss, net of tax				(109)		(109)
Payments to Edison International (EIX) for stock purchases related to stock-based compensation			(6)			(6)
Excess tax benefits related to stock option exercises		1				1
Other stock transactions, net		6				6
Purchase of noncontrolling interests		(10)				(10)
Balance at December 31, 2010	64	1,336	1,448	(31)	4	2,821
Net income (loss)			(1,078)		(1)	(1,079)
Other comprehensive loss, net of tax				(63)		(63)
Payments to EIX for stock purchases related to stock-based compensation			(5)			(5)
Excess tax benefits related to stock option exercises		2				2
Other stock transactions, net		4				4
Purchase of noncontrolling interests		(15)			(1)	(16)
Balance at December 31, 2011	64	1,327	365	(94)	2	1,664
Net income (loss)			(925)		16	(909)
Other comprehensive loss, net of tax				(44)		(44)
Payments to EIX for stock purchases related to stock-based compensation			(17)			(17)
Non-cash distribution to EIX(4)		(222)				(222)
Excess tax benefits related to stock option exercises		5				5
Other stock transactions, net		6				6
Contributions from noncontrolling interests(2)					288	288
Distributions to noncontrolling interests					(18)	(18)
Transfers of assets to Capistrano Wind Partners(3)		(21)				(21)
Balance at December 31, 2012	$ 64	$ 1,095	$ (577)	$ (138)	$ 288	$ 732

(1) Effective January 1, 2010, EME adopted new accounting guidance issued by the FASB related to the consolidation of VIEs. As a result of this guidance, EME prospectively consolidated a 50% interest in American Bituminous Power Partners, L.P. (Ambit) and deconsolidated the Elkhorn Ridge and San Juan Mesa wind projects. The impact of adopting this guidance resulted in a cumulative effect adjustment that increased retained earnings by $10 million.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF TOTAL EQUITY (Continued)

(in millions)

(2) Funds contribution by third-party investors related to the Capistrano Wind equity capital raise are reported in noncontrolling interest. For further information, see Note 3 Variable Interest Entities Projects or Entities that are Consolidated Capistrano Wind Equity Capital.

(3) Additional paid in capital was reduced by $21 million due to a new tax basis in the assets transferred to Capistrano Wind Partners. For further information, see Note 3 Variable Interest Entities Projects or Entities that are Consolidated Capistrano Wind Equity Capital.

(4) During the fourth quarter of 2012, EME recorded a non-cash distribution to EIX related to the tax-allocation agreement. See Note 7 Income Taxes EME Current and Deferred Taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS

EDISON MISSION ENERGY AND SUBSIDIARIES

(Debtor-in-Possession)

(in millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Cash Flows From Operating Activities			
Net (loss) income	$ (909)	$ (1,079)	$ 163
Adjustments to reconcile (loss) income to net cash provided by operating activities:			
Non-cash reorganization items	23		
Equity in income from unconsolidated affiliates	(46)	(85)	(104)
Distributions from unconsolidated affiliates	24	82	91
Depreciation and amortization	292	330	260
Deferred taxes and tax credits	162	(903)	162
Loss on disposal and asset impairments	117	1,738	45
Proceeds from US Treasury Grants	44	388	92
Changes in operating assets and liabilities:			
(Increase) decrease in margin and collateral deposits	(20)	14	60
Decrease (increase) in receivables	30	251	(65)
Increase in inventory	(6)	(42)	(17)
(Increase) decrease in prepaid expenses and other	(9)	(9)	7
Decrease (increase) in restricted cash and cash equivalents	(2)	(4)	68
Increase in rent payments in excess of levelized rent expense	(76)	(76)	(95)
Increase (decrease) in payables and other current liabilities	5	172	(141)
Increase in derivative assets and liabilities	(26)		(34)
Increase in other operating assets	(2)	(73)	(12)
(Decrease) increase in other operating liabilities	(68)	(44)	97
Operating cash flows from continuing operations	(467)	660	577
Operating cash flows from discontinued operations, net	(46)	(34)	29
Net cash (used in) provided by operating activities	(513)	626	606
Cash Flows From Financing Activities			
Borrowings under long-term debt	79	481	211
Payments on debt	(56)	(107)	(48)
Borrowings under short-term debt	195	32	96
Borrowing held in escrow pending completion of project construction	97	(97)	
Cash contributions from noncontrolling interests	288		
Cash dividends to noncontrolling interests	(18)		
Payments to affiliates related to stock-based awards	(17)	(8)	(6)
Excess tax benefits related to stock-based exercises	5	2	1
Financing costs	(9)	(26)	(19)
Net cash provided by financing activities from continuing operations	564	277	235
Cash Flows From Investing Activities			
Capital expenditures	(355)	(672)	(556)
Proceeds from return of capital and loan repayments and sale of assets	14	55	34
Proceeds from settlement of insurance claims	2		
Purchase of interest of acquired companies		(3)	(4)
Investments in and loans to unconsolidated affiliates		(10)	(7)
Maturities of short-term investments			1
Increase in restricted deposits and restricted cash and cash equivalents	(83)	(4)	(5)
Investments in other assets	(8)	(30)	(7)

Investing cash flows from continuing operations	(430)	(664)	(544)
Investing cash flows from discontinued operations, net	(31)	(14)	(18)
Net cash used in investing activities	(461)	(678)	(562)
Net (decrease) increase in cash and cash equivalents from continuing operations	(333)	273	268
Cash and cash equivalents at beginning of period from continuing operations	1,221	948	680
Cash and cash equivalents at end of period from continuing operations	888	1,221	948
Net (decrease) increase in cash and cash equivalents from discontinued operations	(77)	(48)	11
Cash and cash equivalents at beginning of period from discontinued operations	79	127	116
Cash and cash equivalents at end of period from discontinued operations	$ 2	$ 79	$ 127

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Operating Revenues from Marketing Affiliate	$ 892	$ 1,286	$ 1,479
Operating Expenses			
Fuel	582	512	519
Plant operations	369	457	447
Depreciation and amortization	128	158	155
Asset impairments and other charges	14	653	48
Administrative and general	18	22	22
Impairment of loan to affiliate (Note 15)	1,378		
Total operating expenses	2,489	1,802	1,191
Operating income (loss)	(1,597)	(516)	288
Other Income (Expense)			
Interest and other income	110	114	117
Interest expense	(33)	(40)	(48)
Total other income	77	74	69
Income (loss) before reorganization items and income taxes	(1,520)	(442)	357
Reorganization items	6		
Provision (benefit) for income taxes	(62)	(172)	142
Net Income (Loss)	$ (1,464)	$ (270)	$ 215

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)

	Years Ended December 31, 2012	2011	2010
Net Income (Loss)	$ (1,464)	$ (270)	$ 215
Other comprehensive income (loss), net of tax			
Valuation allowance on deferred tax asset	(12)		
Pension and postretirement benefits other than pensions:			
Prior service adjustment, net of tax			(6)
Net gain (loss) adjustment, net of tax expense (benefit) of $0, $(8) and $(4) for 2012, 2011 and 2010, respectively	(1)	(13)	(6)
Amortization of net loss and prior service adjustment included in expense, net of tax	2	1	
Unrealized gains (losses) on derivatives qualified as cash flow hedges:			
Unrealized holding gains arising during period, net of income tax expense of $3, $15 and $29 for 2012, 2011 and 2010, respectively	4	23	45
Reclassification adjustments included in net income, net of income tax benefit of $17, $16 and $58 for 2012, 2011 and 2010, respectively	(26)	(25)	(90)
Other comprehensive loss, net of tax	(33)	(14)	(57)
Comprehensive Income (Loss)	$ (1,497)	$ (284)	$ 158

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED BALANCE SHEETS

(in millions, except unit amounts)

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 95	$ 213
Due from affiliates, net (Note 15)	40	109
Inventory	165	159
Interest receivable from affiliate, net (Note 15)		55
Derivative assets	2	43
Deferred taxes		14
Other current assets	20	17
Total current assets	322	610
Property, Plant and Equipment, less accumulated depreciation of $1,260 and $1,152 at respective dates	2,078	2,185
Notes receivable from affiliate, net (Note 15)		1,323
Long-term derivative assets		1
Deferred taxes		42
Other long-term assets	28	29
Total Assets	$ 2,428	$ 4,190
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	$ 10	$ 35
Accrued liabilities	18	49
Due to affiliates	3	18
Interest payable	1	19
Derivative liabilities	3	2
Current portion of lease financings	6	116
Total current liabilities	41	239
Liabilities subject to compromise	529	
Lease financings, net of current portion	2	439
Benefit plans and other long-term liabilities	190	243
Total Liabilities	762	921
Commitments and Contingencies (Notes 6, 9 and 10)		
Member's Equity		
Membership interests, no par value (100 units authorized, issued and outstanding at each date)		
Additional paid-in capital	3,405	3,511
Accumulated deficit	(1,689)	(225)
Accumulated other comprehensive loss	(50)	(17)
Total Member's Equity	1,666	3,269

Total Liabilities and Member's Equity	$	2,428	$	4,190

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY

(in millions)

	Membership Interests	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Member's Equity
Balance at December 31, 2009	$	$ 3,511	$ 180	$ 54	$ 3,745
Net income			215		215
Other comprehensive loss				(57)	(57)
Cash distribution to parent			(125)		(125)
Balance at December 31, 2010		3,511	270	(3)	3,778
Net loss			(270)		(270)
Other comprehensive loss				(14)	(14)
Cash distribution to parent			(225)		(225)
Balance at December 31, 2011		3,511	(225)	(17)	3,269
Net loss			(1,464)		(1,464)
Other comprehensive loss				(33)	(33)
Non-cash distribution to parent(1)		(106)			(106)
Balance at December 31, 2012	$	$ 3,405	$ (1,689)	$ (50)	$ 1,666

(1) During 2012, Midwest Generation recorded a non-cash distribution to its parent related to the tax-allocation agreement. See Note 7 Income Taxes Midwest Generation Current and Deferred Taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MIDWEST GENERATION, LLC AND SUBSIDIARIES

(Debtor-in-Possession)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Years Ended December 31,		
	2012	**2011**	**2010**
Cash Flows From Operating Activities			
Net (loss) income	$ (1,464)	$ (270)	$ 215
Adjustments to reconcile (loss) income to net cash provided by operating activities:			
Non-cash reorganization items	6		
Depreciation and amortization	129	160	156
Deferred taxes and tax credits	54	(145)	(33)
Loss on disposal and asset impairments	14	653	48
Impairment of loan to affiliate	1,378		
Other items			(3)
Changes in operating assets and liabilities:			
Decrease in due to/from affiliates	(64)	28	9
Increase in inventory	(6)	(36)	(15)
Increase in other current assets	(3)	(25)	(2)
Decrease in emission allowances		2	9
Decrease in accounts payable and other current liabilities	(34)	(7)	(3)
Decrease in interest payable	(5)	(4)	(4)
Decrease (increase) in derivative assets and liabilities	6	1	(20)
Increase in other operating liabilities	2	7	44
Net cash provided by operating activities	13	364	401
Cash Flows From Financing Activities			
Cash distributions to parent		(225)	(125)
Repayments of lease financing	(116)	(109)	(120)
Net cash used in financing activities	(116)	(334)	(245)
Cash Flows From Investing Activities			
Capital expenditures	(30)	(103)	(107)
Proceeds from sale of assets	3		
Proceeds from sale of emission allowances			3
Proceeds from settlement of insurance claims	2		1
Increase in restricted deposits and restricted cash and cash equivalents	(2)		
Investments in other assets		(18)	
Repayment of loan from affiliate	12	9	5
Net cash used in investing activities	(15)	(112)	(98)
Net (decrease) increase in cash and cash equivalents	(118)	(82)	58
Cash and cash equivalents at beginning of period	213	295	237
Cash and cash equivalents at end of period	$ 95	$ 213	$ 295

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted)

This is a combined annual report of Edison Mission Energy (EME) and its indirect subsidiary Midwest Generation, LLC (Midwest Generation). EME is a holding company whose subsidiaries and affiliates are engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also sells energy and capacity under contracts to specific purchasers, or on a merchant basis in the marketplace and into wholesale markets. It also engages in hedging and energy trading activities in power markets, and provides scheduling and other services through its Edison Mission Marketing & Trading, Inc. (EMMT) subsidiary.

EME's coal-fired facilities are primarily owned or leased and operated by Midwest Generation. As of December 31, 2012, Midwest Generation operated 4,619 megawatts (MW) of power plants in Illinois (the Midwest Generation plants) based on installed capacity acknowledged by PJM Interconnection, LLC (PJM):

- the Powerton, Joliet, Will County, and Waukegan coal-fired generating plants consisting of 4,314 MW; and

- the Fisk and Waukegan on-site, oil-fired generating peakers consisting of 305 MW.

Midwest Generation leases the Powerton Station and Units 7 and 8 of the Joliet Station from third-party lessors pursuant to a sale-leaseback transaction completed in August 2000 (the Powerton and Joliet Sale Leaseback). Midwest Generation's obligations under these leases are guaranteed by EME. In connection with the Powerton and Joliet Sale Leaseback, Midwest Generation facilitated the issuance of lessor debt of $1.147 billion in the form of pass-through certificates (the Senior Lease Obligation Bonds).

In December 2012, EME completed a transaction that transferred substantially all of the remaining assets and certain specified liabilities of its coal-fired generating facility in Indiana County, Pennsylvania (Homer City) as well as its leasehold interest in the Homer City generating station to an affiliate of General Electric Capital Corporation (GECC).

EME is incorporated under the state laws of Delaware and is an indirect subsidiary of Edison International (EIX). Midwest Generation, a Delaware limited liability company, is a wholly owned subsidiary of Edison Mission Midwest Holdings Co. Edison Mission Midwest Holdings is a wholly owned subsidiary of Midwest Generation EME, LLC, which is in turn a wholly owned subsidiary of EME.

Chapter 11 Cases

During 2012, EME and Midwest Generation experienced operating losses due to low realized energy and capacity prices, high fuel costs and low generation at the Midwest Generation plants. These operating losses are a continuation of trends initially experienced in the fourth quarter of 2011. A continuation of these adverse trends coupled with pending debt maturities and the need to retrofit the Midwest Generation plants to comply with governmental regulations were expected to exhaust EME's and Midwest Generation's liquidity. Consequently, on December 17, 2012, EME and 16 of its wholly owned subsidiaries, Camino Energy Company, Chestnut Ridge Energy Company, Edison Mission Energy Fuel Services, LLC, Edison Mission Fuel Resources, Inc., Edison Mission Fuel

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Transportation, Inc., Edison Mission Holdings Co., Edison Mission Midwest Holdings Co., Midwest Finance Corp., Midwest Generation EME, LLC, Midwest Generation, Midwest Generation Procurement Services, LLC, Midwest Peaker Holdings, Inc., Mission Energy Westside, Inc., San Joaquin Energy Company, Southern Sierra Energy Company and Western Sierra Energy Company (collectively, the Debtor Entities) filed voluntary petitions for relief under Chapter 11 (the Chapter 11 Cases) of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court).

The Debtor Entities remain in possession of their property and continue their business operations uninterrupted as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Other than the Debtor Entities, none of EME's other direct or indirect subsidiaries is a debtor in the Chapter 11 Cases.

Under Section 362 of the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed most actions against the Debtor Entities, including actions to enforce the payment of EME's $3.7 billion of unsecured senior notes and Midwest Generation's obligations related to the Powerton and Joliet Sale Leaseback. Absent an order from the Bankruptcy Court, substantially all of the Debtor Entities' pre-petition liabilities are subject to settlement under a reorganization plan.

The filing of the Chapter 11 Cases constitutes events of default of Midwest Generation's obligations under the Powerton and Joliet Sale Leaseback, and under instruments governing the Senior Lease Obligation Bonds issued to finance these leases. On December 16, 2012, EME and Midwest Generation entered into a forbearance agreement with the Powerton and Joliet leases' owner-lessors, the owner-lessors' equity owners, and approximately 72 percent of the holders of the Senior Lease Obligation Bonds. Under the terms of the agreement, the parties agreed to forbear from exercising certain rights and remedies for 60 days. Under the terms of the agreement, Midwest Generation did not make the scheduled payments of $76 million on January 2, 2013 but on February 15, 2013, did pay the ratable portion of the rent due under the leases attributable to the period between December 17, 2012 and January 2, 2013 of $7 million. On February 28, 2013, the parties agreed to extend the forbearance agreement until the earlier of April 5, 2013 or notice of withdrawal from the agreement by approximately 60 percent of the holders of the Senior Lease Obligation Bonds. The Chapter 11 Cases may also constitute events of default under the $191 million nonrecourse financing of the Wildorado, San Juan Mesa and Elkhorn Ridge wind projects (the Viento II Financing) and the $69 million nonrecourse financing of the High Lonesome wind project. Short-term forbearance agreements have been executed with the lenders and the EME subsidiary borrowers to these financing agreements and, as a result, the EME subsidiaries that have obligations pursuant to these financings are currently not included in the Chapter 11 Cases. The Chapter 11 Cases could also potentially give rise to counterparty rights and remedies under other documents. For further discussion, see Note 5 Debt and Credit Agreements and Note 9 Commitments and Contingencies Powerton and Joliet Sale Leaseback.

Midwest Generation is not expected to generate sufficient cash flows from operating activities, and will likely need to borrow funds, receive additional contributions from EME or find other sources of capital to fund the retrofits of its coal-fired plants. EME's ability to provide capital to Midwest Generation is subject to its own liquidity constraints and oversight by EME's creditors. Accordingly, to

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

conserve cash, Midwest Generation has applied for a variance which could delay certain capital expenditures for environmental retrofits at the Midwest Generation plants. There is no assurance that Midwest Generation will be able to obtain such a variance.

Following extensive discussions with certain of its unsecured noteholders (the Noteholders) and EIX regarding EME's financial condition, in December 2012, EME entered into a Transaction Support Agreement (the Support Agreement) with these parties. The Support Agreement contemplates agreements between the parties, subject to the execution of definitive documentation and the approval of the Bankruptcy Court, that are intended to maximize the value of the Debtor Entities' estates and ultimately result in a substantial deleveraging of EME's balance sheet. The Support Agreement provides that the parties will negotiate a Master Restructuring Agreement that will provide for amendment and assumption of tax-allocation agreements to provide for tax payments through December 31, 2014, and provides for the cancellation of EIX's 100 percent equity interest in EME on the effective date of a confirmed plan of reorganization. If EME is unable to implement the restructuring contemplated by the Support Agreement, it is unclear whether EME, Midwest Generation and the other Debtor Entities will be able to reorganize their businesses. There can be no assurance as to the timing of receipt of required approvals or when a restructuring plan might become effective. For further discussion, see Note 5 Debt and Credit Agreements and Note 16 Restructuring Activities.

At December 31, 2012, EME, and its subsidiaries without contractual dividend restrictions, had cash and cash equivalents of $815 million, which includes Midwest Generation cash and cash equivalents of $95 million. EME's and Midwest Generation's previous revolving credit agreements have been terminated or expired and no longer are sources of liquidity.

The accompanying consolidated financial statements have been prepared assuming that EME and Midwest Generation will continue as going concerns. Financial statements prepared on this basis assume the realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date of the financial statements. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary if EME and Midwest Generation were unable to continue as going concerns. EME and Midwest Generation are currently developing a plan for their restructuring, but there is no assurance such a plan will be successfully implemented. EME's and Midwest Generation's ability to continue as going concerns is dependent on many factors, including the successful development of a confirmed plan of reorganization and an emergence from bankruptcy. Uncertainty as to the outcome of these factors raises substantial doubt about EME's and Midwest Generation's ability to continue as going concerns.

Basis of Presentation

The consolidated financial statements of EME reflect the accounts of EME and its subsidiary, Midwest Generation. The consolidated financial statements of EME also include the accounts of partnerships in which EME has a controlling interest and variable interest entities (VIEs) in which EME is deemed the primary beneficiary. EME's investments in unconsolidated affiliates and VIEs, in which EME is not deemed to be the primary beneficiary, are mainly accounted for by the equity method. For a discussion of EME's VIEs, see Note 3 Variable Interest Entities. Midwest Generation's

Table of Contents

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

consolidated financial statements include the accounts of Midwest Generation and its subsidiaries. All significant intercompany balances and transactions have been eliminated for each reporting entity. The notes to the consolidated financial statements apply to EME and Midwest Generation as indicated parenthetically next to each corresponding disclosure.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires EME and Midwest Generation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents included money market funds totaling $615 million and $1.2 billion for EME and $75 million and $195 million for Midwest Generation at December 31, 2012 and December 31, 2011, respectively. The carrying value of cash equivalents equals the fair value as all investments have original maturities of less than three months.

Restricted Cash and Cash Equivalents, and Restricted Deposits

Restricted deposits consisted of cash balances that are restricted to pay amounts required for lease payments, debt service or to provide collateral. At December 31, 2012, EME' restricted cash and deposits included $49 million to support outstanding letters of credit issued under EME's letter of credit facilities. At December 31, 2011, EME's restricted deposits included $97 million received from a wind project financing that had been held in escrow.

Restricted deposits of $4 million and $3 million as of December 31, 2012 and 2011, respectively, were included in other long-term assets on Midwest Generation's consolidated balance sheet. These cash balances are restricted to provide collateral or other deposits required by contract.

Inventory

Inventory is stated at the lower of weighted-average cost or market. Inventory is recorded at actual cost when purchased and then expensed at weighted-average cost as used. Inventory consisted of the following:

	EME		**Midwest Generation**	
	December 31,		**December 31,**	
(in millions)	**2012**	**2011**	**2012**	**2011**
Coal, fuel oil and other raw materials	$ 123	$ 120	$ 119	$ 117
Spare parts, materials and supplies	52	49	46	42
Total inventory	$ 175	$ 169	$ 165	$ 159

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

VIEs (EME only)

A VIE is a legal entity whose equity owners do not have sufficient equity at risk, or as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision making rights, the obligation to absorb losses, or the right to receive the residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The primary beneficiary is required to consolidate the VIE unless specific exceptions or exclusions are met. Commercial and operating activities are generally the factors that most significantly impact the economic performance of VIEs in which EME has a variable interest. Commercial and operating activities include construction, operation and maintenance, fuel procurement, dispatch and compliance with regulatory and contractual requirements.

Allocation of Net Income or Losses to Investors in Certain VIEs (EME only)

During 2012, EME raised third-party capital to support the development of a portion of EME's wind portfolio by selling indirect equity interests in certain wind projects through a new venture, Capistrano Wind Partners. Capistrano Wind Partners' partnership agreements contain complex allocation provisions for taxable income and losses, tax credits and cash distributions. EME allocates net income for this consolidated investment to third-party investors based on the Hypothetical Liquidation Book Value (HLBV) method. HLBV is a balance sheet oriented approach that calculates the change in the claims of each partner on the net assets of the investment at the beginning and end of each period. Each partner's claim is equal to the amount each party would receive or pay if the net assets of the investment were to liquidate at book value and the resulting cash was then distributed to investors in accordance with their respective liquidation preferences. EME reports the net income (loss) attributable to the third-party investors as income (loss) attributable to noncontrolling interests in the consolidated statements of operations. For further information, see Note 3 Variable Interest Entities Categories of VIEs Capistrano Wind Equity Capital.

Purchased Emission Allowances, Exemptions and Offsets (EME only)

Purchased emission allowances are stated at the lower of weighted-average cost or market. Purchased emission allowances are recorded at cost when purchased and then expensed at weighted-average cost as used. Cost is reduced to market value if the market value of emission allowances has declined and it is probable that revenues earned from the generation of power will not cover the amounts recorded in the ordinary course of business. Purchased emission allowances are classified as current or long-term assets based on the time the allowances are expected to be used. At December 31, 2012 and 2011, EME had $16 million and $76 million, respectively, of purchased emission allowances, exemptions and offsets, primarily related to the Walnut Creek facility, reflected in other long-term assets in the accompanying consolidated balance sheets.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Property, Plant and Equipment

Property, plant and equipment, including leasehold improvements and construction in progress, are capitalized at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the property, plant and equipment and over the shorter of the lease term or estimated useful life for leasehold improvements. The costs of repairs and maintenance, including periodic major maintenance, are expensed as incurred.

As part of the acquisition of the Midwest Generation plants, EME acquired emission allowances under the United States Environmental Protection Agency's (US EPA) Acid Rain Program. EME uses these emission allowances in the normal course of its business to generate electricity and has classified them as part of property, plant and equipment. Acquired emission allowances are amortized on a straight-line basis.

Estimated useful lives for property, plant and equipment are as follows:

	EME	Midwest Generation
Power plant facilities	2.75 to 35 years	2.75 to 30 years
Leasehold improvements	Shorter of life of lease or estimated useful life	Shorter of life of lease or estimated useful life
Emission allowances	25 to 33.75 years	25 to 33.75 years
Equipment, furniture and fixtures	3 to 10 years	3 to 7 years
Plant and equipment under lease financing	not applicable	30 to 33.75 years

The remaining estimated useful life or lease term at December 31, 2012 for the Midwest Generation plants is as follows. Estimated useful lives of individual facilities could be impacted by decisions related to the installation of environmental remediation equipment. If environmental compliance equipment is not installed, the useful life may be shortened.

Joliet Unit 6	6 years
Joliet Units 7 and 8(1)	18 years
Powerton Station(1)	21 years
Will County Station	17 years

(1) Represents leased facilities. The leases may be renewed based on criteria outlined in their respective agreements.

Interest incurred on funds borrowed by EME is capitalized during the construction period. Such capitalized interest is included in property, plant and equipment. Capitalized interest is amortized over the depreciation period of the major plant and facilities for the respective project. Capitalized interest was $31 million, $27 million and $54 million in 2012, 2011 and 2010, respectively. Midwest Generation did not record capitalized interest during the period.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Asset Retirement Obligations

Authoritative guidance on asset retirement obligations (AROs) requires entities to record the fair value of a liability for an ARO in the period in which it is incurred, including a liability for the fair value of a conditional ARO, if the fair value can be reasonably estimated even though uncertainty exists about the timing and/or method of settlement. When an ARO liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for accretion expense to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Settlement of an ARO liability for an amount other than its recorded amount results in an increase or decrease in expense.

EME and Midwest Generation have recorded a liability representing expected future costs associated with site reclamations, facilities dismantlement and removal of environmental hazards, which is included in other long-term liabilities on EME's consolidated balance sheets and benefit plans and other long-term liabilities on Midwest Generation's consolidated balance sheets.

Impairment of Long-Lived Assets

EME and Midwest Generation evaluate the impairment of long-lived assets based on a review of estimated future cash flows expected to be generated whenever events or changes in circumstances indicate that the carrying amount of such investments or assets may not be recoverable. EME's and Midwest Generation's unit of account is at the plant level and, accordingly, the closure of a unit at a multi-unit site would not result in an impairment of property, plant and equipment unless such condition were to affect an impairment assessment on the entire plant. If the carrying amount of a long-lived asset exceeds the expected future cash flows, undiscounted and without interest charges, an impairment loss is recognized for the excess of the carrying amount over fair value. Fair value is determined via market, cost and income based valuation techniques, as appropriate. For further discussion, see Note 13 Asset Impairments and Other Charges.

EME also evaluates investments in unconsolidated affiliates for potential impairment. If the carrying value of an unconsolidated affiliate exceeds its fair value, an impairment loss is recorded if the decline is other than temporary.

Sale Leaseback

Midwest Generation has entered into the Powerton and Joliet Sale Leaseback and EME has provided guarantees related to this transaction. Under the terms of the leases (33.75 years for Powerton and 30 years for Joliet), Midwest Generation makes semi-annual lease payments on each January 2 and July 2, which began January 2, 2001. If a lessor intends to sell its interest in the Powerton or Joliet Stations, Midwest Generation has a right of first refusal to acquire the interest at fair market value. Under the terms of each lease, Midwest Generation may request a lessor, at its option, to refinance the lessor debt, which, if completed, would affect the base lease rent. The gain on the sale of the power stations has been deferred and is being amortized over the term of the leases. For additional information on the Powerton and Joliet Sale Leaseback, see Note 9 Commitments and Contingencies Lease Commitments.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

EME

EME accounts for long-term leases associated with the Powerton and Joliet Sale Leaseback as operating leases on its separate consolidated financial statements. Minimum lease payments under operating leases are levelized (total minimum lease payments divided by the number of years of the lease) and recorded as rent expense over the terms of the leases. Lease payments in excess of the minimum are recorded as rent expense in the year incurred.

Midwest Generation

Midwest Generation accounts for the Powerton and Joliet Sale Leaseback as a lease financing in its separate consolidated financial statements. Accordingly, Midwest Generation records the power plants as assets in a similar manner to a capital lease and records depreciation expense from the power plants and interest expense from the lease financing.

Allowance for Losses on Notes Receivable (Midwest Generation only)

Notes receivable are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. A valuation allowance will be recorded when it is probable that Midwest Generation will be unable to collect amounts due, including principal and interest, according to the contractual terms and schedule of the loan agreement. For additional information on Midwest Generation's impaired intercompany loan, see Note 15 Related Party Transactions.

Accounting for Reorganization

As a result of the EME and Midwest Generation Chapter 11 Cases, realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. The consolidated financial statements prepared under Accounting Standards Codification (ASC) 852 *Reorganizations* require the following accounting policies for debtors-in-possession.

Liabilities Subject to Compromise (LSTC)

Unsecured prepetition liabilities that have at least a possibility of not being fully repaid have been reclassified into LSTC, a separate line item on the consolidated balance sheet. LSTC, including claims that have become known after the bankruptcy filing, are reported on the basis of the probably allowed claim. For additional information, see Note 16 Restructuring Activities.

Reorganization Items

Adjustments to amounts classified as LSTC are presented as Reorganization Items, a separate line item on the consolidated statement of operations. Reorganization items include the write off of deferred financing costs of $15 million related to the classification of EME's senior notes as part of LSTC. Reorganization items also include direct and incremental costs of bankruptcy, such as professional fees. For additional information, see Note 16 Restructuring Activities.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Interest Expense

EME and Midwest Generation will not pay interest expense during bankruptcy and it is not expected to be an allowable claim. Therefore, the filing entities will not accrue interest expense for financial reporting purposes; however, unpaid contractual interest is calculated for disclosure purposes.

Deferred Financing Costs (EME only)

Bank, legal and other direct costs incurred in connection with obtaining financing are deferred and amortized as interest expense on a basis that approximates the effective interest rate method over the term of the related debt. Amortization of deferred financing costs charged to interest expense was $19 million, $15 million and $5 million in 2012, 2011 and 2010, respectively. For additional information, see "Reorganization Items" above.

Revenue Recognition

Generally, revenues and related costs are recognized when electricity is generated, or services are provided, unless the transaction is accounted for as a derivative and does not qualify for the normal purchases and sales exception. EME's subsidiaries enter into power and fuel hedging, optimization transactions and energy trading contracts, all subject to market conditions. One of EME's subsidiaries executes these transactions primarily through the use of physical forward commodity purchases and sales and financial commodity swaps and options. With respect to its physical forward contracts, EME's subsidiaries generally act as the principal, take title to the commodities, and assume the risks and rewards of ownership. EME's subsidiaries record the settlement of non-trading physical forward contracts on a gross basis. EME nets the cost of purchased power against related third-party sales in markets that use locational marginal pricing, currently PJM. Financial swap and option transactions are settled net and, accordingly, EME's subsidiaries do not take title to the underlying commodity. Therefore, gains and losses from settlement of financial swaps and options are recorded net in operating revenues in the accompanying consolidated statements of operations.

Revenues under certain long-term power sales contracts are recognized based on the output delivered at the lower of the amount billable or the average rate over the contract term. The excess of the amounts billed over the portion recorded as revenues is reflected in deferred revenues on the consolidated balance sheets.

EME accounts for grant income on the deferred method and, accordingly, will recognize operating revenues related to such income over the estimated useful life of the projects. EME received US Treasury Grants of $44 million in 2012 and a total of $388 million in 2011.

Power Purchase Agreements (EME only)

EME enters into long-term power purchase agreements in the normal course of business. A power purchase agreement may be considered a variable interest in a VIE. Under this classification, the power purchase agreement is evaluated to determine if EME is the primary beneficiary in the VIE, in which case, such entity would be consolidated. EME does not have any power purchase agreements in which it is the primary beneficiary.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

A power purchase agreement may also contain a lease for accounting purposes. This generally occurs when a power purchase agreement (signed or modified after June 30, 2003) designates a specific power plant in which the buyer purchases substantially all of the output and does not otherwise meet a fixed price per unit of output exception. EME has a number of power purchase agreements that contain leases in which EME is considered the lessor. These agreements are classified as operating leases. EME records rental income under these contracts as electricity is delivered at rates defined in power sales agreements. Revenues from these power sales agreements were $124 million, $109 million and $81 million in 2012, 2011 and 2010, respectively.

A power purchase agreement that does not contain a lease may be classified as a derivative subject to a normal purchases and sales exception, in which case the power purchase agreement is classified as an executory contract. The contracts that are not eligible for the normal purchases and sales exception are defined as a derivative and are recorded on the consolidated balance sheets at fair value. For further information on derivatives and hedging activities, see Note 6 Derivative Instruments and Hedging Activities.

Power purchase agreements that do not meet the preceding classification are accounted for on the accrual basis.

Derivative Instruments and Hedging Activities

Authoritative guidance on derivatives and hedging establishes accounting and reporting standards for derivative instruments (including certain derivative instruments embedded in other contracts). EME and Midwest Generation are required to record derivatives on their balance sheets as either assets or liabilities measured at fair value unless otherwise exempted from derivative treatment as normal purchases and sales. All changes in the fair value of derivative instruments are recognized currently in earnings, unless specific hedge criteria are met, which requires that EME and Midwest Generation formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

EME and Midwest Generation use derivative instruments to reduce their exposure to market risks that arise from price fluctuations of electricity, capacity, fuel, emission allowances, transmission rights and interest rates. The derivative financial instruments vary in duration, ranging from a few days to several years, depending upon the instrument. To the extent that EME and Midwest Generation do not use derivative instruments to hedge these market risks, the unhedged portions will be subject to the risks and benefits of spot market price movements.

Risk management positions may be designated as cash flow hedges or economic hedges, which are derivatives that are not designated as cash flow hedges. Economic hedges are accounted for at fair value on EME's and Midwest Generation's consolidated balance sheets as derivative assets or liabilities with offsetting changes recorded on the consolidated statements of operations. For derivative instruments that qualify for hedge accounting treatment, the fair value is recognized on EME's and Midwest Generation's consolidated balance sheets as derivative assets or liabilities with offsetting changes in fair value, to the extent effective, recognized in accumulated other comprehensive loss until reclassified into earnings when the related forecasted transaction occurs. The portion of a cash flow

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

hedge that does not offset the change in the fair value of the transaction being hedged, which is commonly referred to as the ineffective portion, is immediately recognized in earnings.

Derivative instruments that are utilized for EME's trading purposes are measured at fair value and included on the consolidated balance sheets as derivative assets or liabilities, with offsetting changes recognized in operating revenues on the consolidated statements of operations.

The accounting guidance for cash flow hedges provides that the effective portion of gains or losses on derivative instruments designated and qualifying as cash flow hedges be reported as a component of other comprehensive loss and be reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings. The remaining gains or losses on the derivative instruments, if any, must be recognized currently in earnings.

Where EME's and Midwest Generation's derivative instruments are subject to a master netting agreement and the criteria of authoritative guidance are met, EME and Midwest Generation present their derivative assets and liabilities on a net basis on their consolidated balance sheets. In addition, derivative positions are offset against margin and cash collateral deposits. The results of derivative activities are recorded in cash flows from operating activities on the consolidated statements of cash flows.

Stock-Based Compensation (EME only)

EIX's stock options, performance shares, deferred stock units and restricted stock units have been granted to EME employees under EIX's long-term incentive compensation programs. Generally, EIX does not issue new common stock for settlement of equity awards. Rather, a third party is used to purchase shares from the market and deliver for settlement of option exercises, performance shares, and restricted stock units. EIX has discretion to settle certain performance shares awards in common stock; however, awards are generally settled half in cash and half in common stock. Deferred stock units granted to management are settled in cash and represent a liability. Restricted stock units are settled in common stock; however, EIX will substitute cash awards to the extent necessary to pay tax withholding or any government levies.

EME recognizes stock-based compensation expense on a straight-line basis over the requisite service period. EME recognizes stock-based compensation expense for awards granted to retirement-eligible participants on a prorated basis over the initial year or over the period between the date of grant and the date the participant first becomes eligible for retirement. At approximately the same time as the commencement of the Chapter 11 Cases, EME ceased participating in EIX's long-term incentive compensation programs, and does not expect that any new EIX stock-based compensation will be awarded to EME employees.

Income Taxes and Tax-Allocation Agreements

EME

EME is included in the consolidated federal and combined state income tax returns of EIX and participates in tax-allocation agreements with other subsidiaries of EIX. EME's tax provision is

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

determined using the "benefits for losses" method. This method is similar to a separate company return, except that EME recognizes, without regard to separate company limitations, additional tax liabilities or benefits based on the impact to the combined group including EME's taxable income or losses and state apportionment factors. Realization of any tax benefits generated by EME is dependent on EME's continued inclusion in the consolidated EIX tax returns, and the generation of sufficient consolidated taxable income by the EIX consolidated tax group prior to the expiration of the loss and credit carryforwards. Differences between amounts recorded in tax provision under the benefits for losses method and the amount of cash expected to be paid or received through the intercompany tax allocation agreements are recorded to equity.

EME accounts for deferred income taxes using the asset-and-liability method, wherein deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities using enacted income tax rates. In evaluating the realization of tax sharing assets, EME must determine the likelihood of receiving future tax-sharing payments under the tax-allocation agreements. In evaluating the realization of its deferred income tax assets, EME must determine whether it is more likely than not the EIX consolidated tax group will generate sufficient taxable income to utilize EME's deferred income tax assets during the period in which EME will likely remain part of the EIX consolidated income tax returns, or if it is more likely than not EME would utilize the deferred income tax assets on its own, after its expected separation from the group at its emergence from bankruptcy. During 2012, EME recorded a valuation allowance against its net deferred tax assets. For further information regarding the valuation allowance, see Note 7 Income Taxes.

Investment and energy tax credits are deferred and amortized over the term of the power purchase agreement of the respective project while production tax credits are recognized when earned. EME's investments in wind-powered electric generation projects qualify for federal production tax credits, unless a US Treasury Grant has been elected. Certain of EME's wind projects also qualify for state tax credits, which are accounted for similarly to federal production tax credits.

Interest income, interest expense and penalties associated with income taxes are reflected in provision (benefit) for income taxes on EME's consolidated statements of operations.

Midwest Generation

Midwest Generation is included in the consolidated federal and state income tax returns of EIX and is party to a tax-allocation agreement with its parent Edison Mission Midwest Holdings (the Midwest Generation Tax Allocation Agreement). Midwest Generation's tax allocation method is to allocate current tax liabilities or benefits on a separate return basis, except for the use of state tax apportionment factors of the EIX group for purposes of determining state income taxes. The Midwest Generation Tax Allocation Agreement only permits the use of net operating losses to offset future taxable income and does not include the right to receive payments. Accordingly, if Midwest Generation offsets net operating loss carryforwards against taxable income in the future, such tax benefits are accounted for as non-cash equity contributions from its parent at the time of use. Tax benefits recognized associated with net operating losses carrybacks that are not paid under the Midwest

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

Generation Tax Allocation Agreement are accounted for as non-cash distributions to the parent company.

Midwest Generation accounts for deferred income taxes using the asset-and-liability method, wherein deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities using enacted income tax rates. In evaluating the realization of deferred income tax assets, Midwest Generation must determine whether it is more likely than not it would utilize its own deferred income tax assets in a hypothetical tax return prepared on a separate company basis. During 2012, Midwest Generation recorded a valuation allowance against its net deferred tax assets. For further information regarding the valuation allowance, see Note 7 Income Taxes.

Also, while Midwest Generation is generally subject to separate return limitations for net losses, under the Midwest Generation Tax Allocation Agreement it is permitted to transfer to Edison Mission Midwest Holdings, or its subsidiaries, net operating loss benefits or other current or deferred tax attributions, which would not yet be realized in a separate return in exchange for a reduction in Midwest Generation's intercompany account balances (including subordinated loans). Differences between amounts recorded in tax provision based on a hypothetical tax return prepared on a separate company basis and the amount of cash expected to be paid or received through the Midwest Generation Tax Allocation Agreement are recorded to equity.

Interest income, interest expense and penalties associated with income taxes are reflected in provision (benefit) for income taxes on Midwest Generation's consolidated statements of operations.

New Accounting Guidance

Accounting Guidance Adopted in 2012

Fair Value Measurement

In May 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update modifying the fair value measurement and disclosure guidance. This guidance prohibits grouping of financial instruments for purposes of fair value measurement and requires the value be based on the individual security. This amendment also results in new disclosures primarily related to Level 3 measurements including quantitative disclosure about unobservable inputs and assumptions, a description of the valuation processes and a narrative description of the sensitivity of the fair value to changes in unobservable inputs. EME and Midwest Generation adopted this guidance effective January 1, 2012. For further information, see Note 4 Fair Value Measurements.

Presentation of Comprehensive Income

In June 2011 and December 2011, the FASB issued accounting standards updates on the presentation of comprehensive income. An entity can elect to present items of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. EME and Midwest Generation adopted this guidance January 1, 2012 and elected to present two separate but consecutive statements. The adoption

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Summary of Significant Accounting Policies (EME and Midwest Generation, except as noted) (Continued)

of these accounting standards updates did not change the items that constitute net income and other comprehensive income.

Accounting Guidance Not Yet Adopted

Offsetting Assets and Liabilities

In December 2011 and December 2012, the FASB issued accounting standards updates modifying the disclosure requirements about the nature of an entity's rights of offsetting assets and liabilities in the statement of financial position under master netting agreements and related arrangements associated with financial and derivative instruments. The guidance requires increased disclosure of the gross and net recognized assets and liabilities, collateral positions and narrative descriptions of setoff rights. EME and Midwest Generation adopted this guidance effective January 1, 2013.

Presentation of Items Reclassified out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an accounting standards update which requires disclosure related to items reclassified out of accumulated other comprehensive income. The guidance requires companies to present separately, for each component of other comprehensive income, current period reclassifications and the remainder of the current-period other comprehensive income. In addition, for certain current period reclassifications, an entity is required to disclose the effect of the item reclassified out of accumulated other comprehensive income on the respective line item(s) of net income. EME adopted this guidance effective January 1, 2013.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Property, Plant and Equipment (EME, Midwest Generation)

Property, plant and equipment consisted of the following:

	EME		Midwest Generation	
	December 31,		December 31,	
(in millions)	2012	2011	2012	2011
Land	$ 36	$ 36	$ 32	$ 32
Power plant facilities	4,612	4,560	$ 1,293	$ 1,309
Leasehold improvements	4	4		
Emission allowances	672	672	639	639
Construction in progress(1)	495	366	28	8
Equipment, furniture and fixtures	128	129	13	15
Plant and equipment under lease financing			1,333	1,334
	5,947	5,767	3,338	3,337
Less accumulated depreciation and amortization	1,431	1,295	1,260	1,152
Net property, plant and equipment	$ 4,516	$ 4,472	$ 2,078	$ 2,185

(1) Included $466 million and $357 million at December 31, 2012 and 2011, respectively, for EME's new gas and wind projects under construction.

The power sales agreements of certain EME wind projects qualify as operating leases pursuant to authoritative guidance on leases. The carrying amount and related accumulated depreciation of the property of these wind projects totaled $1.7 billion and $277 million, respectively, at December 31, 2012.

Property, plant and equipment for Midwest Generation includes leased properties pursuant to the Powerton and Joliet Sale Leaseback. Midwest Generation recorded amortization expense related to the leased facilities of $42 million for the three years ended December 31, 2012, 2011 and 2010, respectively. Accumulated amortization related to the leased facilities was $514 million and $472 million at December 31, 2012 and 2011, respectively.

For information on impairment charges relating to property, plant and equipment, see Note 13 Asset Impairments and Other Charges.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Property, Plant and Equipment (EME, Midwest Generation) (Continued)

Asset Retirement Obligations

EME

A reconciliation of the changes in EME's ARO liability is as follows:

	Years Ended December 31,		
(in millions)	**2012**	**2011**	**2010**
Beginning balance	$ 70	$ 47	$ 38
Accretion expense	5	5	2
Revisions		(1)	
Liabilities added	5	19	8
Transfers out(1)			(1)
Ending balance	$ 80	$ 70	$ 47

(1) Transfers out represents the deconsolidation of two wind projects and consolidation of one coal project effective January 1, 2010.

EME has recorded AROs related to its wind facilities due to site lease obligations to return the land to grade at the end of the respective leases. Wind-related AROs cover site reclamation and turbine and related facility dismantlement. The earliest settlement of any of these obligations is anticipated to be in 2019. However, the operation of an individual facility may impact the timing of the ARO for that facility. Decisions made in conjunction with each facility's operation could extend or shorten the anticipated life depending on improvements and other factors.

Midwest Generation

A reconciliation of the changes in Midwest Generation's ARO liability is as follows:

	Years Ended December 31,		
(in millions)	**2012**	**2011**	**2010**
Beginning balance	$ 2	$ 2	$ 2
Accretion expense		1	
Revisions		(1)	
Ending balance	$ 2	$ 2	$ 2

Midwest Generation has conditional AROs related to asbestos removal and disposal costs for owned buildings and power plant facilities. Midwest Generation has not recorded a liability related to these structures because they cannot reasonably estimate the obligation's fair value at this time. The range of time over which Midwest Generation may settle these obligations in the future (demolition or other method) is sufficiently large to not allow for the use of expected present value techniques. At December 31, 2012, Midwest Generation had assets with a fair value of $4 million that were legally restricted for purposes of settling AROs.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Variable Interest Entities (EME only)

Description of Use of VIEs

EME and its subsidiaries and affiliates have used VIEs as part of joint development agreements and constructing or acquiring full or partial interests in power generation facilities and ancillary facilities, referred to by EME as a project. EME's subsidiaries and affiliates have financed the development and construction or acquisition of its projects by capital contributions from EME and the incurrence of debt or lease obligations by its subsidiaries and affiliates owning the operating facilities. These project level debt or lease obligations are generally secured by project specific assets and structured as nonrecourse to EME, with several exceptions, including EME's guarantee provided as part of the Powerton and Joliet Sale Leaseback.

Categories of VIEs

Projects or Entities that are Consolidated

At December 31, 2012 and December 31, 2011, EME consolidated 15 and 13 projects, respectively, with a total generating capacity of 878 MW and 570 MW, respectively, that have noncontrolling interests held by others. Projects consolidated at December 31, 2012 increased from December 31, 2011 primarily due to the Capistrano Wind equity capital transaction as discussed below. This increase was partially offset by the December 2012 sale of EME's 75% ownership interest in two Minnesota wind projects. In determining that EME was the primary beneficiary of the projects that are consolidated, key factors considered were EME's ability to direct commercial and operating activities and EME's obligation to absorb losses of the variable interest entities.

The following table presents summarized financial information of the projects that were consolidated by EME:

(in millions)	December 31, 2012	December 31, 2011
Current assets	$ 74	$ 36
Net property, plant and equipment	1,117	675
Other long-term assets	90	5
Total assets	$ 1,281	$ 716
Current liabilities	$ 50	$ 28
Long-term debt net of current portion	186	57
Deferred revenues	156	69
Long-term derivative liabilities	23	
Other long-term liabilities	40	22
Total liabilities	$ 455	$ 176
Noncontrolling interests	$ 288	$ 2

Assets serving as collateral for the debt obligations had a carrying value of $497 million and $136 million at December 31, 2012 and December 31, 2011, respectively, and primarily consist of property, plant and equipment. The consolidated statements of operations and cash flows for the years

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Variable Interest Entities (EME only) (Continued)

ended December 31, 2012 and 2011 includes $29 million and $22 million of pre-tax losses, respectively, and $75 million and $40 million of operating cash flows, respectively, related to VIEs that are consolidated.

Capistrano Wind Equity Capital

On February 13, 2012, Edison Mission Wind Inc. (Edison Mission Wind) sold its indirect equity interests in the Cedro Hill wind project (150 MW in Texas), the Mountain Wind Power I wind project (61 MW in Wyoming) and the Mountain Wind Power II wind project (80 MW in Wyoming) to a new venture, Capistrano Wind Partners. Outside investors provided $238 million of the funding. Capistrano Wind Partners also agreed to acquire the Broken Bow I wind project (80 MW in Nebraska) and the Crofton Bluffs wind project (40 MW in Nebraska). Edison Mission Wind sold the Crofton Bluffs wind project for $58 million and the Broken Bow I wind project for $112 million in December 2012 and January 2013, respectively, to Capistrano Wind Partners. Outside investors provided $46 million and $94 million of the funding for the Crofton Bluffs and the Broken Bow I wind projects, respectively.

Through their ownership of Capistrano Wind Holdings, an indirect subsidiary of EME, Edison Mission Wind, and EME's parent company, Mission Energy Holding Company (MEHC), own 100% of the Class A equity interests in Capistrano Wind Partners, and the Class B preferred equity interests are held by outside investors. Under the terms of the formation documents, preferred equity interests receive 100% of the cash available for distribution, up to a scheduled amount to target a certain return and thereafter cash distributions are shared. Cash available for distribution includes 90% of the tax benefits realized by MEHC and contributed to Capistrano Wind Partners.

Edison Mission Wind retains indirect beneficial ownership of the common equity in the projects, net of a $4 million preferred investment made by MEHC, and retains responsibilities for managing the operations of Capistrano Wind Holdings and its projects, and accordingly, EME will continue to consolidate these projects. The $284 million contributed by the third-party interests and the $4 million preferred investment made by MEHC are reflected in noncontrolling interests on EME's consolidated balance sheet at December 31, 2012. This transaction was accounted for as a transfer among entities under common control and, therefore, resulted in no change in the book basis of the transferred assets. However, the transaction did trigger a taxable gain and new tax basis in the assets with a corresponding adjustment to deferred taxes and a reduction to equity of $21 million.

Projects that are not Consolidated

EME accounts for the majority of its investments in domestic gas and wind energy projects in which it has less than a 100% ownership interest, and does not have both the right to direct the commercial and operating activities and the obligation to absorb losses or receive benefits from the VIEs, under the equity method. As of December 31, 2012 and 2011, EME had significant variable interests in 5 natural gas projects that are not consolidated, consisting of the Big 4 Projects (Kern River, Midway-Sunset, Sycamore and Watson) and Sunrise. A subsidiary of EME operates 3 of the Big 4 Projects and Sunrise and EME's partner provides the fuel management services for the Big 4 Projects. In addition, the executive director of these gas projects is provided by EME's partner. Commercial and operating activities of these gas projects are jointly controlled by a management committee of each VIE. Accordingly, EME accounts for its variable interests in these projects under

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Variable Interest Entities (EME only) (Continued)

the equity method. In December 2012, EME's partner in Kern River and Sycamore filed a complaint alleging the filing of the Chapter 11 Cases was an event of default under the partnership agreements. For additional information see Note 9 Commitments and Contingencies-Chevron Adversary Proceedings.

The following table presents the carrying amount of EME's investments in unconsolidated VIEs and the maximum exposure to loss for each investment:

	December 31, 2012	
(in millions)	Investment	Maximum Exposure
Natural gas-fired projects	$ 331	$ 331
Wind projects	203	203

EME's exposure to loss in its VIEs accounted for under the equity method is generally limited to its investment in these entities. At December 31, 2012 and 2011, outstanding debt for projects that are not consolidated consisted of long-term debt that was secured by a pledge of project entity assets, but does not provide for recourse to EME. At December 31, 2012, such outstanding indebtedness was $32 million, of which $8 million was proportionate to EME's ownership in the project. At December 31, 2011, such outstanding indebtedness was $62 million, of which $16 million was proportionate to EME's ownership interest in the projects.

The following table presents summarized financial information of the investments in unconsolidated affiliates accounted for by the equity method:

	Years Ended December 31,		
(in millions)	2012	2011	2010
Revenues	$ 607	$ 769	$ 828
Expenses	519	601	653
Net income	$ 88	$ 168	$ 175

	December 31,	
(in millions)	2012	2011
Current assets	$ 337	$ 289
Noncurrent assets	711	758
Total assets	$ 1,048	$ 1,047
Current liabilities	$ 78	$ 103
Noncurrent liabilities	82	88
Equity	888	856
Total liabilities and equity	$ 1,048	$ 1,047

The difference between the carrying value of these equity investments and the underlying equity in the net assets was $10 million at December 31, 2012. The difference is being amortized over the life of

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Variable Interest Entities (EME only) (Continued)

the projects. The majority of noncurrent liabilities are composed of project financing arrangements that are nonrecourse to EME. The undistributed earnings of equity method investments were $19 million at December 31, 2012 and 2011.

The following table presents, as of December 31, 2012, the investments in unconsolidated affiliates accounted for by the equity method that represent at least 5% of EME's loss before tax, excluding asset impairment charges, or in which EME has an investment balance greater than $40 million:

Unconsolidated Affiliates	Location	Investment at December 31, 2012 (in millions)	Ownership Interest at December 31, 2012	Operating Status
San Juan Mesa	Elida, NM	$ 80	75%	Operating wind-powered facility
Elkhorn Ridge	Bloomfield, NE	81	67%	Operating wind-powered facility
Sunrise	Fellows, CA	181	50%	Operating gas-fired facility
Sycamore	Bakersfield, CA	40	50%	Operating cogeneration facility
Watson	Carson, CA	40	49%	Operating cogeneration facility

The following table presents summarized financial information of EME's investments in unconsolidated affiliates:

(in millions)	December 31, 2012	2011
Investments in Unconsolidated Affiliates		
Equity investments	$ 527	$ 515
Cost investments	7	8
Total	$ 534	$ 523

At December 31, 2012 and 2011, EME had a 38% ownership interest in Covanta Huntington L.P., a small biomass project, that it accounted for under the cost method of accounting as it does not have a significant influence over the project's operating and financial activities. In October 2012, a non-debtor subsidiary of EME exercised an option to sell all of its interest in the project. In January 2013, EME received $7.5 million in exchange for its indirect interest in the project.

At December 31, 2012 and 2011, EME accounted for its 80% interest in Doga Enerji (Doga) on the cost method as accumulated distributions exceeded accumulated earnings. EME has not estimated the fair value of cost method investments as quoted market prices are not available and the determination of fair value is highly subjective and cannot be readily ascertained.

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted)

Recurring Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). Fair value of an asset or liability considers assumptions that market participants would

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

use in pricing the asset or liability, including assumptions about nonperformance risk, which was not material as of December 31, 2012 and December 31, 2011 for both EME and Midwest Generation.

Assets and liabilities are categorized into a three-level fair value hierarchy based on valuation inputs used to determine fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

EME

The following table sets forth EME's consolidated assets and liabilities that were accounted for at fair value by level within the fair value hierarchy:

	December 31, 2012				
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting and Collateral(1)**	**Total**
Assets at Fair Value					
Money market funds(2)	$ 615	$	$	$	$ 615
Derivative contracts					
Electricity	$	$ 41	$ 52	$ (3)	$ 90
Total assets	$ 615	$ 41	$ 52	$ (3)	$ 705
Liabilities at Fair Value					
Derivative contracts					
Electricity	$	$ 6	$ 1	$ (7)	$
Natural gas	3			(3)	
Interest rate contracts		118			118
Total liabilities	$ 3	$ 124	$ 1	$ (10)	$ 118

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

	December 31, 2011				
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting and Collateral(1)**	**Total**
Assets at Fair Value					
Money market funds(2)	$ 1,179	$	$	$	$ 1,179
Derivative contracts					
Electricity	$	$ 65	$ 95	$ (58)	$ 102
Natural gas	4			(4)	
Fuel oil	4			(4)	
Total assets	$ 1,187	$ 65	$ 95	$ (66)	$ 1,281
Liabilities at Fair Value					
Derivative contracts					
Electricity	$	$ 5	$ 12	$ (16)	$ 1
Interest rate contracts		90			90
Total liabilities	$	$ 95	$ 12	$ (16)	$ 91

(1) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

(2) Money market funds are included in cash and cash equivalents and in restricted cash and cash equivalents on EME's consolidated balance sheets.

The following table sets forth a summary of changes in the fair value of EME's consolidated Level 3 net derivative assets and liabilities:

(in millions)	**2012**	**2011**
Fair value of net assets at beginning of period	$ 83	$ 91
Total realized/unrealized gains (losses)		
Included in earnings(1)	9	(17)
Included in accumulated other comprehensive loss(2)	1	1
Purchases	58	34
Settlements	(46)	(24)
Transfers out of Level 3	(54)	(2)
Fair value of net assets at end of period	$ 51	$ 83
Change during the period in unrealized gains (losses) related to assets and liabilities held at end of period(1)	$ 22	$ 17

(1)
Reported in operating revenues on EME's consolidated statements of operations.

(2)
Included in reclassification adjustments in EME's consolidated statement of other comprehensive loss.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

The fair value of transfers in and out of each level is determined at the end of each reporting period. In 2012, significant transfers out of Level 3 into Level 2 occurred due to significant observable inputs becoming available as the transactions neared maturity. There were no significant transfers between levels during 2011.

Midwest Generation

The following table sets forth Midwest Generation's assets and liabilities that were accounted for at fair value by level within the fair value hierarchy:

	December 31, 2012				
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting(1)**	**Total**
Assets at Fair Value					
Money market funds(2)	$ 75	$	$	$	$ 75
Derivative contracts					
Electricity	$	$ 2	$	$	$ 2
Total assets	$ 75	$ 2	$	$	$ 77
Liabilities at Fair Value					
Derivative contracts					
Electricity	$	$ 3	$	$	$ 3
Total liabilities	$	$ 3	$	$	$ 3

	December 31, 2011				
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting(1)**	**Total**
Assets at Fair Value					
Money market funds(2)	$ 195	$	$	$	$ 195
Derivative contracts					
Electricity	$	$ 40	$	$ 4	$ 44
Fuel oil	4			(4)	
Total assets	$ 199	$ 40	$	$	$ 239
Liabilities at Fair Value					
Derivative contracts					
Electricity	$	$ 2	$	$	$ 2
Total liabilities	$	$ 2	$	$	$ 2

(1) Represents the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

(2) Money market funds are included in cash and cash equivalents on Midwest Generation's consolidated balance sheets.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

The fair value of transfers in and out of each level is determined at the end of each reporting period. There were no significant transfers between levels during 2012, 2011 and 2010. Midwest Generation does not have any Level 3 assets and liabilities.

Valuation Techniques Used to Determine Fair Value

Level 1

The fair value of Level 1 assets and liabilities is determined using unadjusted quoted prices in active markets that are available at the measurement date for identical assets and liabilities. This level includes exchange-traded derivatives and money market funds.

Level 2

The fair value of Level 2 assets and liabilities is determined using the income approach by obtaining quoted prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the instrument. This level includes over-the-counter derivatives and interest rate swaps.

Over-the-counter derivative contracts are valued using standard pricing models to determine the net present value of estimated future cash flows. Inputs to the pricing models include forward published or posted clearing prices from exchanges (New York Mercantile Exchange and Intercontinental Exchange) for similar instruments and discount rates. A primary price source that best represents trade activity for each market is used to develop observable forward market prices in determining the fair value of these positions. Broker quotes, prices from exchanges or comparison to executed trades are used to validate and corroborate the primary price source. These price quotations reflect mid-market prices (average of bid and ask) and are obtained from sources believed to provide the most liquid market for the commodity.

Level 3

The fair value of Level 3 assets and liabilities is determined using the income approach through various models and techniques that require significant unobservable inputs. This level includes over-the-counter options and derivative contracts that trade infrequently, such as congestion revenue rights and long-term power agreements.

Assumptions are made in order to value derivative contracts in which observable inputs are not available. Changes in fair value are based on changes to forward market prices, including extrapolation of short-term observable inputs into forecasted prices for illiquid forward periods. In circumstances where fair value cannot be verified with observable market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. Modeling methodologies, inputs and techniques are reviewed and assessed as markets continue to develop and more pricing information becomes available and the fair value is adjusted when it is concluded that a change in inputs or techniques would result in a new valuation that better reflects the fair value of those derivative contracts.

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

Level 3 Valuation Process

EME

The process of determining fair value is the responsibility of the risk department, which reports to the chief financial officer. This department obtains observable and unobservable inputs through broker quotes, exchanges and internal valuation techniques and uses both standard and proprietary models to determine fair value. Each reporting period, the risk and key finance departments collaborate to determine the appropriate fair value methodologies and classifications for each derivative. Inputs are validated for reasonableness by comparison against prior prices, other broker quotes and volatility fluctuation thresholds. Inputs used and valuations are reviewed period-over-period and compared with market conditions to determine reasonableness. The following table sets forth the valuation techniques and significant unobservable inputs used to determine fair value for EME's consolidated Level 3 assets and liabilities at December 31, 2012:

	Fair Value (in millions)		Valuation Techniques	Significant Unobservable Input	Range	Weighted Average
	Assets	Liabilities				
Electricity						
Congestion contracts	$ 71	$ 20	Latest auction pricing	Congestion prices	$(8.93) - $18.03	$ 0.19
Power contracts	2	2	Discounted cash flows	Power prices	$22.54 - $48.85	$ 39.62
Netting	(21)	(21)				
Total	$ 52	$ 1				

Level 3 Fair Value Sensitivity

For congestion contracts, generally, an increase (decrease) in congestion prices in the last auction relative to the contract price will increase (decrease) fair value. For power contracts, generally, an increase (decrease) in long-term forward power prices at illiquid locations relative to the contract price will increase (decrease) fair value.

Non-Recurring Fair Value Measurements

For a discussion of non-recurring fair value measurements, see Note 13 Asset Impairments and Other Charges.

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair Value Measurements (EME and Midwest Generation, except as noted) (Continued)

Fair Value of Long-term Debt (EME only)

The carrying amounts and fair values of EME's long-term debt were as follows:

	December 31, 2012		December 31, 2011	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 1,056	$ 1,057	$ 4,912	$ 3,716

In assessing the fair value of EME's long-term debt, EME primarily uses quoted market prices, except for floating-rate debt for which the carrying amounts were considered a reasonable estimate of fair value. The fair value of EME's long-term debt is classified as Level 2. The difference between the carrying amount at December 31, 2012 and December 31, 2011 was primarily attributable to the reclassification of EME's $3.7 billion of unsecured senior notes from long-term debt to LSTC. For additional information, see Note 16 Restructuring Activities.

The carrying amount of short-term debt approximates fair value.

Note 5. Debt and Credit Agreements (EME only)

Debt

Debt includes both corporate debt and nonrecourse project debt, whereby lenders rely on specific project assets to repay such obligations. At December 31, 2012, recourse debt to EME classified as part

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Debt and Credit Agreements (EME only) (Continued)

of LSTC was $3.7 billion and nonrecourse project debt was $1.4 billion. The following table summarizes long-term debt (rates and terms as of December 31, 2012), excluding LSTC:

(in millions)	Current Rate(1)	Effective Interest Rate(2)	Maturity Date	December 31, 2012	December 31, 2011
Recourse					
EME (parent only)					
Senior Notes, net(3)					
Series A Notes	7.50% Fixed	7.50%	June 2013	$	$ 500
Series B Notes	7.75% Fixed	7.75%	June 2016		500
Tranche A Notes	7.00% Fixed	7.00%	May 2017		1,200
Tranche B Notes	7.20% Fixed	7.20%	May 2019		800
Tranche C Notes	7.63% Fixed	7.63%	May 2027		700
Nonrecourse(4)					
Walnut Creek Energy(5) Construction Loan	2.46% LIBOR+2.25%	2.79%	June 2013	330	138
WCEP Holdings, LLC(5) Construction Loan	4.21% LIBOR+4.0%	4.50%	June 2013	52	49
Big Sky Wind, LLC Vendor financing loan	4.14% LIBOR+3.5%	4.14%	October 2014	222	211
High Lonesome Mesa, LLC(6) Bonds	6.85% Fixed	6.85%	November 2017	69	72
American Bituminous Power Partners, L.P.(7) Bonds	0.14% Fixed	0.14%	October 2017	46	55
Viento Funding II, Inc.(6) Term Loan	3.27% LIBOR+2.75%	5.79%	December 2020	191	207
Tapestry Wind, LLC Term Loan	2.82% LIBOR+2.5%	4.52%	December 2021	210	214
Cedro Hill Wind, LLC Term Loan	3.32% LIBOR+3.0%	6.89%	December 2025	125	131
Laredo Ridge Term Loan	3.06% LIBOR+2.75%	5.90%	March 2026	71	74
Crofton Bluffs Wind, LLC Term Loan	3.19% LIBOR+2.88%	3.61%	December 2027	27	
Broken Bow Wind, LLC Term Loan	3.19% LIBOR+2.88%	3.65%	December 2027	52	
Others	Various	Various	Various	43	61

Total debt	$ 1,438	$ 4,912
Less: Short-term debt	382	
Total long-term debt	1,056	4,912
Less: Current maturities of long-term debt	307	57
Long-term debt, net of current portion	$ 749	$ 4,855

(1) London Interbank Offered Rate (LIBOR)

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Debt and Credit Agreements (EME only) (Continued)

(2) The effective rate at which interest expense is reflected in the financial statements after the consideration of the current rate of debt and any amounts subject to interest rate swaps. For further discussion, see Note 6 Derivative Instruments and Hedging Activities Interest Rate Risk Management.

(3) With the commencement of the Chapter 11 Cases, the senior notes were reclassified to LSTC. See Note 16 Restructuring Activities.

(4) Payment obligations are generally secured by pledges of the borrower's direct and indirect ownership interests in the projects, project agreements and reserve accounts, if applicable.

(5) Reclassified to short-term debt as the construction loans are expected to convert to 10-year amortizing term loans no later than 2013. For further discussion, see "Walnut Creek" below.

(6) Included as part of current maturities of long-term debt as of December 31, 2012 due to potential defaults arising from the Chapter 11 Cases and the associated execution of short-term forbearance agreement with the lenders. For further discussion, see below "Chapter 11 Cases Viento II Financing" and "Chapter 11 Cases High Lonesome."

(7) Principal payments are due annually through October 1, 2017. Interest rates are reset weekly based on current bond yields for similar securities. At December 31, 2012, the outstanding balance is supported by a letter of credit.

Long-term debt maturities at December 31, 2012, for the next five years are summarized as follows: $70 million in 2013, $297 million in 2014, $75 million in 2015, $69 million in 2016, and $112 million in 2017.

Chapter 11 Cases

The filing of the Chapter 11 Cases constitutes an event of default under various financing documents. In addition to the instruments discussed below, the Chapter 11 Cases could also potentially give rise to counterparty rights and remedies under other documents.

Senior Notes

The senior notes are EME's senior unsecured obligations, ranking equal in right of payment to all of EME's existing and future senior unsecured indebtedness, and will be senior to all of EME's future subordinated indebtedness. EME's nonrecourse secured project debt and its other secured obligations are effectively senior to the senior notes to the extent of the value of the assets securing such debt or other obligations. None of EME's subsidiaries have guaranteed the senior notes and, as a result, all the existing and future liabilities of EME's subsidiaries are effectively senior to the senior notes.

The filing of the Chapter 11 Cases may constitute an event of default under EME's senior notes and, as a result, the principal and interest due under these debt instruments are immediately due and payable. The creditors are stayed from taking any action as a result of the default under Section 362 of the Bankruptcy Code and the obligations related to the senior notes are recorded as part of LSTC. For additional information, see Note 16 Restructuring Activities.

Viento II Financing

In February 2011, EME completed, through its subsidiary, Viento Funding II, Inc., an amendment of its Viento II Financing, a 2009 nonrecourse financing of its interests in the Wildorado, San Juan Mesa and Elkhorn Ridge wind projects. The amendment increased the financing amount to $255 million, which included a $227 million 10-year term loan, a $23 million 7-year letter of credit

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Debt and Credit Agreements (EME only) (Continued)

facility and a $5 million 7-year working capital facility. Interest under the term loan accrues at LIBOR plus 2.75% initially with the rate increasing 0.25% on every fourth anniversary.

The filing of the Chapter 11 Cases may constitute an event of default under the Viento II Financing. A short-term forbearance agreement has been executed with the lenders and the EME subsidiary borrowers to these financing agreements and, as a result, the EME subsidiaries that have obligations pursuant to the Viento II Financing are currently not Debtor Entities in the Chapter 11 Cases. In March 2013, EME paid an approximately $1 million consent fee to extend the expiration date of the forbearance agreement to July 2013. Due to the short-term nature of the agreement, this financing has been classified as short-term at December 31, 2012. At December 31, 2012, there was $191 million outstanding under this loan and $23 million of outstanding letters of credit.

High Lonesome

In November 2010, EME completed through its subsidiary, High Lonesome Mesa, LLC, a nonrecourse financing of its interests in the High Lonesome wind project. The $81 million financing included: $50 million Series 2010A bonds issued by the New Mexico Renewable Energy Transmission Authority, as a conduit issuer for High Lonesome Mesa, LLC, with proceeds loaned to the High Lonesome wind project, $25 million Series 2010B bonds issued directly by the project, and a $6 million debt service reserve letter of credit facility. The Series 2010A bonds are scheduled to partially amortize over the term, while no principal payments of the Series 2010B bonds are due until maturity. In June 2011, High Lonesome Mesa, LLC entered into a $7 million letter of credit reimbursement agreement to provide credit support for a power purchase and sale agreement.

The filing of the Chapter 11 Cases may constitute an event of default under the documents governing the issuance of the Series 2010A and 2010B Bonds. A short-term forbearance agreement has been executed with the lenders and the EME subsidiary borrower to these financing agreements and, as a result, the EME subsidiaries that have obligations pursuant to the High Lonesome financing are currently not Debtor Entities in the Chapter 11 Cases. The forbearance agreement expires on July 31, 2013 and, due to the short-term nature of the agreement, these amounts have been classified as short-term at December 31, 2012. As of December 31, 2012, there were $44 million and $25 million outstanding under the Series 2010A bonds and Series 2010B bonds, respectively, and $11 million of outstanding letters of credit.

Credit Facilities and Letters of Credit

In February 2012, EME terminated its $564 million revolving credit facility. Midwest Generation's $500 million credit facility expired in June 2012 in accordance with its terms. In the first quarter of 2012, EME completed a $100 million letter of credit facility for EME's general corporate needs and for its projects, which expires on June 30, 2014. Letters of credit issued under this facility are secured by cash collateral at least equal to the issued amount.

At December 31, 2012, letters of credit under EME's and its subsidiaries' credit facilities aggregated $163 million and were scheduled to expire as follows: $91 million in 2013, $2 million in 2014, $21 million in 2017, $18 million in 2018, $18 million in 2021, and $13 million in 2022. Standby letters of credit include $30 million issued in connection with the power purchase agreement with SCE,

Table of Contents

EDISON MISSION ENERGY AND SUBSIDIARIES

MIDWEST GENERATION, LLC AND SUBSIDIARIES

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Debt and Credit Agreements (EME only) (Continued)

an affiliate of EME, under the Walnut Creek credit facility. At December 31, 2012, EME had $49 million of cash collateral supporting its standby letters of credit. Certain letters of credit are subject to automatic annual renewal provisions. EME does not currently have the ability to replace the expiring standby letters of credit and will need to negotiate a letter of credit facility prior to the expiration of its existing standby letters of credit.

On February 20, 2013, the Bankruptcy Court approved an agreement between EME and DNB Bank, the lender pursuant to EME's secured letter of credit facility. Pursuant to this agreement, DNB Bank has agreed to forbear from sending notices of non-renewal to beneficiaries of outstanding letters of credit, and to allow existing letters of credit to renew automatically in accordance with their terms. In exchange, EME consented to lift the automatic stay to permit DNB Bank to setoff any obligations due and owing under the applicable documents against EME's cash collateral.

EME may seek a debtor-in-possession credit facility (DIP Financing) which would be used to enhance liquidity and work