

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

FORM 10-Q

(Mark One)

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

Transition report pursuant to Section 13 or 15(d) of the Securities  
- --- Exchange Act of 1934

For Quarter Ended March 31, 1998 Commission File Number 333-33397  
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NRG Energy, Inc.

-----  
(Exact name of registrant as specified in its charter)

Minnesota 41-1724239  
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(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

1221 Nicollet Mall, Minneapolis, Minnesota 55403  
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(Address of principal executive officers) (Zip Code)

Registrant's telephone number, including area code (612) 373-5300  
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None  
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Former name, former address and former fiscal year, if changed since last report

Indicated by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such period that the Registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes X No  
-----

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 1998
-----	-----
Common Stock, \$1.00 par value	1,000 Shares

All outstanding common stock of NRG Energy, Inc., is owned beneficially  
and of record by Northern States Power Company, a Minnesota corporation.

The Registrant meets the conditions set forth in general instruction H (1)  
(a) and (b) of Form 10-Q and is therefore filing this form with the reduced  
disclosure format.

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## PART I

## ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED STATEMENTS OF INCOME

## NRG ENERGY, INC. AND SUBSIDIARIES

(Thousands of Dollars)	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	----- (UNAUDITED)	
OPERATING REVENUES		
Revenues from wholly-owned operations	\$ 24,522	\$ 21,665
Equity in operating earnings of unconsolidated affiliates	16,081	8,492
	-----	
Total operating revenues	40,603	30,157
-----		
OPERATING COSTS AND EXPENSES		
Cost of wholly-owned operations	13,646	12,222
Depreciation and amortization	3,676	2,176
General, administrative, and development	13,170	8,833

Total operating costs and expenses	30,492	23,231
OPERATING INCOME	10,111	6,926
OTHER EXPENSE		
Minority interest in earnings of consolidated subsidiary	(1,032)	-
Other income, net	57	2,018
Interest expense	(11,453)	(4,063)
Total other expense	(12,428)	(2,045)
INCOME (LOSS) BEFORE INCOME TAXES	(2,317)	4,881
INCOME TAXES - BENEFIT	8,406	1,922
NET INCOME	\$ 6,089	\$ 6,803

See notes to consolidated financial statements.

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#### CONSOLIDATED BALANCE SHEETS

#### NRG ENERGY, INC. AND SUBSIDIARIES

(Thousands of Dollars)	MARCH 31, 1998	DECEMBER 31, 1997
(UNAUDITED)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,396	\$ 11,986
Restricted cash	1,783	1,588
Accounts receivable-trade, less allowance for doubtful accounts of \$100	13,999	15,520
Accounts receivable-affiliates	15,564	29,162
Current portion of notes receivable - affiliates	17,503	48,816
Current portion of notes receivable	3,729	3,729
Income taxes receivable	2,663	-
Inventory	2,619	2,619
Prepayments and other current assets	3,048	5,002
Total current assets	67,304	118,422
PROPERTY, PLANT AND EQUIPMENT, AT ORIGINAL COST		
In service	260,890	255,433
Under construction	7,835	9,758
Less accumulated depreciation	(82,057)	(79,300)
Net property, plant and equipment	186,668	185,891
OTHER ASSETS		
Investments in projects	750,144	694,655
Capitalized project costs	17,246	17,791
Notes receivable, less current portion - affiliates	78,339	71,759
Notes receivable, less current portion	4,624	4,624
Intangible assets, net of accumulated amortization of \$2,257 and \$2,012	20,660	21,414
Debt issuance costs, net of accumulated amortization of \$1,038 and \$779	6,330	6,569
Other assets, net of accumulated amortization of \$5,310 and \$4,782	46,449	46,977
Total other assets	923,792	863,789

TOTAL ASSETS \$1,177,764      \$1,168,102

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See notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

NRG ENERGY, INC. AND SUBSIDIARIES

(Thousands of Dollars)	MARCH 31, 1998	DECEMBER 31, 1997
<hr/>		
LIABILITIES AND STOCKHOLDER'S EQUITY	(UNAUDITED)	
<hr/>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 7,474	\$ 7,676
Revolving line of credit	125,000	122,000
Accounts payable-trade	12,605	16,101
Accrued income taxes	-	3,692
Accrued property and sales taxes	4,705	3,804
Accrued salaries, benefits and related costs	10,542	10,998
Accrued interest	9,603	6,310
Other current liabilities	9,380	10,508
<hr/>		
Total current liabilities	179,309	181,089
<hr/>		
LONG-TERM DEBT, LESS CURRENT PORTION	496,863	491,179
DEFERRED REVENUES	8,765	9,577
DEFERRED INCOME TAXES	8,990	11,968
DEFERRED INVESTMENT TAX CREDITS	1,534	1,598
DEFERRED COMPENSATION	2,029	2,175
MINORITY INTEREST IN SUBSIDIARY	20,036	19,818
<hr/>		
Total liabilities	717,526	717,404
<hr/>		
STOCKHOLDER'S EQUITY		
Common stock; \$1 par value; 1,000 shares authorized; 1,000 shares issued and outstanding	1	1
Additional paid-in capital	431,913	431,913
Retained earnings	94,372	88,283
Accumulated other comprehensive income	(66,048)	(69,499)
<hr/>		
Total Stockholder's Equity	460,238	450,698
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TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 1,177,764	\$ 1,168,102
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See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

NRG ENERGY, INC. AND SUBSIDIARIES  
(UNAUDITED)

(Thousands of Dollars)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholder's Equity
BALANCES AT JANUARY 1, 1997	\$ 1	\$ 351,013	\$ 66,301	\$ 4,599	\$ 421,914
Net Income			6,803		6,803
Foreign currency translation adjustments				(5,255)	(5,255)
Comprehensive income					1,548
Capital contributions from parent		20,000			20,000
BALANCES AT MARCH 31, 1997	\$ 1	\$ 371,013	\$ 73,104	\$ (656)	\$ 443,462
BALANCES AT JANUARY 1, 1998	\$ 1	\$ 431,913	\$ 88,283	\$ (69,499)	\$ 450,698
Net Income			6,089		6,089
Foreign currency translation adjustments				3,451	3,451
Comprehensive income					9,540
BALANCES AT MARCH 31, 1998	\$ 1	\$ 431,913	\$ 94,372	\$ (66,048)	\$ 460,238

See notes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

### NRG ENERGY, INC. AND SUBSIDIARIES

(Thousands of Dollars)	THREE MONTHS ENDED	
	MARCH 31, 1998	1997
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,089	\$ 6,803
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Undistributed equity earnings of unconsolidated affiliates	(12,541)	(6,713)
Depreciation and amortization	3,676	2,176
Deferred income taxes and investment tax credits	(3,042)	2,697
Cash provided (used) by changes in certain working capital items, net of acquisition effects		
Accounts receivable	1,521	288
Accounts receivable-affiliates	13,598	(2,757)
Accrued income taxes	(6,355)	(1,760)
Prepayments and other current assets	1,954	1,415
Accounts payable-trade	(3,496)	(1,550)
Accrued interest	3,293	(2,928)
Other current liabilities	(683)	73
Cash used by changes in other assets and liabilities	(335)	(268)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,679	(2,524)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in projects	(38,952)	(13,815)
Changes in notes receivable	24,733	(6,688)
Purchase of plant, property and equipment	(3,534)	(7,735)
(Increase) decrease in restricted cash	(195)	6,901
Cash distribution from project termination settlement	-	6,724
Other, net	218	1,106
NET CASH USED BY INVESTING ACTIVITIES	(17,730)	(13,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from parent	-	20,000
Borrowings under revolving line of credit	3,000	-
Proceeds from issuance of long-term debt	7,670	-
Principal payments on long-term debt	(2,209)	(605)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,461	19,395
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,590)	3,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,986	12,438

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,396	\$ 15,802
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See notes to consolidated financial statements.

NRG ENERGY, INC.

NOTES TO FINANCIAL STATEMENTS

NRG Energy, Inc, (the Company) is a wholly owned subsidiary of Northern States Power Company, a Minnesota corporation (NSP).

The accompanying unaudited consolidated financial statements have been prepared in accordance with SEC regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in its Annual Report on Form 10-K for the year ended December 31, 1997 (Form 10-K). The following notes should be read in conjunction with such policies and other disclosures in the Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim financial statements contain all material adjustments necessary to present fairly the consolidated financial position, the results of operations, cash flows, and shareholders' equity of the Company for the three months ended March 31, 1998 and 1997.

1. BUSINESS ACQUISITIONS

During March, the Company along with its 50% partner, NGC Corporation, concluded the acquisition of the Long Beach Generating Station, one of two Southern California Edison plants awarded to the NRG and NGC consortium. The Long Beach Station is a gas-fired plant comprised of seven 60 MW gas turbine generators and two steam turbines totaling 140 MW.

2. SUBSEQUENT EVENTS

During April, the Company along with its 50% partner, NGC Corporation (NGC), concluded the acquisition of the El Segundo Generating Station. The El Segundo Generating Station is a gas-fired plant with a capacity rating of 1,020 MW.

During April, the Company exercised its option to acquire 16.8 million convertible, non-voting preference shares of Energy Developments Limited (EDL) for \$24.8 million, bringing the Company's total investment in EDL to \$48.8 million or approximately a 35 percent ownership interest. EDL is a listed Australian company that owns 189 MW and operates 238 MW of generation throughout Australia and the United Kingdom.

During April, the Court in the Cajun bankruptcy issued a scheduling order establishing the time for the parties to file post-confirmation hearing briefs. Final briefs must be filed by July 2, 1998 and the Court is expected to rule on confirmation of the proposed plans of reorganization this year.

3. COMMITMENTS AND CONTINGENT LIABILITIES

In April, 1998, an employee of the Company was sued in Minnesota State Court by the estate of a former co-employee who died as a result of work-related

injuries sustained in an incident which occurred in 1996. Under the Company's By-Laws, the Company is obligated to indemnify each employee against costs, expenses and judgments incurred in connection with litigation against such employee if such employee acted in good faith and in a manner reasonably believed to be in the best interests of the Company. Based thereon, the Company is advancing the expenses required for its employee to defend

the wrongful death litigation pending in State Court. The Company has been denied insurance coverage for this claim under its General Liability Policy but is continuing to pursue this and other potential insurance coverage claims it may have for this case. At the present time, it is not possible to assess the potential exposure to the Company related to this litigation.

On January 30, 1998, NRG's 45% owned affiliate, NRG Generating (U.S.) Inc. (NRGG) gave notice that it intended to seek arbitration of its claim that the Company sold the MCPC facility to Oklahoma Gas & Electric in violation of its obligation to offer certain project investments to NRGG under the Co-Investment Agreement between the Company and NRGG. (See "Form 10-K - Item 1 - Significant Investments and Acquisitions in 1997 - NRG Generating (U.S.) Inc.") An arbitration panel has been formed to hear the proceedings. NRGG is seeking a ruling from the arbitration panel that the Company must sell the MCPC facility to NRGG. The Company believes that it had no obligation to offer the MCPC facility to NRGG.

4. SUMMARIZED INCOME STATEMENT INFORMATION OF AFFILIATES

The Company has 20-50% investments in three companies that are considered significant subsidiaries, as defined by applicable SEC regulations, and accounts for those investments using the equity method. The following summarizes the income statements of these unconsolidated entities:

(Thousands of Dollars)	THREE MONTHS ENDED	
	MARCH 31,	
	1998	1997
	-----	
	(Unaudited)	
Net sales	\$ 137,831	\$ 177,222
Other income	8,946	2,985
Costs and expenses:		
Cost of sales	117,824	146,717
General and administrative	4,738	8,532
	-----	-----
	122,562	155,249
	-----	-----
Income before income taxes	24,215	24,958
Income taxes	3,846	7,146
	-----	-----
Net income	\$ 20,369	\$ 17,812
	=====	=====
	=====	=====
Company's share of net income	\$ 7,566	\$ 6,645
	=====	=====

5. NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Company adopted Financial Accounting Standard Statement (SFAS) No. 130, "Reporting Comprehensive Income." This statement establishes rules for reporting comprehensive income and its components. Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statement of Stockholder's Equity. The adoption of SFAS No. 130 had no impact on total stockholder's equity. Certain reclassifications to prior year financial statements have been made in order to conform to the SFAS No. 130 requirements.

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## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition is omitted per conditions as set forth in General Instructions H (1) (a) and (b) of Form 10-Q for wholly owned subsidiaries. It is replaced with management's narrative analysis of the results of operations set forth in General Instructions H (2) (a) of Form 10-Q for wholly owned subsidiaries (reduced disclosure format). This analysis will primarily compare the Company's revenue and expense items for the three months ended March 31, 1998 with the three months ended March 31, 1997.

#### RESULTS OF OPERATIONS

##### FIRST QUARTER ENDED MARCH 31, 1998 COMPARED TO FIRST QUARTER ENDED MARCH 31, 1997

Net income for the quarter ended March 31, 1998, was \$6.1 million, a decrease of \$0.7 million or 11%, compared to net income of \$6.8 million in the same period in 1997. This decrease was primarily due to increased interest costs associated with the \$250 million senior notes issued in mid-1997 and balances outstanding on its line of credit. Earnings, including tax credits, from interests in the Loy Yang project in Australia, Pacific Generation Company, Energy Developments Limited (EDL), and other new projects, all purchased after the first quarter of 1997, along with increased earnings from existing projects partially offset the decrease.

##### OPERATING REVENUES

For the first quarter ended March 31, 1998, the Company had total revenues of \$40.6 million, compared to \$30.2 million for the quarter ended March 31, 1997, an increase of 35%.

##### WHOLLY-OWNED OPERATIONS

The Company's operating revenues from wholly owned operations for the quarter ended March 31, 1998 were \$24.5 million, an increase of \$2.9 million, or 13%, over the same period in 1997. Revenues increased by approximately \$4 million due to new projects, including San Diego Power and Cooling and certain Pacific Generation operations. This increase was partially offset by lower revenues from certain heating and cooling subsidiaries due to the unusually mild weather. For the quarter ended March 31, 1998, revenues from wholly owned operations consisted primarily of revenue from heating, cooling and thermal activities (52%), electrical generation (43%) and technical services (5%).



## EQUITY IN OPERATING EARNINGS OF UNCONSOLIDATED AFFILIATES

Equity in earnings of unconsolidated affiliates was \$16.1 million for the quarter ended March 31, 1998, compared to \$8.5 million for the quarter ended March 31, 1997, an increase of 89%. The increase was due to new projects including those acquired in the Pacific Generation transaction, the Company's acquisition of its interest in EDL as well as higher earnings from MIBRAG.

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## OPERATING COSTS AND EXPENSES

Cost of wholly owned operations was \$13.6 million for the quarter ended March 31, 1998, an increase of \$1.4 million, or 12%, over the same period in 1997. The increase was due primarily to increased sales volume and labor costs. Cost of operations as a percentage of revenues from wholly owned operations was 55% which is 1% lower than the same period in 1997.

Depreciation and amortization costs were \$3.7 million for the quarter ended March 31, 1998, compared to \$2.2 million for the quarter ended March 31, 1997. The \$1.5 million increase was due primarily to increased amortization of intangible assets related to the Pacific Generation acquisition and additional NEO project depreciation.

General, administrative and development costs were \$13.2 million for the quarter ended March 31, 1998, compared to \$8.8 million for the quarter ended March 31, 1997. The \$4.4 million increase was due primarily to increased business development, associated legal, technical, and accounting expenses, headcount and equipment resulting from expanded operations.

## OTHER EXPENSE

Other expense was \$12.4 million for the first quarter ended March 31, 1998, compared with \$2.0 million for the quarter ended March 31, 1997. The \$10.4 million increase was primarily due to interest expense, which increased by \$7.4 million. This increase was due to the issuance of the \$250 million Senior Notes at the end of June 1997 and interest on the Company's revolving line of credit. Also, the first quarter of 1998 included \$1.0 million for minority interest in earnings of a consolidated subsidiary that the Company did not own during the same period in 1997. The remaining increase reflects a decline in interest income on cash investments.

## INCOME TAX

The Company has recognized an income tax benefit due to domestic tax losses and the recognition of certain tax credits. The net income tax benefit for the quarter ended March 31, 1998, increased by \$6.5 million to \$8.4 million as compared to \$1.9 million for the same quarter one year earlier. This was due primarily to increased tax credits and tax effects of higher interest expense.

## FORWARD-LOOKING STATEMENTS

In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause the Company's actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Economic conditions including inflation rates and monetary fluctuations;
- Trade, monetary, fiscal, taxation, and environmental policies of governments, agencies and similar organizations in

- geographic areas where the Company has a financial interest;
- Customer business conditions including demand for their products or services and supply of labor and materials used in creating their products and services;
- Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal Energy Regulatory Commission and similar entities with regulatory oversight;
- Availability or cost of capital such as changes in: interest rates; market perceptions of the power generation industry, the Company or any of its subsidiaries; or security ratings;

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- Factors affecting power generation operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, maintenance or repairs; unanticipated changes to fossil fuel, or gas supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints;
- Employee workforce factors including loss or retirement of key executives, collective bargaining agreements with union employees, or work stoppages;
- Increased competition in the power generation industry;
- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;
- Technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;
- Factors associated with various investments including conditions of final legal closing, foreign government actions, foreign economic and currency risks, political instability in foreign countries, partnership actions, competition, operating risks, dependence on certain suppliers and customers, domestic and foreign environmental and energy regulations;
- Limitations on the Company's ability to control the development or operation of projects in which the Company has less than 100% interest;
- Other business or investment considerations that may be disclosed from time to time in the Company's Securities and Exchange Commission filings or in other publicly disseminated written documents, including the Company's Registration Statement No. 333-33397, as amended.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors pursuant to the Act should not be construed as exhaustive.

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PART II  
ITEM 1 - LEGAL PROCEEDINGS

In April, 1998, an employee of the Company was sued in Minnesota State Court

by the estate of a former co-employee who died as a result of work-related injuries sustained in an incident which occurred in 1996. Under the Company's By-Laws, the Company is obligated to indemnify each employee against costs, expenses and judgments incurred in connection with litigation against such employee if such employee acted in good faith and in a manner reasonably believed to be in the best interests of the Company. Based thereon, the Company is advancing the expenses required for its employee to defend the wrongful death litigation pending in State Court. The Company has been denied insurance coverage for this claim under its General Liability Policy but is continuing to pursue this and other potential insurance coverage claims it may have for this case. At the present time, it is not possible to assess the potential exposure to the Company related to this litigation.

On January 30, 1998, the Company's 45% owned affiliate NRG Generating (U.S.) Inc., ("NRGG"), gave notice that it intended to seek arbitration of its claim that the Company sold the Mid-Continent Power Company ("MCPC") facility to Oklahoma Gas & Electric in violation of the Company's obligation to offer certain project investments to NRGG under the Co-Investment Agreement between the Company and NRGG. (See "Form 10-K, Item 1 - Significant Investments and Acquisitions in 1997 - NRG Generating (U.S.) Inc.") An arbitration panel has been formed and hearings are scheduled for June, 1998. NRGG is seeking a ruling from the arbitration panel that the Company must sell the MCPC facility to NRGG. The Company believes that it had no obligation to offer the MCPC facility to NRGG.

Other legal proceedings are set forth in Part I, Item 3 of the Company's Form 10-K for the year ended December 31, 1997.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed with this report:

10.17 Employment Agreement dated as of April 15, 1998 between the Company and certain officers. The Employment Agreement between James J. Bender and the Company is filed with this report. Shown below is a schedule of each NRG officer who signed a substantially identical agreement dated as of April 15, 1998 and the title of such officer's position with the Company, as set forth in such agreement:

Leonard A. Bluhm	Executive Vice President and Chief Financial Officer
Craig A. Mataczynski	Vice President, U.S. Business Development
Louise T. Routhe	Vice President, Human Resources and Administration
Ronald J. Will	Vice President, Operations and Engineering

27 Financial data schedule for the three month period ended

March 31, 1998

(b) Reports on Form 8-K

On January 16, 1998, NRG filed a Report on Form 8-K reporting under the following items:

- Item 2 - Acquisition or disposition of assets
- Item 7 - Financial Statements and Exhibits

The following financial information was also filed with the Form 8-K:

- a. Financial Statements of Businesses Acquired
  - 1. Audited Consolidated Balance Sheets of Pacific Generation Company at December 31, 1996 and 1995 and the audited Consolidated Statements of Operations, Shareholders Equity and Cash flows for the years ended December 31, 1996 and 1995 and Independent Auditors Report.
  - 2. Unaudited Consolidated Balance Sheet at September 30, 1997 and Unaudited Consolidated Statement of Operations and Cash Flows for the period January 1, 1997 to September 30, 1997.
  - 3. Reports of Other Independent Accountants.
- b. Pro Forma Financial Information.

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- 1. Introduction to the pro forma financial statements.
- 2. A pro forma balance sheet at December 31, 1996, which combines the balance sheet of the Company and the balance sheet of Pacific Generation Company along with a description of material pro forma adjustments.
- 3. A pro forma income statement which combines the results of the Company and the results of Pacific Generation Company, for the year ended December 31, 1996, along with a description of material pro forma adjustments.
- 4. A pro forma balance sheet at September 30, 1997, which combines the balance sheet of the Company and the balance sheet of Pacific Generation Company along with a description of material pro forma adjustments.
- 5. A pro forma income statement which combines the results of the Company and the results of Pacific Generation Company for nine months ended September 30, 1997, along with a description of material pro forma adjustments.

SIGNATURES

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

NRG ENERGY, INC.  
-----  
(Registrant)

/s/ Leonard A. Bluhm  
-----  
Leonard A. Bluhm  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ David E. Ripka  
-----  
David E. Ripka  
Controller  
(Principal Accounting Officer)

Date: May 13, 1998  
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EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
10.17	From the Employment Agreement between the Company and certain officers.

Financial data schedule for the three months  
ended March 31, 1998.

NRG ENERGY, INC.  
AGREEMENT OF EMPLOYMENT

THIS AGREEMENT is entered into as of the 15th day of April, 1998 by and between NRG Energy, Inc. ("Company"), a Delaware corporation, and James J. Bender ("Employee").

WHEREAS:

- A. Employee desires to continue being employed by Company as its "Vice President and General Counsel."
- B. Employee and Company recognize and acknowledge that Employee's executive responsibilities give Employee knowledge of substantially all aspects of the Company's operations, including its business plans and strategies, current and contemplated generation projects and ventures, customers, etc., which information could seriously harm the Company if provided to a competitor. Likewise, Employee's responsibilities allow Employee to develop business relationships with affiliates, customers, suppliers and other Company employees that, if used on behalf of a competitor, could seriously harm the Company.
- C. Employee and Company recognize and acknowledge the Company's need to protect its confidential and proprietary information as well as its business relationships and goodwill.
- D. In exchange for Employee's agreement not to compete with Company and not to reveal Company's confidential information as set forth in this Agreement, Company has agreed to the severance arrangement described below, which consideration Employee agrees is full and adequate consideration for this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, Employee and Company, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

(a) Position and Duties. Company agrees to employ Employee as its "Vice President and General Counsel," with such duties as may be determined by Company from time to time. Employee shall perform these duties subject to the direction and supervision of the Chief Executive Officer. Subject to the provisions of subparagraph (c) of this paragraph, the Company reserves the right to reassign Employee to another position within the Company at its discretion and Employee acknowledges that the provisions of paragraph

2 below apply to any reassigned position. Employee accepts such employment and agrees to devote his or her full time and skills to the conduct of Company's business, performing to the best of Employee's abilities such duties as may be reasonably requested by Company. Employee agrees to serve Company diligently and faithfully so as to advance Company's best interests and agrees to not take any action in

conflict with Company's interests.

(b) Term. This Agreement shall be effective April 15th, 1998 and shall continue thereafter for a rolling three year period unless either party gives written notice to the other in advance of any annual anniversary date of this Agreement (which shall be April 15th of each year) that the term shall expire two years from such annual anniversary date.

(c) Termination. During the term of the Agreement, Company may terminate Employee's employment due to Employee's death or Disability or for Cause and Employee may voluntarily resign his or her employment with or without Good Cause. For purposes of this Agreement, (i) "Cause" means theft, or sexual harassment, or a material violation of NRG corporate policy (including any NRG Code of Conduct which may be adopted), as reasonably applied, constituting gross misconduct, (ii) "Disability" means a disability that qualifies the Employee for disability pension benefits under the Northern State Power Company Pension Plan and (iii) resign with "Good Cause" means resigning within 3 months of a material change or reduction in Employee's job responsibilities with the Company or resigning as a result of a material breach by the Company of the compensation or benefit terms of this Agreement, provided that Employee has given Company written notice of, and a reasonable opportunity to cure, such breach. If Employee's employment is terminated due to Employee's death or Disability or for Cause or if Employee voluntarily resigns without Good Cause, Company shall pay Employee's base salary (but not incentives) and employee benefits through the date of termination or resignation and Company shall have no further obligations under this Agreement. If during the term of this Agreement Company terminates Employee's employment for any reason other than death, Disability or Cause, or if Employee voluntarily resigns for Good Cause, Company shall continue to pay Employee amounts equal to Employee's then current total compensation, including base pay, anticipated incentives and all employee benefits for a period of three years following the date of termination or resignation, as severance. Incentives shall include awards under the NRG Officer Equity Plan and the Annual Incentive Plan, by whatever name, and any other incentive plans which are applicable. Company shall provide Employee with incentives in amounts equal to the target amounts provided in Employee's incentive plans in effect on the date of Employee's termination or resignation as if Employee's employment continued, notwithstanding any requirements of active employment which may be contained in the Company's incentive plans, and as of the end of the three year period following the date of termination or resignation (i) Employee shall be deemed to be fully vested under all such incentive plans, notwithstanding any vesting requirements which may be contained in such plans, and (ii) for purposes of all incentive plans, Employee shall be treated as if Employee had retired from the Company as of end of such three year period, notwithstanding Employee's eligibility for retirement.

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(d) Compensation and Benefits. Whether or not Company reassigns employee pursuant to paragraph 1(a), Company shall pay Employee such base salary and incentives as may be separately agreed upon from time to time, but not less than the rates for salary and incentives in effect on the date of this Agreement, and shall provide such vacation, holiday, medical and other benefits as are provided by Company to its other executive officers. The benefits provided by Company to its employees are subject to change from time to time at the discretion of Company with or without prior notice. With respect to incentives, if Company reassigns Employee pursuant to paragraph 1(a), Company shall provide Employee with incentives in amounts equal to the target amounts provided in Employee's incentive packages in effect immediately prior to such reassignment. Incentives shall include awards



under the NRG Officer Equity Plan and the Annual Incentive Plan, by whatever name, and any other incentive plans which are applicable.

2. NON-COMPETITION.

(a) Employee understands and agrees that, in addition to Employee's below-described exposure to Company's Confidential Information or Trade Secrets, Employee may, in his or her capacity as an employee, at times meet with Company's customers and suppliers, and that as a consequence of using and associating with Company's name, goodwill, and professional reputation, Employee will be in a position to develop personal and professional relationships with Company's past, current, and prospective customers and suppliers. Employee further acknowledges that during the course and as a result of employment by Company, Employee may be provided certain specialized training or know-how. Employee understands and agrees that this goodwill and reputation, as well as Employee's knowledge of Confidential Information or Trade Secrets and specialized training and know-how, could be used unfairly in competition against Company.

(b) Accordingly, Employee agrees that, during the course of Employee's employment with Company and for one year from the date of Employee's voluntary or involuntary resignation from, or termination of employment with, Company, Employee shall not:

(i) Directly or indirectly own, manage, consult, associate with, operate, join, work for, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business (whether in corporate, proprietorship, or partnership form or otherwise), as more than a 10% owner in such business or member of a group controlling such business, which is engaged in any activity which competes with the business of Company as conducted one year prior to (and up through) the date of Employee's resignation from, or termination of employment with, Company or which will compete with any proposed business activity of Company in the planning stage on such date of resignation or termination. Employee and Company agree that this provision is reasonably enforced as to any geographic area.

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(ii) Directly or indirectly solicit, service, contract with or otherwise engage any past (one year prior), existing or prospective customer, client, or account who then has a relationship with Company for current or prospective business on behalf of a competitor of the Company, or on Employee's own behalf for a competing business. Employee and Company agree that this provision is reasonably enforced with reference to any geographic area applicable to such relationships with the Company.

(iii) Cause or attempt to cause any existing or prospective customer, client, or account, who then has a relationship with the Company for current or prospective business, to divert, terminate, limit or in any manner modify, or fail to enter into any actual or potential business relationship with Company. Employee and Company agree that this provision is reasonably enforced with reference to any geographic area applicable to such relationships with the Company.

(iv) Directly or indirectly solicit, employ or conspire with others to employ any of Company's employees. The term "employ" for purposes of this paragraph means to enter into an arrangement for services as a full-time or part-time employee, independent contractor, consultant, agent or otherwise. Employee and Company agree that this provision is reasonably enforced as to any geographic area.

(c) Employee further agrees to inform any new employer or other person or entity with whom Employee enters into a business relationship during the one year non-competition period, before accepting such employment or entering into such a business relationship, of the existence of this Agreement and give such employer, person or other entity a copy of this paragraph 2.

(d) Company agrees that the terms "activity which competes with the business of the Company," "competitor of the Company," "competing business," and "relationship with the Company" as used in this Agreement shall be narrowly applied and that it is not the belief of Company that all companies in the energy business are competitors of Company. Company further agrees that this Agreement shall not be so broadly construed that Employee is prevented during the non-compete period from obtaining all other employment in the energy industry.

3. RETURN OF PROPERTY. Employee agrees that upon the termination of employment with Company the originals and all copies of any and all documents (including computer data, disks, programs, or printouts) that contain any customer information, financial information, product information, or other information that in any way relates to Company, its products or services, its clients, its suppliers, or other aspects of its business shall be immediately returned to Company. Employee further agrees to not retain any summary of such information.

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4. CONFIDENTIAL INFORMATION/TRADE SECRETS.

(a) Employee acknowledges that during the course and as a result of his or her employment, Employee may receive or otherwise have access to, or contribute to the production of, Confidential Information or Trade Secrets. "Confidential Information" or "Trade Secrets" means information that is proprietary to or in the unique knowledge of Company (including information discovered or developed in whole or in part by Employee); the Company's business methods and practices; or information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. It includes, among other things, strategies, procedures, manuals, confidential reports, lists of clients, customers, suppliers, past, current or possible future products or services, and information concerning research, development, accounting, marketing, selling or leases and the prices or charges paid by the Company's customers to the Company, or by the Company to its suppliers.

(b) Employee further acknowledges and appreciates that any Confidential Information or Trade Secret constitutes a valuable asset of Company and that Company intends any such information to remain secret and confidential. Employee therefore specifically agrees that except to the extent required by Employee's duties to Company or as permitted by the express written consent of the Board of Directors,

Employee shall never, either during employment with Company or at any time thereafter, directly or indirectly use, discuss or disclose any Confidential Information or Trade Secrets of Company or otherwise use such information to his or her own or a third party's benefit.

5. CONSIDERATION. Employee and Company agree that the provisions of this Agreement are reasonable and necessary for the protection of Company and its business. In exchange for Employee's agreement to be bound by the terms of this Agreement, Company has provided Employee the consideration provided in paragraph 1. Employee accepts and acknowledges the adequacy of such consideration for this Agreement.

6. REMEDIES FOR BREACH. Employee and Company acknowledge that a breach of the provisions of this Agreement may cause irreparable harm that may not be fully remedied by monetary damages. Accordingly, Employee and Company shall, in addition to any relief afforded by law, be entitled to injunctive relief from the other for breach. Employee and Company agree that both damages at law and injunctive relief shall be proper modes of relief and are not to be considered alternative remedies. Employee and Company further agree that the prevailing party shall be entitled to recover from the other party reasonable costs of litigation and reasonable attorney fees incurred in any litigation to enforce this Agreement.

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7. EMPLOYEE'S ACKNOWLEDGEMENT OF REVIEW. Employee represents that Employee has carefully read and fully understands all provisions of this Agreement and that Employee has had a full opportunity to review this Agreement before signing and to have all the terms of this Agreement explained to him or her by counsel.

8. GENERAL PROVISIONS. Employee and Company acknowledge and agree as follows:

(a) This Agreement contains the entire understanding of the parties with regard to all matters contained herein. There are no other agreements, conditions, or representations, oral or written, express or implied, with regard to such matters. This Agreement supersedes and replaces any prior agreement between the parties generally relating to the same subject matter.

(b) This Agreement may be amended or modified only by a writing signed by both parties.

(c) Waiver by either Company or Employee of a breach of any provision, term or condition hereof shall not be deemed or construed as a further or continuing waiver thereof or a waiver of any breach of any other provision, term or condition of this Agreement.

(d) This Agreement shall inure to the benefit of and be binding upon Company and its successors and assigns. Company shall require any successor (whether direct or indirect, by asset or stock purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean NRG Energy, Inc., its affiliates or assigns and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise. No assignment of this Agreement shall be made by

Employee, and any purported assignment shall be null and void.

(e) No provision of this Agreement shall be construed as denying Company or Employee the right to terminate this Agreement consistent with the terms hereof.

(f) Employee's obligations under paragraphs 2, 3, and 4 of this Agreement shall survive any changes in Employee's employment status with Company, by promotion or otherwise, or Employee's resignation from, or termination of employment with, Company.

(g) If any court finds any provision or part of this Agreement to be unreasonable, in whole or in part, such provision shall be deemed and construed to be reduced to the maximum duration, scope or subject matter allowable under applicable law. Any invalidation of any provision or part of this Agreement will not invalidate any other provision or part of this Agreement.

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(h) This Agreement will be construed and enforced in accordance with the laws and legal principles of the State of Minnesota. The Employee consents to the jurisdiction of the Minnesota courts for the enforcement of this Agreement.

(i) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

THIS AGREEMENT IS INTENDED TO BE A LEGALLY BINDING DOCUMENT FULLY ENFORCEABLE IN ACCORDANCE WITH ITS TERMS. IF IN DOUBT, SEEK COMPETENT LEGAL ADVICE BEFORE SIGNING.

/s/ James J. Bender

4/9/98

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(Employee)

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Date

NRG ENERGY, INC.

By /s/ David H. Peterson

4/13/98

-----  
Its Chairman, President & CEO

-----  
Date

Employee acknowledges that he or she has received a copy of this Agreement.

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE MARCH 31, 1998 FINANCIAL STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

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