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

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2020

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

Commission File Number: 001-15891

NRG Energy, Inc.
(Exact name of registrant as specified in its charter)

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

804 Carnegie Center, Princeton	**New Jersey**	**08540**
(Address of principal executive offices)		(Zip Code)

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

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

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

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

Yes ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ **No** ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ **No** ☒

As of November 5, 2020, there were 244,220,834 shares of common stock outstanding, par value $0.01 per share.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors, risks and uncertainties include the factors described under *Risk Factors*, in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and the following:

- NRG's inability to estimate with any degree of certainty the future impact that COVID-19, any resurgence of COVID-19, or other pandemic may have on NRG's results of operations, financial position, risk exposure and liquidity;
- NRG's ability to obtain and maintain retail market share;
- General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel;
- Volatile power supply costs and demand for power;
- Changes in law, including judicial decisions;
- Hazards customary to the power production industry and power generation operations, such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- NRG's ability to engage in successful sales and divestitures, as well as mergers and acquisitions activity;
- NRG's ability to successfully integrate, realize cost savings and manage any acquired businesses;
- The effectiveness of NRG's risk management policies and procedures and the ability of NRG's counterparties to satisfy their financial commitments;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- NRG's ability to enter into contracts to sell power and procure fuel on acceptable terms and prices;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Government regulation, including changes in market rules, rates, tariffs and environmental laws;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately and fairly compensate NRG's generation units;
- NRG's ability to mitigate forced outage risk for units subject to capacity performance requirements in PJM, performance incentives in ISO-NE, and scarcity pricing in ERCOT;
- NRG's ability to borrow funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness in the future;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in the indentures governing NRG's Senior Notes, Senior Secured Notes and Senior Credit Facility, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- Cyber terrorism and inadequate cybersecurity, or the occurrence of a catastrophic loss and the possibility that NRG may not have adequate insurance to cover losses resulting from such hazards or the inability of NRG's insurers to provide coverage;
- NRG's ability to develop and build new power generation facilities;
- NRG's ability to develop and innovate new products, as retail and wholesale markets continue to change and evolve;
- NRG's ability to implement its strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources, while taking advantage of business opportunities;
- NRG's ability to increase cash from operations through operational and market initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout NRG to reduce costs or generate revenues;
- NRG's ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives;
- NRG's ability to achieve the expected benefits of its Transformation Plan; and

- NRG's ability to develop and maintain successful partnering relationships as needed.

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

GLOSSARY OF TERMS

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

2019 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2019
2023 Term Loan Facility	The Company's term loan facility due 2023, a component of the Senior Credit Facility, which was repaid during the second quarter of 2019
ACE	Affordable Clean Energy
Agua Caliente	Agua Caliente Solar Project, a 290 MW photovoltaic power station located in Yuma County, Arizona in which NRG owns 35% interest
ARO	Asset Retirement Obligation
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASU	Accounting Standards Updates - updates to the ASC
Average realized power prices	Volume-weighted average power prices, net of average fuel costs and reflecting the impact of settled hedges
Bankruptcy Code	Chapter 11 of Title 11 the U.S. Bankruptcy Code
BTU	British Thermal Unit
Business Solutions	NRG's business solutions group, which includes demand response, commodity sales, energy efficiency and energy management services
CAA	Clean Air Act
CAISO	California Independent System Operator
California Bankruptcy Court	United States Bankruptcy Court for the Northern District of California, San Francisco Division
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
Carlsbad	Carlsbad Energy Center, a 528 MW natural gas-fired project located in Carlsbad, CA
CCR	Coal Combustion Residuals
CDD	Cooling Degree Day
CFTC	U.S. Commodity Futures Trading Commission
C&I	Commercial industrial and governmental/institutional
Centrica	Centrica plc
CES	Clean Energy Standard
Cleco	Cleco Corporate Holdings LLC
CO_2	Carbon Dioxide
ComEd	Commonwealth Edison
Company	NRG Energy, Inc.
Convertible Senior Notes	As of September 30, 2020, consists of NRG's $575 million unsecured 2.75% Convertible Senior Notes due 2048
Cottonwood	Cottonwood Generating Station, a 1,153 MW natural gas-fueled plant
COVID-19	Coronavirus Disease 2019
CPP	Clean Power Plan
CPUC	California Public Utilities Commission
CWA	Clean Water Act
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Distributed Solar	Solar power projects that primarily sell power to customers for usage on site, or are interconnected to sell power into a local distribution grid
Economic gross margin	Sum of energy revenue, capacity revenue, retail revenue and other revenue, less cost of fuels and other cost of sales
EGU	Electric Generating Unit
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESCO	Energy Service Companies
ESPP	NRG Energy, Inc. Amended and Restated Employee Stock Purchase Plan

Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally accepted accounting principles in the U.S.
GenOn	GenOn Energy, Inc.
GenOn Entities	GenOn and certain of its wholly owned subsidiaries, including GenOn Americas Generation, that filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Texas Bankruptcy Court on June 14, 2017
GHG	Greenhouse Gas
GIP	Global Infrastructure Partners
Green Mountain Energy	Green Mountain Energy Company
GWh	Gigawatt Hour
HDD	Heating Degree Day
Heat Rate	A measure of thermal efficiency computed by dividing the total BTU content of the fuel burned by the resulting kWhs generated. Heat rates can be expressed as either gross or net heat rates, depending upon whether the electricity output measured is gross or net generation. Heat rates are generally expressed as BTU per net kWh
HLW	High-level radioactive waste
HSR Act	Hart-Scott-Rodino Act
ICE	Intercontinental Exchange
ISO	Independent System Operator, also referred to as RTOs
ISO-NE	ISO New England Inc.
Ivanpah	Ivanpah Solar Electric Generation Station, a 393 MW solar thermal power plant located in California's Mojave Desert in which NRG owns 54.5% interest
kWh	Kilowatt-hour
LaGen	Louisiana Generating, LLC
LIBOR	London Inter-Bank Offered Rate
LTIPs	Collectively, the NRG long-term incentive plan ("LTIP") and the NRG GenOn LTIP
Mass Market	Residential and small commercial customers
MDth	Thousand Dekatherms
Midwest Generation	Midwest Generation, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MW	Megawatts
MWe	Megawatt equivalent
MWh	Saleable megawatt hour net of internal/parasitic load megawatt-hour
NAAQS	National Ambient Air Quality Standards
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Corporation
NJBPU	New Jersey Board of Public Utilities
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Revenue Rate	Sum of retail revenues less TDSP transportation charges
Nodal	Nodal Exchange is a derivatives exchange
NOL	Net Operating Loss
NOx	Nitrogen Oxides
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG	NRG Energy, Inc.

NRG Yield, Inc.	NRG Yield, Inc., which changed its name to Clearway Energy, Inc. following the sale by NRG of NRG Yield and the Renewables Platform to GIP
Nuclear Decommissioning Trust Fund	NRG's nuclear decommissioning trust fund assets, which are for the Company's portion of the decommissioning of the STP, Units 1 & 2
Nuclear Waste Policy Act	U.S. Nuclear Waste Policy Act of 1982
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
NYSPSC	New York State Public Service Commission
OCI/OCL	Other Comprehensive Income/(Loss)
ORDC	Operating Reserve Demand Curve
Petra Nova	Petra Nova Parish Holdings, LLC which is 50% owned by NRG and which owns and operates a 240 MWe carbon capture system and a 78 MW cogeneration facility, and owns an equity interest in an oilfield
PG&E	PG&E Corporation (NYSE: PCG) and its primary operating subsidiary, Pacific Gas and Electric Company
PJM	PJM Interconnection, LLC
PM2.5	Particulate Matter that has a diameter of less than 2.5 micrometers
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
RCE	Residential Customer Equivalent is a unit of measure used by the energy industry to denote the typical annual commodity consumption by a single-family residential customer. 1 RCE represents 1,000 therms of natural gas or 10,000 kWh of electricity
RCRA	Resource Conservation and Recovery Act of 1976
Reliant Energy	Reliant Energy Retail Services, LLC
Renewables	Consists of the following projects in which NRG has an ownership interest: Agua Caliente, Ivanpah, and solar generating stations located at various NFL Stadiums
Renewables Platform	The renewable operating and development platform sold by NRG to GIP with NRG's interest in NRG Yield, Inc.
Revolving Credit Facility	The Company's $2.6 billion revolving credit facility, a component of the Senior Credit Facility, due 2024 was amended on May 28, 2019 and August 20, 2020
RGGI	Regional Greenhouse Gas Initiative
RTO	Regional Transmission Organization, also referred to as ISOs
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	NRG's senior secured credit facility, comprised of the Revolving Credit Facility and the 2023 Term Loan Facility. The 2023 Term Loan Facility was repaid in the second quarter of 2019
Senior Notes	As of September 30, 2020, NRG's $3.8 billion outstanding unsecured senior notes consisting of $1.0 billion of the 7.25% senior notes due 2026, $1.23 billion of the 6.625% senior notes due 2027, $821 million of 5.75% senior notes due 2028 and $733 million of the 5.250% senior notes due 2029
Senior Secured Notes	As of September 30, 2020, NRG’s $1.1 billion outstanding Senior Secured First Lien Notes consists of $600 million of the 3.75% Senior Secured First Lien Notes due 2024 and $500 million of the 4.45% Senior Secured First Lien Notes due 2029
SNF	Spent Nuclear Fuel
SO_2	Sulfur Dioxide
South Central Portfolio	NRG's South Central Portfolio, which owned and operated a portfolio of generation assets consisting of Bayou Cove, Big Cajun-I, Big Cajun-II, Cottonwood and Sterlington, was sold on February 4, 2019. NRG is leasing back the Cottonwood facility through May 2025
STP	South Texas Project — nuclear generating facility located near Bay City, Texas in which NRG owns a 44% interest
STPNOC	South Texas Project Nuclear Operating Company
TDSP	Transmission/distribution service provider
Texas Bankruptcy Court	United States Bankruptcy Court for the Southern District of Texas, Houston Division
Transformation Plan	NRG's three-year plan announced in 2017, which includes targets related to operations and excellence, portfolio optimization, and capital structure and allocation enhancement

TWCC	Texas Westmoreland Coal Co.
U.S.	United States of America
U.S. DOE	U.S. Department of Energy
Utility Scale Solar	Solar power projects, typically 20 MW or greater in size (on an alternating current basis), that are interconnected into the transmission or distribution grid to sell power at a wholesale level
VaR	Value at Risk
VIE	Variable Interest Entity
ZECs	Zero Emissions Credits

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions, except for per share amounts)	**2020**	**2019**	**2020**	**2019**
Operating Revenues				
Total operating revenues	$ 2,809	$ 2,996	$ 7,066	$ 7,626
Operating Costs and Expenses				
Cost of operations	2,034	2,153	4,925	5,649
Depreciation and amortization	99	91	318	261
Impairment losses	29	—	29	1
Selling, general and administrative costs	253	210	670	615
Reorganization costs	—	1	3	16
Development costs	1	1	6	5
Total operating costs and expenses	2,416	2,456	5,951	6,547
Gain on sale of assets	—	—	6	2
Operating Income	393	540	1,121	1,081
Other Income/(Expense)				
Equity in earnings of unconsolidated affiliates	36	29	37	8
Impairment losses on investments	—	(107)	(18)	(107)
Other income, net	11	17	52	49
Loss on debt extinguishment, net	—	—	(1)	(47)
Interest expense	(99)	(99)	(292)	(318)
Total other expense	(52)	(160)	(222)	(415)
Income from Continuing Operations Before Income Taxes	341	380	899	666
Income tax expense	92	6	216	9
Income from Continuing Operations	249	374	683	657
(Loss)/income from discontinued operations, net of income tax	—	(2)	—	399
Net Income	249	372	683	1,056
Less: Net income attributable to redeemable noncontrolling interests	—	—	—	1
Net Income Attributable to NRG Energy, Inc.	$ 249	$ 372	$ 683	$ 1,055
Earnings per Share				
Weighted average number of common shares outstanding — basic	244	254	246	266
Income from continuing operations per weighted average common share — basic	$ 1.02	$ 1.47	$ 2.78	$ 2.47
(Loss)/income from discontinued operations per weighted average common share — basic	$ —	$ (0.01)	$ —	$ 1.50
Earnings per Weighted Average Common Share — Basic	$ 1.02	$ 1.46	$ 2.78	$ 3.97
Weighted average number of common shares outstanding — diluted	245	256	247	268
Income from continuing operations per weighted average common share — diluted	$ 1.02	$ 1.46	$ 2.77	$ 2.45
(Loss)/income from discontinued operations per weighted average common share — diluted	$ —	$ (0.01)	$ —	$ 1.49
Earnings per Weighted Average Common Share — Diluted	$ 1.02	$ 1.45	$ 2.77	$ 3.94

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	**2020**	**2019**	**2020**	**2019**
Net Income	$ 249	$ 372	$ 683	$ 1,056
Other Comprehensive Income/(Loss)				
Foreign currency translation adjustments	4	(4)	2	(4)
Available-for-sale securities	—	(14)	—	(13)
Defined benefit plans	—	(41)	—	(47)
Other comprehensive income/(loss)	4	(59)	2	(64)
Comprehensive Income	253	313	685	992
Less: Comprehensive income attributable to redeemable noncontrolling interest	—	—	—	1
Comprehensive Income Attributable to NRG Energy, Inc.	$ 253	$ 313	$ 685	$ 991

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 697	$ 345
Funds deposited by counterparties	15	32
Restricted cash	6	8
Accounts receivable, net	1,126	1,025
Inventory	330	383
Derivative instruments	578	860
Cash collateral paid in support of energy risk management activities	77	190
Prepayments and other current assets	258	245
Total current assets	3,087	3,088
Property, plant and equipment, net	2,573	2,593
Other Assets		
Equity investments in affiliates	376	388
Operating lease right-of-use assets, net	345	464
Goodwill	579	579
Intangible assets, net	721	789
Nuclear decommissioning trust fund	828	794
Derivative instruments	315	310
Deferred income taxes	3,087	3,286
Other non-current assets	314	240
Total other assets	6,565	6,850
Total Assets	$ 12,225	$ 12,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	3	88
Current portion of operating lease liabilities	69	73
Accounts payable	753	722
Derivative instruments	495	781
Cash collateral received in support of energy risk management activities	15	32
Accrued expenses and other current liabilities	651	663
Total current liabilities	1,986	2,359
Other Liabilities		
Long-term debt	5,792	5,803
Non-current operating lease liabilities	297	483
Nuclear decommissioning reserve	311	298
Nuclear decommissioning trust liability	508	487
Derivative instruments	318	322
Deferred income taxes	17	17
Other non-current liabilities	1,062	1,084
Total other liabilities	8,305	8,494
Total Liabilities	10,291	10,853
Redeemable noncontrolling interest in subsidiaries	—	20
Commitments and Contingencies		
Stockholders' Equity		
Common stock; $0.01 par value; 500,000,000 shares authorized; 423,041,349 and 421,890,790 shares issued and 244,147,420 and 248,996,189 shares outstanding at September 30, 2020 and December 31, 2019, respectively	4	4
Additional paid-in-capital	8,511	8,501
Accumulated deficit	(1,157)	(1,616)
Treasury stock, at cost - 178,893,929 and 172,894,601 shares at September 30, 2020 and December 31, 2019, respectively	(5,234)	(5,039)
Accumulated other comprehensive loss	(190)	(192)
Total Stockholders' Equity	1,934	1,658
Total Liabilities and Stockholders' Equity	$ 12,225	$ 12,531

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
(In millions)	**2020**	**2019**
Cash Flows from Operating Activities		
Net Income	$ 683	$ 1,056
Income from discontinued operations, net of income tax	—	399
Income from continuing operations	683	657
Adjustments to reconcile net income to cash provided by operating activities:		
Distributions from and equity in losses/(earnings) of unconsolidated affiliates	6	(5)
Depreciation and amortization	318	261
Accretion of asset retirement obligations	46	31
Provision for credit losses	74	87
Amortization of nuclear fuel	40	40
Amortization of financing costs and debt discount/premiums	23	20
Loss on debt extinguishment, net	1	47
Amortization of emissions allowances and energy credits	60	28
Amortization of unearned equity compensation	17	15
Gain on sale and disposal of assets	(22)	(20)
Impairment losses	47	108
Changes in derivative instruments	(7)	36
Changes in deferred income taxes and liability for uncertain tax benefits	202	(3)
Changes in collateral deposits in support of energy risk management activities	96	129
Changes in nuclear decommissioning trust liability	39	27
Changes in other working capital	(237)	(569)
Cash provided by continuing operations	1,386	889
Cash provided by discontinued operations	—	8
Net Cash Provided by Operating Activities	1,386	897
Cash Flows from Investing Activities		
Payments for acquisitions of assets and businesses	(277)	(348)
Capital expenditures	(167)	(183)
Net proceeds from notes receivable	—	2
Net (purchases)/sales of emission allowances	(15)	14
Investments in nuclear decommissioning trust fund securities	(360)	(295)
Proceeds from the sale of nuclear decommissioning trust fund securities	318	271
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	15	1,293
Changes in investments in unconsolidated affiliates	2	(94)
Contributions to discontinued operations	—	(44)
Cash (used)/provided by continuing operations	(484)	616
Cash used by discontinued operations	—	(2)
Net Cash (Used)/Provided by Investing Activities	(484)	614
Cash Flows from Financing Activities		
Payments of dividends to common stockholders	(221)	(24)
Payments for share repurchase activity	(229)	(1,322)
Payments for debt extinguishment costs	—	(24)
Purchase of and distributions to noncontrolling interests from subsidiaries	(2)	(1)
Proceeds from issuance of common stock	1	3
Proceeds from issuance of long-term debt	59	1,833
Payments of debt issuance costs	(24)	(34)
Repayments of long-term debt	(62)	(2,487)
Net (repayments)/proceeds of Revolving Credit Facility	(83)	215
Other	(6)	—
Cash used by continuing operations	(567)	(1,841)
Cash provided by discontinued operations	—	43
Net Cash Used by Financing Activities	(567)	(1,798)
Effect of exchange rate changes on cash and cash equivalents	(2)	—
Change in Cash from discontinued operations	—	49
Net Increase/(Decrease) in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	333	(336)
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	385	613
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 718	$ 277

See accompanying notes to condensed consolidated financial statements.

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stock-holders' Equity
Balance at December 31, 2019	$ 4	$ 8,501	$ (1,616)	$ (5,039)	$ (192)	$ 1,658
Net income attributable to NRG Energy, Inc.			121			121
Other comprehensive loss					(15)	(15)
Repurchase of partners' equity interest in VIE		18				18
Share repurchases				(150)		(150)
Equity-based awards activity, net		(21)				(21)
Common stock dividends and dividend equivalents declared[(a)]			(75)			(75)
Balance at March 31, 2020	$ 4	$ 8,498	$ (1,570)	$ (5,189)	$ (207)	$ 1,536
Net income attributable to NRG Energy, Inc.			313			313
Other comprehensive income					13	13
Shares reissuance for ESPP				2		2
Share repurchases				(47)		(47)
Equity-based awards activity, net		6				6
Issuance of common stock		1				1
Common stock dividends and dividend equivalents declared[(a)]			(74)			(74)
Balance at June 30, 2020	$ 4	$ 8,505	$ (1,331)	$ (5,234)	$ (194)	$ 1,750
Net income attributable to NRG Energy, Inc.			249			249
Other comprehensive income					4	4
Equity-based awards activity, net		6				6
Common stock dividends and dividend equivalents declared[(a)]			(75)			(75)
Balance at September 30, 2020	$ 4	$ 8,511	$ (1,157)	$ (5,234)	$ (190)	$ 1,934

(In millions)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stock-holders' Equity
Balance at December 31, 2018	$ 4	$ 8,510	$ (6,022)	$ (3,632)	$ (94)	$ (1,234)
Net income attributable to NRG Energy, Inc.			482			482
Other comprehensive loss					(2)	(2)
Share repurchases		(10)		(739)		(749)
Equity-based awards activity, net		(32)				(32)
Issuance of common stock		5				5
Common stock dividends and dividend equivalents declared[(a)]			(8)			(8)
Balance at March 31, 2019	$ 4	$ 8,473	$ (5,548)	$ (4,371)	$ (96)	$ (1,538)
Net income attributable to NRG Energy, Inc.			201			201
Other comprehensive loss					(3)	(3)
Share repurchases		10		(315)		(305)
Equity-based awards activity, net		5				5
Common stock dividends and dividend equivalents declared[(a)]			(8)			(8)
Balance at June 30, 2019	$ 4	$ 8,488	$ (5,355)	$ (4,686)	$ (99)	$ (1,648)
Net income attributable to NRG Energy, Inc.			372			372
Other comprehensive loss					(59)	(59)
Share repurchases				(234)		(234)
Equity-based awards activity, net		5				5
Issuance of common stock		1				1
Common stock dividends and dividend equivalents declared[(a)]			(8)			(8)
Balance at September 30, 2019	$ 4	$ 8,494	$ (4,991)	$ (4,920)	$ (158)	$ (1,571)

(a) Dividends per common share were $0.30 for each of the quarters ended September 30, 2020, June 30, 2020 and March 31, 2020 and $0.03 for each of the quarters ended September 30, 2019, June 30, 2019 and March 31, 2019

See accompanying notes to condensed consolidated financial statements.

Note 1 — Nature of Business and Basis of Presentation

General

NRG Energy, Inc., or NRG or the Company, is an integrated power company built on dynamic retail brands with diverse generation assets. NRG brings the power of energy to consumers by producing and selling electricity and related products and services in major competitive power markets in the U.S. and Canada in a manner that delivers value to all of NRG's stakeholders. NRG is a customer-driven business focused on perfecting the integrated model by balancing retail load with generation supply within its deregulated markets. The Company sells energy, services, and innovative, sustainable products and services directly to retail customers under the brand names NRG, Reliant, Green Mountain Energy, Stream, and XOOM Energy, as well as other brand names owned by NRG, supported by approximately 23,000 MW of generation as of September 30, 2020.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the condensed consolidated financial statements in the Company's 2019 Form 10-K and the Current Report on Form 8-K filed May 7, 2020, which provides retrospectively revised historical financial information to correspond with the Company's current segment structure. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of September 30, 2020, and the results of operations, comprehensive income, cash flows and statements of stockholders' equity for the three and nine months ended September 30, 2020 and 2019.

Segments

As part of perfecting the integrated model, in which the majority of the Company’s generation serves its retail customers, the Company began managing its operations based on the combined results of the retail and wholesale generation businesses with a geographical focus in 2020. As a result, the Company changed its business segments from Retail and Generation to Texas, East and West/Other beginning in the first quarter of 2020. The Company's updated segment structure reflects how management currently makes financial decisions and allocates resources.

The Company's businesses are segregated as follows:

- Texas, which includes all activity related to customer, plant and market operations in Texas;
- East, which includes the remaining activity related to customer operations and all activity related to plant and market operations in the East;
- West/Other, which includes the following assets and activities: (i) all activity related to plant and market operations in the West, (ii) activity related to the Cottonwood power plant that was sold to Cleco on February 4, 2019 and is being leased back until 2025, (iii) the remaining renewables activity, including the Company’s equity method investments in Ivanpah Master Holdings, LLC and Agua Caliente, the remaining Home Solar assets and the NFL stadium solar generating assets, and (iv) activity related to the Company’s equity method investment for the Gladstone power plant in Australia; and
- Corporate activities.

All affected disclosures have been recast to reflect these changes for all periods presented. For further discussion of segment reporting, refer to Note 14, *Segment Reporting*.

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. Electricity was deemed a 'critical and essential business operation' under various state and federal governmental COVID-19 mandates. NRG had activated its Crisis Management Team ("CMT") in January 2020 to proactively manage the Company's response to the impacts of COVID-19.

NRG continues to remain focused on protecting the health and well-being of its employees, while supporting its customers and the communities in which it operates and assuring the continuity of its operations. In June 2020, summer-critical office employees returned to the offices and safety protocols were successfully implemented. The Company will continue to evaluate additional return to normal work operations on a location-by-location basis as COVID-19 conditions evolve.

The Company continues to maintain certain restrictions on business travel and face-to-face sales channels, remote work practices remain in place and there are enhanced cleaning and hygiene protocols in all of its facilities. In addition, select essential employees and contractors are continuing to report to plant and certain office locations. The Company also continues to require pre-entry screening, including temperature checks, separation of work crews, additional personal protective equipment for employees and contractors when social distancing cannot be maintained, and a ban on all non-essential visitors. The Company has not experienced any material disruptions in its ability to continue its business operations to date.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Note 2 — Summary of Significant Accounting Policies

Other Balance Sheet Information

The following table presents the accumulated depreciation included in property, plant and equipment, net and accumulated amortization included in intangible assets, net:

(In millions)	September 30, 2020	December 31, 2019
Property, plant and equipment accumulated depreciation	$ 1,901	$ 1,752
Intangible assets accumulated amortization	1,314	1,262

Credit Losses

On January 1, 2020, the Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU No. 2016-13, using the modified retrospective approach. Following the adoption of the new standard, the Company's process of estimating expected credit losses remains materially consistent with its historical practice. Information prior to January 1, 2020, which was previously referred to as the allowance and provision for bad debt, has not been restated and continues to be reported under the accounting standards in effect for that period.

Retail trade receivables are reported on the balance sheet net of the allowance for credit losses. The Company accrues an allowance for current expected credit losses based on (i) estimates of uncollectible revenues by analyzing accounts receivable aging and current and reasonable forecasts of expected economic factors including, but not limited to, unemployment rates and weather-related events, (ii) historical collections and delinquencies, and (iii) counterparty credit ratings for commercial and industrial customers.

The following table represents the activity in the allowance for credit losses for the three and nine months ended September 30, 2020:

(In millions)	Three months ended September 30, 2020	Nine months ended September 30, 2020
Beginning balance	$ 47	$ 43
Provision for credit losses	26	74
Write-offs	(19)	(71)
Recoveries collected	3	11
Ending balance	$ 57	$ 57

Restricted Cash

The following table provides a reconciliation of cash and cash equivalents, restricted cash and funds deposited by counterparties reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

(In millions)	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 697	$ 345
Funds deposited by counterparties	15	32
Restricted cash	6	8
Cash and cash equivalents, funds deposited by counterparties and restricted cash shown in the statement of cash flows	$ 718	$ 385

Funds deposited by counterparties consist of cash held by the Company as a result of collateral posting obligations from its counterparties. Some amounts are segregated into separate accounts that are not contractually restricted but, based on the Company's intention, are not available for the payment of general corporate obligations. Depending on market fluctuations and the settlement of the underlying contracts, the Company will refund this collateral to the hedge counterparties pursuant to the terms and conditions of the underlying trades. Since collateral requirements fluctuate daily and the Company cannot predict if any collateral will be held for more than twelve months, the funds deposited by counterparties are classified as a current asset on the Company's balance sheet, with an offsetting liability for this cash collateral received within current liabilities.

Restricted cash consists primarily of funds held within the Company's projects that are restricted for specific uses.

Pension Plan Contributions

In the Company's 2019 Form 10-K, NRG had anticipated making contributions of $56 million to its pension plans in 2020. Cash contributions of $12 million were made during the nine months ended September 30, 2020 and the remaining planned contributions for 2020 were satisfied by available pre-funded pension balances (previous contributions in excess of required pension contributions). No additional contributions are planned in the fourth quarter of 2020.

Recent Accounting Developments - Guidance Adopted in 2020

ASU 2018-17 — In October 2018, the FASB issued ASU No. 2018-17, *Consolidations (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, or ASU No. 2018-17, in response to stakeholders' observations that Topic 810, *Consolidations*, could be improved thereby improving general purpose financial reporting. Specifically, ASU No. 2018-17 requires application of the variable interest entity (VIE) guidance to private companies under common control and consideration of indirect interest held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments retrospectively. The adoption did not have a material impact on the Company's results of operations, cash flows, or statement of financial position.

ASU 2018-15 — In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in Cloud Computing Arrangement That Is a Service Contract*, or ASU No. 2018-15. The amendments in ASU No. 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs incurred to develop or obtain internal-use software (and hosting arrangement that include an internal-use software license). The amendment also requires the customer to amortize the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The Company adopted the amendments effective January 1, 2020 using the prospective approach. The adoption did not have a material impact on the Company's results of operations, cash flows, or statement of financial position.

ASU 2018-13 — In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirement for Fair value Measurement)*, or ASU No. 2018-13. The amendments in ASU No. 2018-13 eliminate such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and add new disclosure requirements for Level 3 measurements. ASU No. 2018-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Certain disclosures in ASU No. 2018-13 are required to be applied on a retrospective basis and others on a prospective basis. The Company adopted the amendments effective January 1, 2020. As the amendments contemplates changes in disclosures only, it did not have an impact on the Company's results of operations, cash flows, or statement of financial position.

ASU 2016-13 — In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, or ASU No. 2016-13, which was further amended through various updates issued by the FASB thereafter. The guidance in ASU No. 2016-13 provides a new model for recognizing credit losses on financial assets carried at amortized cost using an estimate of expected credit losses, instead of the "incurred loss" methodology previously required for recognizing credit losses that delayed recognition until it was probable that a loss was incurred. The estimate of expected credit losses is to be based on consideration of past events, current conditions and reasonable and supportable forecasts of future conditions. The Company adopted the standard and its subsequent corresponding updates effective January 1, 2020 using the modified retrospective approach. Results for the reporting periods after January 1, 2020 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company's adoption of Topic 326 did not have a material impact on the Company's results of operations, cash flows, or statement of financial position.

Recent Accounting Developments - Guidance Not Yet Adopted

ASU 2020-06 — In August 2020, the FASB issued ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*, or ASU No. 2020-06. The guidance in ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock. In addition, ASU 2020-06 improves and amends the related earnings per share guidance. This standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently in the process of assessing the impact of this guidance on the consolidated financial statements and disclosures related to earnings per share.

ASU 2019-12 — In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* or ASU No. 2019-12, to simplify various aspects related to accounting for income taxes. The guidance in ASU 2019-12 amends the general principles in Topic 740 to eliminate certain exceptions for recognizing deferred taxes for investment, performing intraperiod allocation and calculating income taxes in interim periods. This ASU also includes guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years,. Early adoption is permitted, including adoption in an interim period. The Company is currently in the process of assessing the impact of this guidance on the consolidated financial statements.

Note 3 — Revenue Recognition

Performance Obligations

As of September 30, 2020, estimated future fixed fee performance obligations are $188 million for the remaining three months of fiscal year 2020, and $648 million, $281 million, $43 million and $8 million for the fiscal years 2021, 2022, 2023 and 2024, respectively. These performance obligations are for cleared auction MWs in the PJM, ISO-NE, NYISO and MISO capacity auctions and are subject to penalties for non-performance.

Disaggregated Revenues

The following tables represent the Company's disaggregation of revenue from contracts with customers for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020				
(In millions)	**Texas**	**East**	**West/Other**	**Corporate/Eliminations**	**Total**
Retail revenue:					
Mass Market	*$ 1,633*	*$ 354*	*$ —*	*$ —*	*$ 1,987*
Business Solutions	*288*	*27*	*—*	*—*	*315*
Total retail revenue	1,921	381	—	—	2,302
Energy revenue[a]	11	93	117	1	222
Capacity revenue[a]	—	158	16	—	174
Mark-to-market for economic hedging activities[b]	1	43	(10)	5	39
Other revenue[a]	59	18	(1)	(4)	72
Total operating revenue	1,992	693	122	2	2,809
Less: Lease revenue	—	—	5	—	5
Less: Realized and unrealized ASC 815 revenue	10	115	(10)	5	120
Total revenue from contracts with customers	$ 1,982	$ 578	$ 127	$ (3)	$ 2,684

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

(In millions)	**Texas**	**East**	**West/Other**	**Corporate/Eliminations**	**Total**
Energy revenue	$ —	$ 23	$ 13	$ (1)	$ 35
Capacity revenue	—	49	—	—	49
Other revenue	9	—	(13)	1	(3)

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

	Three months ended September 30, 2019				
(In millions)	**Texas**	**East**	**West/Other**	**Corporate/Eliminations**	**Total**
Retail revenue:					
Mass Market	*$ 1,735*	*$ 337*	*$ —*	*$ —*	*$ 2,072*
Business Solutions	*397*	*19*	*—*	*—*	*416*
Total retail revenue	2,132	356	—	—	2,488
Energy revenue[a]	211	109	107	(1)	426
Capacity revenue[a]	—	185	9	—	194
Mark-to-market for economic hedging activities[b]	(213)	12	(9)	—	(210)
Other revenue[a]	78	17	4	(1)	98
Total operating revenue	2,208	679	111	(2)	2,996
Less: Lease revenue	—	—	5	—	5
Less: Realized and unrealized ASC 815 revenue	420	69	—	(2)	487
Total revenue from contracts with customers	$ 1,788	$ 610	$ 106	$ —	$ 2,504

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

(In millions)	**Texas**	**East**	**West/Other**	**Corporate/Eliminations**	**Total**
Energy revenue	$ 613	$ 20	$ 21	$ (2)	$ 652
Capacity revenue	—	34	—	—	34
Other revenue	20	3	(12)	—	11

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

(In millions)	Nine months ended September 30, 2020 Texas	East	West/Other	Corporate/Eliminations	Total
Retail revenue:					
Mass Market	*$ 3,938*	*$ 992*	*$ —*	*$ (1)*	*$ 4,929*
Business Solutions	*796*	*70*	*—*	*—*	*866*
Total retail revenue	4,734	1,062	—	(1)	5,795
Energy revenue[(a)]	21	157	252	(1)	429
Capacity revenue[(a)]	—	471	47	—	518
Mark-to-market for economic hedging activities[(b)]	1	63	6	8	78
Other revenue[(a)]	172	45	36	(7)	246
Total operating revenue	4,928	1,798	341	(1)	7,066
Less: Lease revenue	—	1	14	—	15
Less: Realized and unrealized ASC 815 revenue	24	239	50	5	318
Total revenue from contracts with customers	$ 4,904	$ 1,558	$ 277	$ (6)	$ 6,733

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

(In millions)	Texas	East	West/Other	Corporate/Eliminations	Total
Energy revenue	$ —	$ 60	$ 42	$ (3)	$ 99
Capacity revenue	—	114	—	—	114
Other revenue	23	2	2	—	27

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

(In millions)	Nine months ended September 30, 2019 Texas	East	West/Other	Corporate/Eliminations	Total
Retail revenue:					
Mass Market	*$ 3,891*	*$ 892*	*$ —*	*$ (3)*	*$ 4,780*
Business Solutions	*927*	*55*	*—*	*—*	*982*
Total retail revenue	4,818	947	—	(3)	5,762
Energy revenue[(a)]	452	283	217	—	952
Capacity revenue[(a)]	—	524	27	—	551
Mark-to-market for economic hedging activities[(b)]	28	13	11	(1)	51
Other revenue[(a)]	213	45	55	(3)	310
Total operating revenue	5,511	1,812	310	(7)	7,626
Less: Lease revenue	—	1	14	—	15
Less: Realized and unrealized ASC 815 revenue	1,314	187	46	(2)	1,545
Total revenue from contracts with customers	$ 4,197	$ 1,624	$ 250	$ (5)	$ 6,066

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

(In millions)	Texas	East	West/Other	Corporate/Eliminations	Total
Energy revenue	$ 1,239	$ 87	$ 28	$ (2)	$ 1,352
Capacity revenue	—	81	—	1	82
Other revenue	47	6	7	—	60

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

Contract Balances

The following table reflects the contract assets and liabilities included in the Company's balance sheet as of September 30, 2020 and December 31, 2019:

(In millions)	September 30, 2020	December 31, 2019
Deferred customer acquisition costs	$ 122	$ 133
Accounts receivable, net - Contracts with customers	1,084	1,002
Accounts receivable, net - Derivative instruments	37	18
Accounts receivable, net - Affiliate	5	5
Total accounts receivable, net	$ 1,126	$ 1,025
Unbilled revenues (included within Accounts receivable, net - Contracts with customers)	$ 411	$ 402
Deferred revenues[(a)]	60	82

(a) Deferred revenues from contracts with customers for the three months ended September 30, 2020 and the year ended December 31, 2019 were approximately $31 million and $24 million, respectively

The revenue recognized from contracts with customers during both the nine months ended September 30, 2020 and 2019 relating to the deferred revenue balance at the beginning of each period was $13 million. The revenue recognized during the three months ended September 30, 2020 and 2019 relating to the deferred revenue balance at the beginning of each period was $31 million and $21 million, respectively. The change in deferred revenue balances during the three and nine months ended September 30, 2020 and 2019 was primarily due to the timing difference of when consideration was received and when the performance obligation was transferred.

Note 4 — Acquisitions, Discontinued Operations and Dispositions

Acquisitions

Direct Energy Acquisition

On July 24, 2020, the Company entered into a definitive purchase agreement with Centrica to acquire Direct Energy, a North American subsidiary of Centrica (the "Purchase Agreement"). Direct Energy is a leading retail provider of electricity, natural gas, and home and business energy related products and services in North America, with operations in all 50 U.S. states and 6 Canadian provinces. The acquisition will add over 3 million customers to NRG's business and build on and complement its integrated model, enabling better matching of power generation with customer demand. It will also broaden the Company's presence in the Northeast and into states and locales where it does not currently operate, supporting NRG's objective to diversify its business.

The Company will pay an aggregate purchase price of $3.625 billion in cash, subject to a purchase price adjustment, including a working capital adjustment. The Company expects to fund the purchase price using a combination of cash on hand and approximately $3 billion in newly-issued secured and unsecured corporate debt. The Company also expects to increase its collective collateral facilities by $3.5 billion through a combination of new letter of credit facilities and increases to its existing Revolving Credit Facility.

Through November 5, 2020, in preparation for the additional liquidity requirements related to the acquisition, the Company (i) amended its Revolving Credit Facility to, among other things, increase the existing revolving commitments in an aggregate amount of $802 million, and provide for a new tranche of revolving commitments in an aggregate amount of $273 million, as further discussed in Note 10, Long-term Debt, (ii) amended its credit default swap facility agreement to issue letters of credit to, among other things, increase the size of the facility to allow for the issuance of an additional $87 million of letters of credit, as further discussed in Note 10, Long-term Debt, (iii) entered into a revolving accounts receivable financing facility (the " Receivables Facility") for an amount up to $750 million, subject to adjustments on a seasonal basis, with issuers of asset-backed commercial paper and commercial banks, as further discussed in Note 9, Receivables Securitization and Repurchase Facility, (iv) entered into an uncommitted repurchase facility related to the Receivables Facility, under which the Company can borrow up to $75 million, as further discussed in Note 9, Receivables Securitization and Repurchase Facility, and (v) entered into $1.6 billion of interest rate hedges associated with anticipated financing needs, as further discussed in Note 20, Subsequent Events.

The shareholders of Centrica approved the acquisition on August 20, 2020. The transaction has received approvals under the Canadian Competition Act and early termination of the waiting period under the HSR Act has been granted. The transaction remains subject to customary closing conditions, including the receipt of approval under the Federal Power Act.

The acquisition is targeted to close by December 31, 2020. There are no assurances that the conditions to the consummation of the acquisition of Direct Energy will be satisfied or that the acquisition of Direct Energy will be consummated on the terms agreed to, or at all.

Midwest Generation Lease Purchase

On September 29, 2020, Midwest Generation acquired all of the ownership interests in the Powerton facility and Units 7 and 8 of the Joliet facility, which were being leased through 2034 and 2030, respectively, for approximately $260 million. The purchase was initially funded with cash-on-hand. The Company anticipates drawing on its Revolving Credit Facility in an amount equal to the previously existing operating lease liability of $148 million before December 31, 2020.

Stream Energy Acquisition

On August 1, 2019, the Company acquired Stream Energy's retail electricity and natural gas operating in 9 states and Washington, D.C. for $329 million, including working capital and other adjustments of approximately $29 million. The acquisition increased NRG's retail portfolio by approximately 600,000 RCEs or 450,000 customers. The purchase price was allocated as follows:

		(In millions)
Account receivable	$	98
Accounts payable		(73)
Other net current and non-current working capital		5
Marketing partnership		154
Customer relationships		85
Trade name		28
Other intangible assets		26
Goodwill [(a)]		6
Stream Purchase Price	$	329

(a) Goodwill arising from the acquisition is attributed to the value of the platform acquired and the synergies expected from combining the operations of Stream Energy with NRG's existing businesses. Goodwill of $5 million and $1 million was assigned to the Texas and East segments, respectively, and is not deductible for tax purposes

Discontinued Operations

Sale of South Central Portfolio

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

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

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

(In millions)	Three months ended September 30, 2019		Nine months ended September 30, 2019	
Operating revenues	$	—	$	31
Operating costs and expenses		—		(23)
Gain from operations of discontinued components		**—**		**8**
(Loss)/Gain on disposal of discontinued operations, net of tax		(1)		27
(Loss)/Gain from discontinued operations, including disposal, net of tax	**$**	**(1)**	**$**	**35**

Carlsbad

On February 6, 2018, NRG entered into an agreement with NRG Yield and GIP to sell 100% of its membership interests in Carlsbad Energy Holdings LLC, which owns the Carlsbad project, for $385 million of cash consideration, excluding working capital adjustments. The primary condition to close the Carlsbad transaction was the completion of the sale of NRG Yield and the Renewables Platform. At the time of the sale of NRG Yield and the Renewables Platform in August 2018, the Company concluded that the Carlsbad project met the criteria for discontinued operations and accordingly, all prior period results for Carlsbad were reclassified as discontinued operations. The transaction closed on February 27, 2019. Carlsbad continues to have a ground lease and easement agreement with NRG with an initial term ending in 2039 and two, ten-year extensions. As a result of the transaction, additional commitments related to the project totaled approximately $23 million as of September 30, 2020 and December 31, 2019.

Summarized results of Carlsbad discontinued operations were as follows:

(In millions)	Three months ended September 30, 2019	Nine months ended September 30, 2019
Operating revenues	$ —	$ 19
Operating costs and expenses	—	(9)
Other expenses	—	(5)
Gain from discontinued operations, net of tax	**—**	**5**
(Loss)/gain on disposal of discontinued operations, net of tax	(1)	330
Other Commitments, Indemnification and Fees	—	27
(Loss)/gain on disposal of discontinued operations, net of tax	**(1)**	**357**
(Loss)/gain from discontinued operations, including disposal, net of tax	**$ (1)**	**$ 362**

GenOn

On June 14, 2017, the GenOn Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Texas Bankruptcy Court. As a result of the bankruptcy filings, NRG concluded that it no longer controlled GenOn as it was subject to the control of the Texas Bankruptcy Court; and accordingly, NRG deconsolidated GenOn and its subsidiaries for financial reporting purposes as of such date.

Summarized results of GenOn discontinued operations were as follows:

(In millions)	Nine months ended September 30, 2019
Gain from discontinued operations, net of tax	$ 2

Dispositions

The Company completed other asset sales for cash proceeds of $15 million and $22 million during the nine months ended September 30, 2020 and 2019, respectively.

Note 5 — Fair Value of Financial Instruments

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

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

	September 30, 2020		December 31, 2019	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Notes receivable	$ 10	$ 7	$ 11	$ 8
Liabilities:				
Long-term debt, including current portion [(a)]	5,854	6,309	5,956	6,504

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

The fair value of the Company's publicly-traded long-term debt is based on quoted market prices and is classified as Level 2 within the fair value hierarchy. The fair value of debt securities, non-publicly traded long-term debt and certain notes receivable of the Company are based on expected future cash flows discounted at market interest rates or current interest rates for similar instruments with equivalent credit quality and are classified as Level 3 within the fair value hierarchy. The following table presents the level within the fair value hierarchy for long-term debt, including current portion, as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
(In millions)	Level 2	Level 3	Level 2	Level 3
Long-term debt, including current portion	$ 6,305	$ 4	$ 6,388	$ 116

Recurring Fair Value Measurements

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

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

	September 30, 2020			
(In millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments in securities (classified within other current and non-current assets)	$ 15	$ —	$ 15	$ —
Nuclear trust fund investments:				
Cash and cash equivalents	25	25	—	—
U.S. government and federal agency obligations	49	48	1	—
Federal agency mortgage-backed securities	92	—	92	—
Commercial mortgage-backed securities	38	—	38	—
Corporate debt securities	144	—	144	—
Equity securities	402	402	—	—
Foreign government fixed income securities	6	—	6	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	893	74	592	227
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	72			
Equity securities	7			
Total assets	$ 1,744	$ 550	$ 888	$ 227
Derivative liabilities:				
Commodity contracts	$ 813	$ 70	$ 568	$ 175
Total liabilities	$ 813	$ 70	$ 568	$ 175

	December 31, 2019			
(In millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments in securities (classified within other current and non-current assets)	$ 20	$ —	$ 20	$ —
Nuclear trust fund investments:				
Cash and cash equivalents	17	17	—	—
U.S. government and federal agency obligations	68	68	—	—
Federal agency mortgage-backed securities	100	—	100	—
Commercial mortgage-backed securities	29	—	29	—
Corporate debt securities	109	—	109	—
Equity securities	388	388	—	—
Foreign government fixed income securities	5	—	5	—
Other trust fund investments:				
U.S. government and federal agency obligations	1	1	—	—
Derivative assets:				
Commodity contracts	1,170	84	893	193
Measured using net asset value practical expedient:				
Equity securities — nuclear trust fund investments	78			
Equity securities	8			
Total assets	$ 1,993	$ 558	$ 1,156	$ 193
Derivative liabilities:				
Commodity contracts	$ 1,103	$ 143	$ 805	$ 155
Total liabilities	$ 1,103	$ 143	$ 805	$ 155

The following tables reconcile, for the three and nine months ended September 30, 2020 and 2019, the beginning and ending balances for financial instruments that are recognized at fair value in the condensed consolidated financial statements, using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
	Three months ended September 30, 2020	**Nine months ended September 30, 2020**
(In millions)	**Derivatives[a]**	**Derivatives[a]**
Beginning balance	$ 152	$ 38
Total (losses) realized/unrealized— included in earnings	(92)	(18)
Purchases	(10)	6
Transfers into Level 3[b]	(11)	22
Transfers out of Level 3[b]	13	4
Ending balance	$ 52	$ 52
Gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of period end	$ 23	$ 50

(a) Consists of derivative assets and liabilities, net

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

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Three months ended September 30, 2019			**Nine months ended September 30, 2019**		
(In millions)	**Debt Securities**	**Derivatives[a]**	**Total**	**Debt Securities**	**Derivatives[a]**	**Total**
Beginning balance	$ 19	$ 97	$ 116	$ 19	$ 20	$ 39
Contracts added from acquisitions	—	(2)	(2)	—	(3)	(3)
Total (losses)/gains realized/unrealized:						
Included in earnings	—	(18)	(18)	1	(45)	(44)
Included in OCI	(14)	—	(14)	(14)	—	(14)
Cash received	—	—	—	(1)	—	(1)
Purchases	—	38	38	—	26	26
Transfers into Level 3[b]	—	(126)	(126)	—	4	4
Transfers out of Level 3[b]	—	24	24	—	11	11
Ending balance	$ 5	$ 13	$ 18	$ 5	$ 13	$ 18
Gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of period end	—	44	44	1	13	14

(a) Consists of derivative assets and liabilities, net

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

Derivative Fair Value Measurements

A portion of NRG's contracts are exchange-traded contracts with readily available quoted market prices. A majority of NRG's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter and on-line exchanges. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available. These contracts are valued based on various valuation techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of the observable market data with similar characteristics. As of September 30, 2020, contracts valued with prices provided by models and other valuation techniques make up 25% of derivative assets and 22% of derivative liabilities.

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

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 positions as of September 30, 2020 and December 31, 2019:

	September 30, 2020						
	Fair Value				Input/Range		
(In millions)	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
Power Contracts	$ 196	$ 167	Discounted Cash Flow	Forward Market Price (per MWh)	$ 10	$ 116	$ 24
FTRs	31	8	Discounted Cash Flow	Auction Prices (per MWh)	(50)	43	0
	$ 227	$ 175					

	December 31, 2019						
	Fair Value				Input/Range		
(In millions)	Assets	Liabilities	Valuation Technique	Significant Unobservable Input	Low	High	Weighted Average
Power Contracts	$ 151	$ 139	Discounted Cash Flow	Forward Market Price (per MWh)	$ 8	$ 218	$ 24
FTRs	42	16	Discounted Cash Flow	Auction Prices (per MWh)	(105)	213	0
	$ 193	$ 155					

The following table provides sensitivity of fair value measurements to increases/(decreases) in significant unobservable inputs as of September 30, 2020 and December 31, 2019:

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

The fair value of each contract is discounted using a risk-free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which is calculated based on published default probabilities. As of September 30, 2020, the credit reserve resulted in a $1 million increase primarily within operating revenue. As of December 31, 2019, the credit reserve did not result in a significant change in fair value in operating revenue and cost of operations.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, *Summary of Significant Accounting Policies*, to the Company's 2019 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, as well as retail customer credit risk through its retail load activities.

Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2019 Form 10-K. As of September 30, 2020, counterparty credit exposure, excluding credit exposure from RTOs, ISOs, registered commodity exchanges and certain long-term agreements, was $232 million and NRG held collateral (cash and letters of credit) against those positions of $19 million, resulting in a net exposure of $214 million NRG periodically receives collateral from counterparties in excess of their exposure. Collateral amounts shown include such excess while net exposure shown excludes excess collateral received. Approximately 39% of the Company's exposure before collateral is expected to roll off by the end of 2021. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

Category by Industry Sector	**Net Exposure[(a)(b)] (% of Total)**
Utilities, energy merchants, marketers and other	88 %
Financial institutions	12
Total as of September 30, 2020	100 %

Category by Counterparty Credit Quality	**Net Exposure [(a)(b)] (% of Total)**
Investment grade	59 %
Non-investment grade/non-rated	41
Total as of September 30, 2020	100 %

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

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

The Company currently has $45 million of exposure to two wholesale counterparties in excess of 10% of total net exposure discussed above as of September 30, 2020. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration. Given the credit quality, diversification and term of the exposure in the portfolio, NRG does not anticipate a material impact on its financial position or results of operations from nonperformance by any of NRG's counterparties.

RTOs and ISOs

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

Exchange Traded Transactions

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

Long-Term Contracts

Counterparty credit exposure described above excludes credit risk exposure under certain long-term contracts, primarily solar PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company values these contracts based on various techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of September 30, 2020, aggregate credit risk exposure managed by NRG to these counterparties was approximately $621 million for the next five years.

Retail Customer Credit Risk

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

As of September 30, 2020, the Company's retail customer credit exposure to C&I and Mass customers was diversified across many customers and various industries, as well as government entities. The Company is also subject to risk with respect to its residential solar customers. Current economic conditions may affect the Company's customers' ability to pay bills in a timely manner, which could increase customer delinquencies and may lead to an increase in credit losses.

Note 6 — Nuclear Decommissioning Trust Fund

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

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

	As of September 30, 2020				As of December 31, 2019			
(In millions, except maturities)	**Fair Value**	**Unrealized Gains**	**Unrealized Losses**	**Weighted-average Maturities (In years)**	**Fair Value**	**Unrealized Gains**	**Unrealized Losses**	**Weighted-average Maturities (In years)**
Cash and cash equivalents	$ 25	$ —	$ —	—	$ 17	$ —	$ —	—
U.S. government and federal agency obligations	49	7	—	12	68	4	—	11
Federal agency mortgage-backed securities	92	4	—	24	100	3	—	24
Commercial mortgage-backed securities	38	2	—	28	29	1	1	24
Corporate debt securities	144	12	—	12	109	6	—	11
Equity securities	474	321	1	—	466	324	—	—
Foreign government fixed income securities	6	1	—	10	5	—	—	10
Total	$ 828	$ 347	$ 1		$ 794	$ 338	$ 1	

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

	Nine months ended September 30,	
(In millions)	**2020**	**2019**
Realized gains	$ 22	$ 8
Realized losses	(11)	(7)
Proceeds from sale of securities	318	271

Note 7 — Accounting for Derivative Instruments and Hedging Activities

Energy-Related Commodities

As of September 30, 2020, NRG had energy-related derivative instruments extending through 2034. The Company marks these derivatives to market through the statement of operations. NRG has executed power purchase agreements extending through 2037 that qualified for the NPNS exception and were therefore exempt from fair value accounting treatment.

Interest Rate Swaps

NRG was exposed to changes in interest rates through the Company's issuance of variable rate debt. In order to manage the Company's interest rate risk, NRG entered into interest rate swap agreements. As of September 30, 2020, NRG had no interest rate derivative instruments as a result of the early termination of such contracts in connection with the repayment of the 2023 Term Loan Facility during the second quarter of 2019. As of November 5, 2020, the Company entered into $1.6 billion of interest rate hedges associated with anticipated financing needs.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of NRG's open derivative transactions broken out by category, excluding those derivatives that qualified for the NPNS exception, as of September 30, 2020 and December 31, 2019. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

		Total Volume (In millions)	
Category	**Units**	**September 30, 2020**	**December 31, 2019**
Emissions	Short Ton	1	3
Renewable Energy Certificates	Certificates	3	1
Coal	Short Ton	4	10
Natural Gas	MMBtu	(264)	(181)
Power	MWh	51	38
Capacity	MW/Day	(1)	(1)

Fair Value of Derivative Instruments

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

	Fair Value			
	Derivative Assets		Derivative Liabilities	
(In millions)	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Derivatives Not Designated as Cash Flow or Fair Value Hedges:				
Commodity contracts current	$ 578	$ 860	$ 495	$ 781
Commodity contracts long-term	315	310	318	322
Total Derivatives Not Designated as Cash Flow or Fair Value Hedges	$ 893	$ 1,170	$ 813	$ 1,103

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

		Gross Amounts Not Offset in the Statement of Financial Position		
(In millions)	**Gross Amounts of Recognized Assets / Liabilities**	**Derivative Instruments**	**Cash Collateral (Held) / Posted**	**Net Amount**
As of September 30, 2020				
Commodity contracts:				
Derivative assets	$ 893	$ (738)	$ (1)	$ 154
Derivative liabilities	(813)	738	—	(75)
Total commodity contracts	$ 80	$ —	$ (1)	$ 79

(In millions)	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
As of December 31, 2019				
Commodity contracts:				
Derivative assets	$ 1,170	$ (909)	$ (7)	$ 254
Derivative liabilities	(1,103)	909	73	(121)
Total commodity contracts	$ 67	$ —	$ 66	$ 133

Impact of Derivative Instruments on the Statements of Operations

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

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

(In millions)	Three months ended September 30,		Nine months ended September 30,	
Unrealized mark-to-market results	2020	2019	2020	2019
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ (101)	$ (118)	$ (62)	$ (88)
Reversal of acquired (gain)/loss positions related to economic hedges	(2)	(3)	2	(4)
Net unrealized (losses)/gains on open positions related to economic hedges	(15)	57	73	69
Total unrealized mark-to-market (losses)/gains for economic hedging activities	(118)	(64)	13	(23)
Reversal of previously recognized unrealized (gains) on settled positions related to trading activity	(7)	(1)	(14)	(8)
Net unrealized gains/(losses) on open positions related to trading activity	2	(3)	19	23
Total unrealized mark-to-market (losses)/gains for trading activity	(5)	(4)	5	15
Total unrealized (losses)/gains	$ (123)	$ (68)	$ 18	$ (8)

(In millions)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Unrealized gains/(losses) included in operating revenues	$ 34	$ (214)	$ 83	$ 66
Unrealized (losses)/gains included in cost of operations	(157)	146	(65)	(74)
Total impact to statement of operations — energy commodities	$ (123)	$ (68)	$ 18	$ (8)
Total impact to statement of operations — interest rate contracts	$ —	$ —	$ —	$ (38)

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

For the nine months ended September 30, 2020, the $73 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward positions as a result of decreases in New York capacity and power prices, as well as increases in ERCOT power prices.

For the nine months ended September 30, 2019, the $69 million unrealized gain from open economic hedge positions was primarily the result of an increase in value of forward purchases of ERCOT heat rate due to ERCOT heat rate expansion.

Credit Risk Related Contingent Features

Certain of the Company's hedging agreements contain provisions that require the Company to post additional collateral if the counterparty determines that there has been deterioration in credit quality, generally termed “adequate assurance” under the agreements, or require the Company to post additional collateral if there were a downgrade in the Company's credit rating. The collateral required for contracts with adequate assurance clauses that are in a net liability position as of September 30, 2020 was

$35 million. The Company is also party to certain marginable agreements under which it has net liability position, but the counterparty has not called for the collateral due, which was $8 million as of September 30, 2020. If called for by the counterparty, $3 million of additional collateral would be required for all contracts with credit rating contingent features as of September 30, 2020.

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

Note 8 — Impairments

2020 Impairment Losses

Home Solar — During the third quarter of 2020, the Company concluded its Home Solar business was held for sale as a result of advanced negotiations to sell the business. NRG recorded impairment losses of $29 million in the West/Other segment to adjust the carrying amount of the assets and liabilities to fair market value based on indicative sale prices. As of September 30, 2020, there were $88 million of other non-current assets and $44 million of other non-current liabilities classified as held for sale.

Petra Nova Parish Holdings — During the first quarter of 2020, due to the decline in oil prices, NRG determined that the carrying amount of the Company’s equity method investment exceeded the fair value of the investment and that the decline is considered to be other-than-temporary. In determining the fair value, the Company utilized an income approach to estimate future project cash flows. The Company recorded an impairment loss of $18 million in the Texas segment, which included the anticipated drawdown of the $12 million letter of credit posted in September 2019 to cover certain project debt reserve requirements.

2019 Impairment Losses

Petra Nova Parish Holdings — During the third quarter of 2019, NRG contributed $95 million in cash to Petra Nova and posted a $12 million letter of credit to cover certain project debt reserve requirements. The cash portion of the contribution was used by Petra Nova to prepay a significant portion of the project debt. As a result, the previously disclosed guarantee of up to $124 million related to the project level debt provided by NRG was canceled and the remaining project debt has now become non-recourse to NRG. In relation to this contribution, the Company evaluated the project for impairment and determined that the carrying amount of the Company's equity method investment exceeded the fair value of the investment and that the decline is considered to be other-than-temporary. In determining the fair value, the Company utilized an income approach and considered project specific assumptions for the estimated future project cash flows. The Company measured the impairments loss as the difference between the carrying amount and the fair value of the investment and recorded an impairment loss of $101 million.

Other Impairments — During the nine months ended September 30, 2019, the Company recorded $7 million of impairment losses of cost investments and intangible assets.

Note 9 — Receivables Securitization and Repurchase Facility

Receivables Securitization

On September 22, 2020, NRG Receivables LLC, a bankruptcy remote, special purpose, indirect wholly owned subsidiary, entered into the Receivables Facility for an amount up to $750 million, subject to adjustments on a seasonal basis, with issuers of asset-backed commercial paper and commercial banks (the "Lenders".) The assets of NRG Receivables LLC are first available to satisfy the claims of the Lenders before making payments on the subordinated note and equity issued by NRG Receivables LLC. The assets of NRG Receivables LLC are not available to the Company and its subsidiaries or creditors unless and until distributed by NRG Receivables LLC. Under the Receivables Facility, certain indirect subsidiaries of the Company sell their accounts receivables to NRG Receivables LLC, subject to certain terms and conditions. In turn, NRG Receivables LLC grants a security interest in the purchased receivables to the Lenders as collateral for cash borrowings and issuances of letters of credit. The accounts receivables remain on the Company's consolidated balance sheet and any amounts funded by the Lenders to NRG Receivables LLC will be reflected as short-term borrowings. Cash flows from the Receivables Facility are reflected as financing activities in the Company's consolidated statements of cash flows. The Company will continue to service the accounts receivables sold in exchange for a servicing fee. The Receivables Facility is scheduled to expire on September 21, 2021, unless renewed by the mutual consent of the parties in accordance with its terms. Borrowings by NRG Receivables LLC under the Receivables Facility bear interest as defined under the Receivables Financing Agreement. The weighted average interest rate related to usage under the Securitization Facility as of September 30, 2020 was 0.489%. As of September 30, 2020, there were no outstanding borrowings and there were $179 million in letters of credit issued under the Receivables Facility.

Repurchase Facility

On September 22, 2020, the Company entered into an uncommitted repurchase facility (“Repurchase Facility”) related to the Receivables Facility. Under the Repurchase Facility, the Company can borrow up to $75 million, collateralized by a subordinated note issued by NRG Receivables LLC to NRG Retail LLC in favor of the originating entities representing a portion of the balance of receivables sold to NRG Receivables LLC under the Receivables Facility. The Repurchase Facility is scheduled to expire on September 22, 2021, unless renewed by the mutual consent of the parties in accordance with its terms. The Repurchase Facility has no commitment fee and borrowings will be drawn at LIBOR + 1.25%. As of September 30, 2020, there were no outstanding borrowings under the Repurchase Facility.

Note 10 — Long-term Debt

Long-term debt consisted of the following:

(In millions, except rates)	September 30, 2020	December 31, 2019	Interest rate %
Recourse debt:			
Senior Notes, due 2026	$ 1,000	$ 1,000	7.250
Senior Notes, due 2027	1,230	1,230	6.625
Senior Notes, due 2028	821	821	5.750
Senior Notes, due 2029	733	733	5.250
Convertible Senior Notes, due 2048[(a)]	575	575	2.750
Senior Secured First Lien Notes, due 2024	600	600	3.750
Senior Secured First Lien Notes, due 2029	500	500	4.450
Revolving Credit Facility	—	83	L + 1.750
Tax-exempt bonds	466	466	1.30 - 6.00
Subtotal recourse debt	5,925	6,008	
Non-recourse debt:			
Other	4	34	various
Subtotal all non-recourse debt	4	34	
Subtotal long-term debt (including current maturities)	5,929	6,042	
Less current maturities	(3)	(88)	
Less debt issuance costs	(59)	(65)	
Discounts	(75)	(86)	
Total long-term debt	$ 5,792	$ 5,803	

(a) As of the ex-dividend date of October 30, 2020, the Convertible Notes were convertible at a price of $46.24, which is equivalent to a conversion rate of approximately 21.62 shares of common stock per $1,000 principal amount

Recourse Debt

Revolving Credit Facility

The Company had $83 million outstanding under its Revolving Credit Facility as of December 31, 2019, which was used to repay the outstanding indebtedness on the Agua Caliente Borrower 1 notes on a leverage-neutral basis during the fourth quarter of 2019. Due to market conditions, primarily as a result of COVID-19, the Company drew upon the facility in the first quarter of 2020 as a precaution and to proportionally increase cash on hand, and fully repaid the outstanding borrowings during the second quarter of 2020.

During the third quarter of 2020, the Company amended its existing credit agreement to, among other things, (i) increase the existing revolving commitments in an aggregate amount of $802 million, and (ii) provide for a new tranche of revolving commitments in an aggregate amount of $273 million with a maturity date that is 30 months after the date of closing of the Direct Energy acquisition (the "Acquisition Closing Date"). The maturity date of the new revolving tranche of commitments may, upon request by the Company, and at the option of each applicable lender under the new tranche be extended by 12 months, but not beyond May 28, 2024, which is the maturity date of the existing and increased commitments. Other than with respect to the maturity date, the terms of all revolving commitments and loan made pursuant thereto are identical. The increase in the existing commitments, and the commitments with respect to the new tranche were effective on August 20, 2020 but will only become available upon the Acquisition Closing Date. For further discussion of the acquisition of Direct Energy see Note 4, *Acquisitions, Discontinued Operations and Dispositions*. Upon the Acquisition Closing Date, total revolving commitments available, subject to usage, under the amended credit agreement will be $3.7 billion.

In addition, the amendment includes changes to, among other things, (i) permit the borrowing of up to the full amount of the revolving commitments in Canadian dollars, (ii) increase the swingline facility from $50 million to $100 million and provide a $10 million swingline facility in Canadian dollars, (iii) increase the credit facilities lien basket from the greater of $6 billion and 30% of total assets to the greater of $10 billion and 30% of total assets, (iv) increase the credit facilities debt basket from $6 billion to $10 billion, (v) increase the basket for securitization indebtedness from $750 million to $1.7 billion, (vi) provide an additional indebtedness basket equal to $600 million for certain liquidity facilities, and (vii) make certain other changes to the existing covenants and other provisions.

Tax-Exempt Bonds

On March 11, 2020, NRG issued $59 million in aggregate principal amount of NRG Dunkirk 2020 1.30% tax-exempt refinancing bonds due 2042 ("the Bonds"). The Bonds are guaranteed on a first-priority basis by each of NRG’s current and future subsidiaries that guarantee indebtedness under its credit agreement. The Bonds are secured by a first priority security interest in the same collateral that is pledged for the benefit of the lenders under NRG’s credit agreement, which consists of a substantial portion of the property and assets owned by NRG and the guarantors. The collateral securing the Bonds will, at the request of NRG, be released if NRG satisfies certain conditions, including receipt of an investment grade rating on its senior, unsecured debt securities from two out of the three rating agencies, subject to reversion if those rating agencies withdraw their investment grade rating of the Bonds or any of NRG’s senior, unsecured debt securities or downgrade such rating below investment grade. The Bonds are subject to mandatory tender and purchase on April 3, 2023 and have a final maturity date of April 1, 2042.

NRG used the net proceeds from the offering to redeem the existing principal amount of outstanding Dunkirk Power LLC 5.875% tax exempt bonds due 2042.

Non-Recourse Debt

Credit Default Swap Facility

On January 4, 2019, the Company entered into an $80 million credit agreement to issue letters of credit, which is currently supporting the Cottonwood facility lease. Annual fees of 1.33% on the facility were paid quarterly in advance. On August 13, 2020, the agreement was amended permitting the Company to increase the size of the facility and fees on the facility were adjusted to reflect the cost of the credit default swaps that serve as collateral for the facility. In order to increase the Company's collective collateral facilities in connection with the Direct Energy acquisition, NRG expanded the facility allowing for the issuance of an additional $50 million of letters of credit as of September 30, 2020. The Company has further expanded the facility to a total capacity of $167 million as of November 5, 2020. As of September 30, 2020, $80 million was issued under this facility.

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

Entities that are not Consolidated

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

PG&E Bankruptcy — Agua Caliente and two of the three Ivanpah units are party to PPAs with PG&E. Both projects have project financing with the U.S. DOE. On January 29, 2019, PG&E Corp. and primary operating subsidiary utility PG&E filed for Chapter 11 relief in the California Bankruptcy Court. As a result of the bankruptcy filing, Agua Caliente and the two Ivanpah units were issued notices of events of default under their respective loan agreements. On September 9, 2019, PG&E filed a plan of reorganization that would assume all power purchase agreements, including those held by Agua Caliente and the two Ivanpah units. The California Bankruptcy Court approved the PG&E plan and the Confirmation Order was entered on June 19, 2020. The plan went effective, and PG&E emerged from bankruptcy on July 1, 2020. In July 2020, the U.S. DOE agreed to waivers of the bankruptcy-related events of default with respect to the Agua Caliente and Ivanpah projects. Subsequent to PG&E's emergence from bankruptcy, the Agua Caliente and the Ivanpah projects were allowed to resume distributions, and as of November 5, 2020, NRG received $50 million. NRG renewed its efforts to sell its 35% interest in Agua Caliente in July 2020, following PG&E's emergence from bankruptcy.

NRG's maximum exposure to loss is limited to its equity investment, which was $197 million for Agua Caliente and $26 million for Ivanpah as of September 30, 2020.

Variable Interest Entities that are Consolidated

The Company has a controlling financial interest in certain entities that have been identified as VIEs under ASC 810. These arrangements are related to the Receivables Facility as further described in Note 9, *Receivables Securitization and Repurchase Facility*, and tax equity arrangements entered into with third-parties in order to finance the cost of solar energy systems under operating leases eligible for certain tax credits as further described in Note 2, *Summary of Significant Accounting Policies*, to the Company's 2019 Form 10-K. During the first quarter of 2020, the Company repurchased its partners' equity interest in one of the partnerships. As the Company retains control of its interest, the repurchase was recorded to equity. During the third quarter of 2020, the remaining Home Solar VIE was reclassified to held for sale as further discussed in Note 8, *Impairments*.

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

(In millions)	September 30, 2020	December 31, 2019
Accounts receivable	$ 887	$ —
Other current assets	4	3
Net property, plant and equipment	—	71
Other long-term assets	25	27
Total assets	916	101
Current liabilities	5	4
Long-term debt	—	24
Other long-term liabilities	27	8
Total liabilities	32	36
Redeemable noncontrolling interest	—	20
Net assets less noncontrolling interest	$ 884	$ 45

Note 12 — Changes in Capital Structure

As of September 30, 2020 and December 31, 2019, the Company had 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's common stock issued and outstanding:

	Issued	Treasury	Outstanding
Balance as of December 31, 2019	421,890,790	(172,894,601)	248,996,189
Shares issued under LTIPs	1,150,559	—	1,150,559
Shares issued under ESPP	—	63,455	63,455
Shares repurchased	—	(6,062,783)	(6,062,783)
Balance as of September 30, 2020	423,041,349	(178,893,929)	244,147,420
Shares issued under LTIPs	5,400	—	5,400
Shares issued under ESPP	—	68,014	68,014
Balance as of November 5, 2020	423,046,749	(178,825,915)	244,220,834

Share Repurchases

The Company adopted, in the fourth quarter of 2019, a long-term capital allocation policy that targets allocating 50% of cash available for allocation generated each year to growth investments and 50% to be returned to shareholders. The return of capital to shareholders is expected to be completed through the increased dividend discussed below, supplemented by share repurchases. The following repurchases have been made during the nine months ended September 30, 2020:

	Total number of shares purchased	Average price paid per share	Amounts paid for shares purchased (in millions)
2020 repurchases:			
Repurchases	6,062,783		$ 197
Equivalent shares purchased in lieu of tax withholdings on equity compensation issuances[(a)]	711,248		27
Total Share Repurchases during the nine months ended September 30, 2020	6,774,031	$33.05	$ 224

(a) NRG elected to pay cash for tax withholding on equity awards instead of issuing actual shares to management. The average price per equivalent shares withheld was $38.23

Employee Stock Purchase Plan

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

NRG Common Stock Dividends

Beginning in the first quarter of 2020, NRG increased the annual dividend to $1.20 from $0.12 per share and expects to target an annual dividend growth rate of 7-9% per share in subsequent years. A quarterly dividend of $0.30 per share was paid on the Company's common stock during the three months ended September 30, 2020. On October 23, 2020, NRG declared a quarterly dividend on the Company's common stock of $0.30 per share, payable on November 16, 2020 to stockholders of record as of November 2, 2020.

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

Note 13 — Earnings Per Share

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

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

(In millions, except per share data)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Basic income per share:				
Net income available to common shareholders	$ 249	$ 372	$ 683	$ 1,055
Weighted average number of common shares outstanding - basic	244	254	246	266
Income per weighted average common share — basic	$ 1.02	$ 1.46	$ 2.78	$ 3.97
Diluted income per share:				
Net income available to common shareholders	$ 249	$ 372	$ 683	$ 1,055
Weighted average number of common shares outstanding - basic	244	254	246	266
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	1	2	1	2
Weighted average number of common shares outstanding - dilutive	245	256	247	268
Income per weighted average common share — diluted	$ 1.02	$ 1.45	$ 2.77	$ 3.94

As of September 30, 2020 and 2019, the Company had an insignificant number of outstanding equity instruments that are anti-dilutive and were not included in the computation of the Company's diluted income per share.

Note 14 — Segment Reporting

As part of perfecting the integrated model, in which the majority of the Company's generation serves its retail customers, the Company began managing its operations based on the combined results of the retail and wholesale generation businesses with a geographical focus in 2020. As a result, the Company changed its business segments from Retail and Generation to Texas, East and West/Other beginning in the first quarter of 2020, as further described in Note 1, *Nature of Business*. The Company's updated segment structure reflects how management currently makes financial decisions and allocates resources The financial information for the three and nine months ended September 30, 2019 was recast to reflect the current segment structure.

In February 2019, as described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*, the Company completed the sales of the South Central Portfolio and Carlsbad. The financial information for the three and nine months ended September 30, 2019 presented below reflects the presentation of these entities as discontinued operations within the corporate segment.

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

	Three months ended September 30, 2020					
(In millions)	**Texas**	**East**	**West/Other**	**Corporate**	**Eliminations**	**Total**
Operating revenues	$ 1,992	$ 693	$ 122	$ —	$ 2	$ 2,809
Depreciation and amortization	49	34	9	7	—	99
Impairment losses	—	—	29	—	—	29
Equity in earnings of unconsolidated affiliates	—	—	36	—	—	36
Income/(loss) from continuing operations before income taxes	288	149	17	(113)	—	341
Income/(loss) from continuing operations	288	149	17	(205)	—	249
Net income/(loss) attributable to NRG Energy, Inc	**$ 288**	**$ 149**	**$ 17**	**$ (205)**	**$ —**	**$ 249**

(In millions)	Three months ended September 30, 2019 Texas	East	West/Other	Corporate	Eliminations	Total
Operating revenues	$ 2,208	$ 679	$ 111	$ —	$ (2)	$ 2,996
Depreciation and amortization	45	31	8	7	—	91
Equity in earnings of unconsolidated affiliates	1	—	28	—	—	29
Income/(loss) from continuing operations before income taxes	348	121	16	(106)	1	380
Income/(loss) from continuing operations	348	121	15	(111)	1	374
Loss from discontinued operations, net of tax	—	—	—	(2)	—	(2)
Net income/(loss)	348	121	15	(113)	1	372
Net income/(loss) attributable to NRG Energy, Inc.	**$ 348**	**$ 121**	**$ 15**	**$ (113)**	**$ 1**	**$ 372**

(In millions)	Nine months ended September 30, 2020 Texas	East	West/Other	Corporate	Eliminations	Total
Operating revenues	$ 4,928	$ 1,798	$ 341	$ —	$ (1)	$ 7,066
Depreciation and amortization	167	100	25	26	—	318
Impairment losses	—	—	29	—	—	29
Gain on sale of assets	—	—	1	5	—	6
Equity in (losses)/earnings of unconsolidated affiliates	(3)	—	40	—	—	37
Income/(loss) from continuing operations before income taxes	800	319	84	(304)	—	899
Income/(loss) from continuing operations	800	319	83	(519)	—	683
Net income/(loss) attributable to NRG Energy, Inc	**$ 800**	**$ 319**	**$ 83**	**$ (519)**	**$ —**	**$ 683**

(In millions)	Nine months ended September 30, 2019 Texas	East	West/Other	Corporate	Eliminations	Total
Operating revenues	$ 5,511	$ 1,812	$ 310	$ —	$ (7)	$ 7,626
Depreciation and amortization	125	87	26	23	—	261
Reorganization costs	5	—	—	11	—	16
Gain on sale of assets	—	1	—	1	—	2
Equity in (losses)/earnings of unconsolidated affiliates	(5)	—	13	—	—	8
Loss on debt extinguishment, net	—	—	—	(47)	—	(47)
Income/(loss) from continuing operations before income taxes	757	280	11	(382)	—	666
Income/(loss) from continuing operations	757	280	10	(390)	—	657
Income from discontinued operations, net of tax	—	—	—	399	—	399
Net income	757	280	10	9	—	1,056
Net income attributable to NRG Energy, Inc.	**$ 757**	**$ 280**	**$ 9**	**$ 9**	**$ —**	**$ 1,055**

Note 15 — Income Taxes

Effective Income Tax Rate

The income tax provision consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
(In millions, except rates)	**2020**	**2019**	**2020**	**2019**
Income from continuing operations before income taxes	$ 341	$ 380	$ 899	$ 666
Income tax expense from continuing operations	92	6	216	9
Effective income tax rate	27.0 %	1.6 %	24.0 %	1.4 %

For the three and nine months ended September 30, 2020, the effective tax rates were higher than the statutory rate of 21% due to state tax expense partially offset by an excess tax benefit related to share-based compensation. For the same periods in 2019, the effective tax rates were lower than the statutory rate of 21% primarily due to the tax benefit for the change in valuation allowance partially offset by state tax expense.

On March 27, 2020, the Senate passed the CARES Act to provide emergency relief related to the COVID-19 pandemic. The CARES Act contains federal income tax provisions which, among other things: (i) increases the amount of interest expense that businesses are allowed to deduct by increasing the adjusted taxable income limitation from 30% to 50% for tax years that begin in 2019 and 2020; (ii) permits businesses to carry back to each of the five tax years NOLs arising from tax years beginning after December 31, 2017 and before January 1, 2020; and (iii) temporarily removes the 80% limitation on NOLs until tax years beginning after 2020. NRG does not expect the CARES Act provisions to have a material impact on the tax positions of the Company.

Uncertain Tax Benefits

As of September 30, 2020, NRG had a non-current tax liability of $21 million for uncertain tax benefits from positions taken on various state income tax returns and accrued interest. For the nine months ended September 30, 2020, NRG accrued an immaterial amount of interest relating to the uncertain tax benefits. As of September 30, 2020, NRG had cumulative interest and penalties related to these uncertain tax benefits of $3 million. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.

NRG is subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including operations located in Australia and Canada. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2016. With few exceptions, state and local income tax examinations are no longer open for years prior to 2011.

Note 16 — Related Party Transactions

NRG provides services to some of its equity method investments under operations and maintenance agreements. Fees for the services under these agreements include recovery of NRG's costs of operating the plants. Certain agreements also include fees for administrative service, a base monthly fee, profit margin and/or annual incentive bonus.

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	**2020**	**2019**	**2020**	**2019**
Revenues from Related Parties Included in Operating Revenues				
Gladstone	$ 1	$ 2	$ 2	$ 3
Ivanpah[(a)]	11	7	34	25
Midway-Sunset	1	2	4	4
Total	$ 13	$ 11	$ 40	$ 32

(a) Also includes fees under project management agreements with each project company

Note 17 — Commitments and Contingencies

Commitments

First Lien Structure

NRG has granted first liens to certain counterparties on a substantial portion of property and assets owned by NRG and the guarantors of its senior debt. NRG uses the first lien structure to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedge agreements for forward sales of power or gas used as a proxy for power. To the extent that the underlying hedge positions for a counterparty are out-of-the-money to NRG, the counterparties would have a claim under the first lien program. As of September 30, 2020, all hedges under the first lien were in-the-money for NRG on a counterparty aggregate basis.

Jewett Mine Lignite Contract

The Company's Limestone facility historically burned lignite obtained from the Jewett mine, which was operated by TWCC. On or about March 15, 2019, the Jewett mine and related lignite supply agreement with NRG were acquired by Westmoreland Jewett Mining LLC ("Jewett Mining"), a subsidiary of Westmoreland Mining LLC pursuant to a plan of reorganization confirmed by the Texas Bankruptcy Court. Effective August 5, 2020, NRG's subsidiary, NRG Texas LLC, acquired all of the equity interests of Jewett Mining. Active mining under the lignite supply agreement ceased as of December 31, 2016; however, under the terms of the lignite supply agreement, Jewett Mining remains responsible for reclamation activities and NRG is responsible for all reclamation costs. NRG has recorded an adequate ARO liability. The Railroad Commission of Texas has imposed a bond obligation of approximately $99 million for the reclamation of the Jewett mine, which NRG supports through surety bonds. The cost of the reclamation may exceed the value of the bonds. NRG may provide additional performance assurance if required by the Railroad Commission of Texas.

Contingencies

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

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

Washington-St. Tammany and Claiborne Electric Cooperative v. LaGen — On June 28, 2017, plaintiffs Washington-St. Tammany Electric Cooperative, Inc. and Claiborne Electric Cooperative, Inc. filed a lawsuit against LaGen in the United States District Court for the Middle District of Louisiana. The plaintiffs claimed breach of contract against LaGen for allegedly improperly charging the plaintiffs for costs related to the installation and maintenance of certain pollution control technology. Plaintiffs sought damages for the alleged improper charges and a declaration as to which charges were proper under the contract. In February 2020, the court dismissed this lawsuit without prejudice for lack of subject matter jurisdiction. This matter had been appealed to the United States Court of Appeals for the Fifth Circuit, which dismissed the appeals on July 13, 2020. On March 17, 2020, plaintiffs filed a lawsuit in the Nineteenth Judicial District Court for the Parish of East Baton Rouge in Louisiana alleging substantially the same matters. On February 4, 2019, NRG sold the South Central Portfolio, including the entities subject to this litigation. However, NRG has agreed to indemnify the purchaser for certain losses suffered in connection therewith.

Sierra club et al. v. Midwest Generation LLC — In 2012, several environmental groups filed a complaint against Midwest Generation with the Illinois Pollution Control Board ("IPCB") alleging violations of environmental law resulting in groundwater contamination. In June 2019, the IPCB found that Midwest Generation violated the law because it had improperly handled coal ash at four facilities in Illinois and caused or allowed coal ash constituents to impact groundwater. On September 9, 2019, Midwest Generation filed a Motion to Reconsider numerous issues, which the court granted in part and denied in part on February 6, 2020. The IPCB will hold hearings to determine the appropriate relief. Midwest Generation has been working with the Illinois EPA to address the groundwater issues since 2010.

XOOM Energy Litigation — XOOM is a defendant in two purported class action lawsuits pending in Maryland and New York. The plaintiffs generally claim that they did not receive the savings they were promised in their natural gas and electricity bills. In the Maryland lawsuit, the district court denied plaintiffs' bid to certify the case as a class action on August 18, 2020. The court is resetting the discovery and trial schedule for the remaining plaintiffs' individual claims. In the New York case, XOOM filed a motion to dismiss, which the court granted on September 21, 2018, later entering judgment in XOOM's favor on September 24, 2018. The plaintiffs in the New York case appealed to the U.S. Court of Appeals for the Second Circuit. On July 26, 2019, the Second Circuit reversed the judgment of the district court and remanded to the district court with instructions that plaintiffs be permitted to proceed on their proposed amended complaint. This matter was known and accrued for at the time of the acquisition.

Note 18 — Regulatory Matters

Environmental regulatory matters are discussed within Note 19, *Environmental Matters.*

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

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

California Station Power — As the result of unfavorable final and non-appealable litigation, the Company accrued a liability associated with consumption of station power at the Company's Encina power plant facility in California after August 30, 2010. The Company has established an appropriate accrual pending potential regulatory action by San Diego Gas & Electric regarding the Company's Encina facility.

South Central — On August 4, 2016, NRG received a document hold notice from FERC regarding conduct in the MISO and PJM markets. FERC Office of Enforcement Staff investigated potential violations of MISO rules involving bidding for the Big Cajun 2 facility, as well as other aspects of NRG's operations in MISO. On August 18, 2020, FERC Office of Enforcement presented NRG with its preliminary findings. NRG will respond to the preliminary findings on January 15, 2021. FERC has the authority to require disgorgement of profits and to impose penalties and NRG retains any liability following the sale of the South Central Portfolio.

ISO-NE — On February 5, 2019, FERC informed the Company that it had made a preliminary finding that the Company violated FERC's market behavior rules in connection with offers made into the ISO-NE Forward Capacity Auction in 2016. On April 26, 2019, NRG responded to the preliminary findings. The investigation is awaiting further Commission action.

Note 19 — Environmental Matters

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

Air

On July 8, 2019, the EPA promulgated the ACE rule, which rescinded the CPP, which had sought to broadly regulate CO_2 emissions from the power sector. The ACE rule requires states that have coal-fired EGUs to develop plans to seek heat rate improvements from coal-fired EGUs. Numerous parties have challenged the ACE rule in the D.C. Circuit and numerous parties have filed petitions for reconsideration with the EPA.

Water

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which imposed more stringent requirements (as individual permits were renewed) for wastewater streams from FGD, fly ash, bottom ash, and flue gas mercury control. On September 18, 2017, the EPA promulgated a final rule that, among other things, postponed the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA amended the rule. On October 13, 2020, the EPA amended the 2015 ELG rule by: (i) altering the stringency of certain limits for FGD wastewater; (ii) relaxing the zero-discharge requirement for bottom ash transport water; and (iii) changing several deadlines. The Company is in the process of estimating the environmental capital expenditures that will be required to comply.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In September 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 21, 2018, the D.C. Circuit found, among other things, that the EPA had not adequately regulated unlined ponds and legacy ponds. On August 14, 2019, the EPA proposed targeted changes to the April 2015 Rule including changes to address the August 2018 D.C. Circuit decision. On December 2, 2019, the EPA released for comment "Closure Part A Proposal" to revise the CCR Rule to address the D.C. Circuit's 2018 decision regarding the adequacy of clay-lined impoundments, obligations to close all unlined impoundments and related deadlines. On February 20, 2020, the EPA proposed the framework for developing and implementing a federal permit program for states that are not approved to administer the CCR rule. On March 3, 2020, the EPA proposed for comment "A Holistic Approach to Closure Part B," which proposes procedures for obtaining approval to operate existing impoundments with alternative liners. On August 28, 2020, the EPA finalized "A Holistic Approach to Closure Part A: Deadline to Initiate Closure," which amended the April 2015 Rule to address the August 2018 D.C. Circuit decision and extend some of the deadlines. The Company anticipates that the EPA will promulgate additional regulations to further amend the existing rule. The Company has updated its estimates of required environmental capital expenditures.

Note 20 — Subsequent Events

As of November 5, 2020, the Company entered into $1.6 billion of interest rate hedges associated with anticipated financing needs.

Note 21 — Condensed Consolidating Financial Information

As of September 30, 2020, the Company had outstanding $4.4 billion of Senior Notes and Convertible Senior Notes due from 2026 to 2048 and outstanding $1.1 billion of Senior Secured Notes due from 2024 to 2029, as shown in Note 10, *Long-term Debt*. These Senior Notes and Senior Secured Notes are guaranteed by certain of NRG's current and future 100% owned domestic subsidiaries, or guarantor subsidiaries. These guarantees are both joint and several. The non-guarantor subsidiaries include all of NRG's foreign subsidiaries and certain domestic subsidiaries.

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

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

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

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes, Convertible Senior Notes and Senior Secured Notes as of September 30, 2020:

Ace Energy, Inc.	NRG Distributed Energy Resources Holdings LLC	Reliant Energy Retail Services, LLC
Allied Home Warranty GP LLC	NRG Distributed Generation PR LLC	RERH Holdings, LLC
Allied Warranty LLC	NRG Dunkirk Operations Inc.	Saguaro Power LLC
Arthur Kill Power LLC	NRG ECOKAP Holdings LLC	SGE Energy Sourcing, LLC
Astoria Gas Turbine Power LLC	NRG El Segundo Operations Inc.	SGE Texas Holdco, LLC
BidURenergy, Inc.	NRG Energy Labor Services LLC	Somerset Operations Inc.
Cabrillo Power I LLC	NRG Energy Services Group LLC	Somerset Power LLC
Cabrillo Power II LLC	NRG Energy Services LLC	Stream Energy Columbia, LLC
Carbon Management Solutions LLC	NRG Generation Holdings Inc.	Stream Energy Delaware, LLC
Cirro Energy Services, Inc.	NRG Greenco LLC	Stream Energy Illinois, LLC
Cirro Group, Inc.	NRG Home & Business Solutions LLC	Stream Energy Maryland, LLC
Connecticut Jet Power LLC	NRG Home Services LLC	Stream Energy New Jersey, LLC
Devon Power LLC	NRG Home Solutions LLC	Stream Energy New York, LLC
Dunkirk Power LLC	NRG Home Solutions Product LLC	Stream Energy Pennsylvania, LLC
Eastern Sierra Energy Company LLC	NRG Homer City Services LLC	Stream Georgia Gas SPE, LLC
El Segundo Power II LLC	NRG HQ DG LLC	Stream Ohio Gas & Electric, LLC
El Segundo Power, LLC	NRG Huntley Operations Inc.	Stream SPE GP, LLC
Energy Alternatives Wholesale, LLC	NRG Identity Protect LLC	Stream SPE, Ltd.
Energy Choice Solutions LLC	NRG Ilion Limited Partnership	Texas Genco GP, LLC
Energy Plus Holdings LLC	NRG Ilion LP LLC	Texas Genco Holdings, Inc.
Energy Plus Natural Gas LLC	NRG International LLC	Texas Genco LP, LLC
Energy Protection Insurance Company	NRG Maintenance Services LLC	Texas Genco Services, LP
Everything Energy LLC	NRG Mextrans Inc.	US Retailers LLC
Forward Home Security, LLC	NRG Middletown Operations Inc.	Vienna Operations Inc.
GCP Funding Company, LLC	NRG Montville Operations Inc.	Vienna Power LLC
Green Mountain Energy Company	NRG North Central Operations Inc.	WCP (Generation) Holdings LLC
Gregory Partners, LLC	NRG Norwalk Harbor Operations Inc.	West Coast Power LLC
Gregory Power Partners LLC	NRG Operating Services, Inc.	XOOM Alberta Holdings, LLC
Huntley Power LLC	NRG Oswego Harbor Power Operations Inc.	XOOM British Columbia Holdings, LLC
Independence Energy Alliance LLC	NRG Portable Power LLC	XOOM Energy California, LLC
Independence Energy Group LLC	NRG Power Marketing LLC	XOOM Energy Connecticut, LLC
Independence Energy Natural Gas LLC	NRG Reliability Solutions LLC	XOOM Energy Delaware, LLC
Indian River Operations Inc.	NRG Renter's Protection LLC	XOOM Energy Georgia, LLC
Indian River Power LLC	NRG Retail LLC	XOOM Energy Global Holdings, LLC
Meriden Gas Turbines LLC	NRG Retail Northeast LLC	XOOM Energy Illinois LLC
Middletown Power LLC	NRG Rockford Acquisition LLC	XOOM Energy Indiana, LLC
Montville Power LLC	NRG Saguaro Operations Inc.	XOOM Energy Kentucky, LLC
NEO Corporation	NRG Security LLC	XOOM Energy Maine, LLC
New Genco GP, LLC	NRG Services Corporation	XOOM Energy Maryland, LLC
Norwalk Power LLC	NRG SimplySmart Solutions LLC	XOOM Energy Massachusetts, LLC
NRG Advisory Services LLC	NRG South Central Operations Inc.	XOOM Energy Michigan, LLC
NRG Affiliate Services Inc.	NRG South Texas LP	XOOM Energy New Hampshire, LLC
NRG Arthur Kill Operations Inc.	NRG Texas Gregory LLC	XOOM Energy New Jersey, LLC
NRG Astoria Gas Turbine Operations Inc.	NRG Texas Holding Inc.	XOOM Energy New York, LLC
NRG Business Services LLC	NRG Texas LLC	XOOM Energy Ohio, LLC
NRG Cabrillo Power Operations Inc.	NRG Texas Power LLC	XOOM Energy Pennsylvania, LLC
NRG California Peaker Operations LLC	NRG Warranty Services LLC	XOOM Energy Rhode Island, LLC
NRG Cedar Bayou Development Company, LLC	NRG West Coast LLC	XOOM Energy Texas, LLC
NRG Connected Home LLC	NRG Western Affiliate Services Inc.	XOOM Energy Virginia, LLC
NRG Construction LLC	Oswego Harbor Power LLC	XOOM Energy Washington D.C., LLC
NRG Curtailment Solutions, Inc.	Reliant Energy Northeast LLC	XOOM Energy, LLC
NRG Development Company Inc.	Reliant Energy Power Supply, LLC	XOOM Ontario Holdings, LLC
NRG Devon Operations Inc.	Reliant Energy Retail Holdings, LLC	XOOM Solar, LLC
NRG Dispatch Services LLC		

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the three months ended September 30, 2020

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
Operating Revenues					
Total operating revenues	$ 2,513	$ 297	$ —	$ (1)	$ 2,809
Operating Costs and Expenses					
Cost of operations	1,796	230	9	(1)	2,034
Depreciation and amortization	72	21	6	—	99
Impairment losses	—	29	—	—	29
Selling, general and administrative costs	154	7	92	—	253
Development costs	—	(1)	2	—	1
Total operating costs and expenses	2,022	286	109	(1)	2,416
Operating Income/(Loss)	491	11	(109)	—	393
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	—	—	540	(540)	—
Equity in earnings of unconsolidated affiliates	—	36	—	—	36
Other income, net	4	2	5	—	11
Interest expense	(3)	—	(96)	—	(99)
Total other income/(expense)	1	38	449	(540)	(52)
Income from Continuing Operations Before Income Taxes	492	49	340	(540)	341
Income tax expense	—	1	91	—	92
Net Income	$ 492	$ 48	$ 249	$ (540)	$ 249

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the nine months ended September 30, 2020

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Operating Revenues					
Total operating revenues	$ 6,346	$ 730	$ —	$ (10)	$ 7,066
Operating Costs and Expenses					
Cost of operations	4,357	586	(8)	(10)	4,925
Depreciation and amortization	232	60	26	—	318
Impairment losses	—	29	—	—	29
Selling, general and administrative costs	431	19	220	—	670
Reorganization costs	—	—	3	—	3
Development costs	—	—	6	—	6
Total operating costs and expenses	5,020	694	247	(10)	5,951
Gain on sale of assets	—	1	5	—	6
Operating Income/(Loss)	1,326	37	(242)	—	1,121
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	6	—	1,385	(1,391)	—
Equity in earnings of unconsolidated affiliates	—	37	—	—	37
Impairment losses on investments	—	(18)	—	—	(18)
Other income, net	14	6	32	—	52
Loss on debt extinguishment, net	—	—	(1)	—	(1)
Interest expense	(12)	(3)	(277)	—	(292)
Total other income/(expense)	8	22	1,139	(1,391)	(222)
Income from Continuing Operations Before Income Taxes	1,334	59	897	(1,391)	899
Income tax expense	—	2	214	—	216
Net Income	$ 1,334	$ 57	$ 683	$ (1,391)	$ 683

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the three months ended September 30, 2020

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Net Income	$ 492	$ 48	$ 249	$ (540)	$ 249
Other Comprehensive Income					
Foreign currency translation adjustments, net	5	3	4	(8)	4
Defined benefit plans, net	2	—	—	(2)	—
Other comprehensive income	7	3	4	(10)	4
Comprehensive Income	$ 499	$ 51	$ 253	$ (550)	$ 253

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2020

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Net Income	$ 1,334	$ 57	$ 683	$ (1,391)	$ 683
Other Comprehensive Income					
Foreign currency translation adjustments, net	2	1	2	(3)	2
Defined benefit plans, net	5	—	—	(5)	—
Other comprehensive income	7	1	2	(8)	2
Comprehensive Income	$ 1,341	$ 58	$ 685	$ (1,399)	$ 685

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
September 30, 2020
(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ —	$ 23	$ 674	$ —	$ 697
Funds deposited by counterparties	15	—	—	—	15
Restricted cash	5	—	1	—	6
Accounts receivable, net	650	1,034	805	(1,363)	1,126
Inventory	253	77	—	—	330
Derivative instruments	582	14	—	(18)	578
Cash collateral paid in support of energy risk management activities	74	3	—	—	77
Prepayments and other current assets	238	16	4	—	258
Total current assets	1,817	1,167	1,484	(1,381)	3,087
Property, plant and equipment, net	1,270	1,159	144	—	2,573
Other Assets					
Investment in subsidiaries	28	—	4,981	(5,009)	—
Equity investments in affiliates	—	376	—	—	376
Operating lease right-of-use assets, net	68	167	110	—	345
Goodwill	400	179	—	—	579
Intangible assets, net	684	37	—	—	721
Nuclear decommissioning trust fund	828	—	—	—	828
Derivative instruments	315	10	—	(10)	315
Deferred income taxes	435	(32)	2,684	—	3,087
Other non-current assets	168	110	36	—	314
Total other assets	2,926	847	7,811	(5,019)	6,565
Total Assets	$ 6,013	$ 3,173	$ 9,439	$ (6,400)	$ 12,225
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt	$ 3	$ —	$ —	$ —	$ 3
Current portion of operating lease liabilities	18	33	18	—	69
Accounts payable	933	144	1,039	(1,363)	753
Derivative instruments	505	8	—	(18)	495
Cash collateral received in support of energy risk management activities	15	—	—	—	15
Accrued expenses and other current liabilities	275	71	305	—	651
Total current liabilities	1,749	256	1,362	(1,381)	1,986
Other Liabilities					
Long-term debt	245	—	5,547	—	5,792
Non-current operating lease liabilities	56	134	107	—	297
Nuclear decommissioning reserve	311	—	—	—	311
Nuclear decommissioning trust liability	508	—	—	—	508
Derivative instruments	326	2	—	(10)	318
Deferred income taxes	—	17	—	—	17
Other non-current liabilities	307	266	489	—	1,062
Total other liabilities	1,753	419	6,143	(10)	8,305
Total Liabilities	3,502	675	7,505	(1,391)	10,291
Stockholders' Equity	2,511	2,498	1,934	(5,009)	1,934
Total Liabilities and Stockholders' Equity	$ 6,013	$ 3,173	$ 9,439	$ (6,400)	$ 12,225

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2020
(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
Cash Flows from Operating Activities					
Net income	$ 1,334	$ 57	$ 683	$ (1,391)	$ 683
Adjustments to reconcile net income/(loss) to cash provided by operating activities:					
Distributions from and equity in earnings/(losses) of unconsolidated affiliates and consolidated subsidiaries	(6)	6	(1,385)	1,391	6
Depreciation and amortization	232	60	26	—	318
Accretion of asset retirement obligations	19	27	—	—	46
Provision for credit losses	66	8	—	—	74
Amortization of nuclear fuel	40	—	—	—	40
Amortization of financing costs and debt discount/premiums	—	—	23	—	23
Loss on debt extinguishment, net	—	—	1	—	1
Amortization of emission allowances and energy credits	46	14	—	—	60
Amortization of unearned equity compensation	—	—	17	—	17
Net gain on sale of assets and disposal of assets	(16)	(1)	(5)	—	(22)
Impairment losses	—	47	—	—	47
Changes in derivative instruments	(27)	20	—	—	(7)
Changes in deferred income taxes and liability for uncertain tax benefits	(52)	11	243	—	202
Changes in collateral deposits in support of energy risk management activities	91	5	—	—	96
Changes in nuclear decommissioning trust liability	39	—	—	—	39
Changes in other working capital	355	(923)	331	—	(237)
Net Cash Provided/(Used) by Operating Activities	2,121	(669)	(66)	—	1,386
Cash Flows from Investing Activities					
Intercompany dividends	—	—	2,591	(2,591)	—
Payments for acquisitions of businesses	(15)	(262)	—	—	(277)
Capital expenditures	(115)	(28)	(24)	—	(167)
Net purchases of emission allowances	(15)	—	—	—	(15)
Investments in nuclear decommissioning trust fund securities	(360)	—	—	—	(360)
Proceeds from the sale of nuclear decommissioning trust fund securities	318	—	—	—	318
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	8	2	5	—	15
Net contributions to investments in unconsolidated affiliates	—	2	—	—	2
Net Cash (Used)/Provided by Investing Activities	(179)	(286)	2,572	(2,591)	(484)
Cash Flows from Financing Activities					
Intercompany dividends and transfers	(1,894)	964	(1,661)	2,591	—
Payments of dividends to common stockholders	—	—	(221)	—	(221)
Payments for share repurchase activity	—	—	(229)	—	(229)
Purchase of and distributions to noncontrolling interests from subsidiaries	—	(2)	—	—	(2)
Proceeds from issuance of common stock	—	—	1	—	1
Proceeds from issuance of long-term debt	—	—	59	—	59
Payment of debt issuance costs	—	—	(24)	—	(24)
Repayments of long-term debt	(59)	(3)	—	—	(62)
Net repayment of Revolving Credit Facility	—	—	(83)	—	(83)
Other	(6)	—	—	—	(6)
Net Cash (Used)/Provided by Financing Activities	(1,959)	959	(2,158)	2,591	(567)
Effect of exchange rate changes on cash and cash equivalents	—	(2)	—	—	(2)
Net (Decrease)/Increase in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	(17)	2	348	—	333
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	37	21	327	—	385
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 20	$ 23	$ 675	$ —	$ 718

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the three months ended September 30, 2019

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Operating Revenues					
Total operating revenues	$ 2,473	$ 525	$ —	$ (2)	$ 2,996
Operating Costs and Expenses					
Cost of operations	1,728	421	6	(2)	2,153
Depreciation and amortization	52	32	7	—	91
Selling, general and administrative costs	132	28	50	—	210
Reorganization costs	—	—	1	—	1
Development costs	—	—	1	—	1
Total operating costs and expenses	1,912	481	65	(2)	2,456
Operating Income/(Loss)	561	44	(65)	—	540
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	20	—	537	(557)	—
Equity in earnings of unconsolidated affiliates	—	29	—	—	29
Impairment losses on investments	—	(101)	(6)	—	(107)
Other income, net	11	1	5	—	17
Interest expense	(4)	(3)	(92)	—	(99)
Total other income/(expense)	27	(74)	444	(557)	(160)
Income/(Loss) from Continuing Operations Before Income Taxes	588	(30)	379	(557)	380
Income tax expense	—	1	5	—	6
Income/(Loss) from Continuing Operations	588	(31)	374	(557)	374
Loss from discontinued operations, net of income tax	—	—	(2)	—	(2)
Net Income Attributable to NRG Energy, Inc.	$ 588	$ (31)	$ 372	$ (557)	$ 372

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the nine months ended September 30, 2019

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[a]	Consolidated
Operating Revenues					
Total operating revenues	$ 6,382	$ 1,252	$ —	$ (8)	$ 7,626
Operating Costs and Expenses					
Cost of operations	4,676	956	25	(8)	5,649
Depreciation and amortization	157	81	23	—	261
Impairment losses	1	—	—	—	1
Selling, general and administrative costs	366	56	193	—	615
Reorganization costs	—	—	16	—	16
Development costs	—	1	4	—	5
Total operating costs and expenses	5,200	1,094	261	(8)	6,547
Gain on sale of assets	1	1	—	—	2
Operating Income/(Loss)	1,183	159	(261)	—	1,081
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	32	—	1,266	(1,298)	—
Equity in earnings of unconsolidated affiliates	—	8	—	—	8
Impairment losses on investments	—	(101)	(6)	—	(107)
Other income, net	19	10	20	—	49
Loss on debt extinguishment, net	—	—	(47)	—	(47)
Interest expense	(11)	(12)	(295)	—	(318)
Total other income/(expense)	40	(95)	938	(1,298)	(415)
Income from Continuing Operations Before Income Taxes	1,223	64	677	(1,298)	666
Income tax expense	—	2	7	—	9
Income from Continuing Operations	1,223	62	670	(1,298)	657
Income from discontinued operations, net of income tax	9	5	385	—	399
Net Income	1,232	67	1,055	(1,298)	1,056
Less: Net income attributable to noncontrolling interest and redeemable noncontrolling interest	—	1	—	—	1
Net Income Attributable to NRG Energy, Inc.	$ 1,232	$ 66	$ 1,055	$ (1,298)	$ 1,055

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended September 30, 2019

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Net Income/(Loss)	$ 588	$ (31)	$ 372	$ (557)	$ 372
Other Comprehensive Loss					
Foreign currency translation adjustments, net	(5)	(4)	(4)	9	(4)
Available-for-sale securities, net	—	—	(14)	—	(14)
Defined benefit plans, net	(40)	—	(41)	40	(41)
Other comprehensive loss	(45)	(4)	(59)	49	(59)
Comprehensive Income/(Loss)	$ 543	$ (35)	$ 313	$ (508)	$ 313

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2019

(Unaudited)

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Net Income	$ 1,232	$ 67	$ 1,055	$ (1,298)	$ 1,056
Other Comprehensive Loss					
Foreign currency translation adjustments, net	(5)	(4)	(4)	9	(4)
Available-for-sale securities, net	—	—	(13)	—	(13)
Defined benefit plans, net	(40)	—	(47)	40	(47)
Other comprehensive loss	(45)	(4)	(64)	49	(64)
Comprehensive Income	1,187	63	991	(1,249)	992
Less: Comprehensive income attributable to redeemable noncontrolling interest	—	1	—	—	1
Comprehensive Income Attributable to NRG Energy, Inc.	$ 1,187	$ 62	$ 991	$ (1,249)	$ 991

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2019

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
ASSETS					
Current Assets					
Cash and cash equivalents	$ —	$ 20	$ 325	$ —	$ 345
Funds deposited by counterparties	32	—	—	—	32
Restricted cash	5	1	2	—	8
Accounts receivable, net	1,293	239	233	(740)	1,025
Inventory	272	111	—	—	383
Derivative instruments	856	45	—	(41)	860
Cash collateral paid in support of energy risk management activities	182	8	—	—	190
Prepayments and other current assets	170	8	67	—	245
Total current assets	2,810	432	627	(781)	3,088
Property, plant and equipment, net	1,483	952	158	—	2,593
Other Assets					
Investment in subsidiaries	710	—	4,785	(5,495)	—
Equity investments in affiliates	—	388	—	—	388
Operating lease right-of-use assets, net	81	261	122	—	464
Goodwill	359	220	—	—	579
Intangible assets, net	375	414	—	—	789
Nuclear decommissioning trust fund	794	—	—	—	794
Derivative instruments	308	15	—	(13)	310
Deferred income taxes	421	(19)	2,884	—	3,286
Other non-current assets	145	30	65	—	240
Total other assets	3,193	1,309	7,856	(5,508)	6,850
Total Assets	$ 7,486	$ 2,693	$ 8,641	$ (6,289)	$ 12,531
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt	$ —	$ 5	$ 83	$ —	$ 88
Current portion of operating lease liabilities	20	32	21	—	73
Accounts payable	918	141	403	(740)	722
Derivative instruments	797	25	—	(41)	781
Cash collateral received in support of energy risk management activities	32	—	—	—	32
Accrued expenses and other current liabilities	280	44	339	—	663
Total current liabilities	2,047	247	846	(781)	2,359
Other Liabilities					
Long-term debt	302	28	5,473	—	5,803
Non-current operating lease liabilities	64	301	118	—	483
Nuclear decommissioning reserve	298	—	—	—	298
Nuclear decommissioning trust liability	487	—	—	—	487
Derivative instruments	334	1	—	(13)	322
Deferred income taxes	—	17	—	—	17
Other non-current liabilities	399	153	532	—	1,084
Total other liabilities	1,884	500	6,123	(13)	8,494
Total Liabilities	3,931	747	6,969	(794)	10,853
Redeemable noncontrolling interest in subsidiaries	—	20	—	—	20
Stockholders' Equity	3,555	1,926	1,672	(5,495)	1,658
Total Liabilities and Stockholders' Equity	$ 7,486	$ 2,693	$ 8,641	$ (6,289)	$ 12,531

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

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

(In millions)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations[(a)]	Consolidated
Cash Flows from Operating Activities					
Net income	$ 1,232	$ 67	$ 1,055	$ (1,298)	$ 1,056
Income from discontinued operations	9	5	385	—	399
Income from continuing operations	1,223	62	670	(1,298)	657
Adjustments to reconcile net income to cash provided by operating activities:					
Distributions from and equity in losses of unconsolidated affiliates and consolidated subsidiaries	(32)	(5)	(1,266)	1,298	(5)
Depreciation and amortization	156	82	23	—	261
Accretion of asset retirement obligations	25	6	—	—	31
Provision for credit losses	72	11	4	—	87
Amortization of nuclear fuel	40	—	—	—	40
Amortization of financing costs and debt discount/premiums	—	—	20	—	20
Loss on debt extinguishment, net	—	—	47	—	47
Amortization of emission allowances and energy credits	21	7	—	—	28
Amortization of unearned equity compensation	—	—	15	—	15
Net loss on sale of assets and disposal of assets	(25)	2	3	—	(20)
Impairment losses	1	101	6	—	108
Changes in derivative instruments	10	(12)	38	—	36
Changes in deferred income taxes and liability for uncertain tax benefits	—	(1)	(2)	—	(3)
Changes in collateral deposits in support of energy risk management activities	136	(7)	—	—	129
Changes in nuclear decommissioning trust liability	27	—	—	—	27
Changes in other working capital	(401)	(123)	(45)	—	(569)
Cash provided/(used) by continuing operations	1,253	123	(487)	—	889
Cash provided/(used) by discontinued operations	17	(9)	—	—	8
Net Cash Provided/(Used) by Operating Activities	1,270	114	(487)	—	897
Cash Flows from Investing Activities					
Intercompany dividends	—	—	3,866	(3,866)	—
Payments for acquisitions of businesses	(348)	—	—	—	(348)
Capital expenditures	(135)	(23)	(25)	—	(183)
Decrease in notes receivable	—	—	2	—	2
Net purchases of emission allowances	14	—	—	—	14
Investments in nuclear decommissioning trust fund securities	(295)	—	—	—	(295)
Proceeds from the sale of nuclear decommissioning trust fund securities	271	—	—	—	271
Proceeds from sale of assets, net of cash disposed and sale of discontinued operations, net of fees	1	400	892	—	1,293
Net distributions from investments in unconsolidated affiliates	—	(94)		—	(94)
Contributions to discontinued operations	—	(44)	—	—	(44)
Cash (used)/provided by continuing operations	(492)	239	4,735	(3,866)	616
Cash used by discontinued operations	—	(2)	—	—	(2)
Net Cash (Used)/Provided by Investing Activities	(492)	237	4,735	(3,866)	614
Cash Flows from Financing Activities					
Intercompany dividends and transfers	(824)	(317)	(2,725)	3,866	—
Payment of dividends to common stockholders	—	—	(24)	—	(24)
Payments for share repurchase activity	—	—	(1,322)	—	(1,322)
Payments for debt extinguishment	—	—	(24)	—	(24)
Net distributions to noncontrolling interests from subsidiaries	—	(1)	—	—	(1)
Proceeds from issuance of common stock	—	—	3	—	3
Proceeds from issuance of long-term debt	—	—	1,833	—	1,833
Payment of debt issuance costs	—	—	(34)	—	(34)
Payments for long-term debt	—	(55)	(2,432)	—	(2,487)
Net proceeds of Revolving Credit Facility	—	—	215	—	215
Cash used by continuing operations	(824)	(373)	(4,510)	3,866	(1,841)
Cash provided by discontinued operations	—	43	—	—	43
Net Cash Used by Financing Activities	(824)	(330)	(4,510)	3,866	(1,798)
Change in cash from discontinued operations	17	32	—	—	49
Net Decrease in Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash	(63)	(11)	(262)	—	(336)
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at Beginning of Period	95	38	480	—	613
Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash at End of Period	$ 32	$ 27	$ 218	$ —	$ 277

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

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

As you read this discussion and analysis, refer to NRG's Condensed Consolidated Statements of Operations to this Form 10-Q, which present the results of operations for the three and nine months ended September 30, 2020 and 2019. Also refer to NRG's 2019 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition, including: Introduction and Overview section; NRG's Business Strategy section; Business section, including how regulation, weather, and other factors affect NRG's business; and Critical Accounting Policies and Estimates section. In addition, refer to the Current Report on Form 8-K filed with the SEC on May 7, 2020, which provides retrospectively revised historical financial information to correspond with the Company's current segment structure.

The discussion and analysis below has been organized as follows:

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

The Company determined in prior years that the following businesses were discontinued operations and recast prior periods to present their results in the corporate segment:

- South Central Portfolio
- Carlsbad
- GenOn

Executive Summary

Introduction and Overview

NRG Energy, Inc., or NRG or the Company, is an integrated power company built on dynamic retail brands with diverse generation assets. NRG brings the power of energy to customers by producing and selling electricity and related products and services in major competitive power markets in the U.S. and Canada in a manner that delivers value to all of NRG's stakeholders. NRG is a customer-driven business focused on perfecting the integrated model by balancing retail load with generation supply within its deregulated markets. The Company sells energy, services, and innovative, sustainable products and services directly to retail customers under the names NRG, Reliant, Green Mountain Energy, Stream, and XOOM Energy, as well as other brand names owned by NRG, supported by approximately 23,000 MW of generation as of September 30, 2020. NRG was incorporated as a Delaware corporation on May 29, 1992.

As part of perfecting the integrated model, in which the majority of the Company’s generation serves its retail customers, the Company began managing its operations based on the combined results of the retail and wholesale generation businesses with a geographical focus in 2020. As a result, the Company changed its business segments from Retail and Generation to Texas, East and West/Other beginning in the first quarter of 2020. The Company's updated segment structure reflects how management currently makes financial decisions and allocates resources.

The following table summarizes NRG's generation portfolio in MW as of September 30, 2020 by operating segment:

Generation Type	Texas	East	West/Other [(a)(b)]	Total
Natural gas	4,774	2,686	2,308	9,768
Coal	4,174	3,140	605	7,919
Oil	—	3,600	—	3,600
Nuclear	1,132	—	—	1,132
Utility Scale Solar	—	—	321	321
Battery Storage & Distributed Solar	2	—	60	62
Total generation capacity [(c)]	10,082	9,426	3,294	22,802

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

(b) The Distributed Solar figure in West/Other includes the aggregate production capacity of installed and activated residential solar energy systems

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

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. Electricity was deemed a ‘critical and essential business operation’ under various state and federal governmental COVID-19 mandates.

NRG continues to remain focused on protecting the health and well-being of its employees, while supporting its customers and the communities in which it operates and assuring the continuity of its operations. NRG contributed $2 million to COVID-19 relief efforts, including funding for urgently needed safety equipment supporting first responders, as well as funds that aided local communities and teachers. The Company also allocated funding to the NRG Employee Relief Fund to assist employees adversely impacted by natural disasters and other extraordinary events.

NRG had activated its Crisis Management Team ("CMT") in January 2020, which proactively began managing the Company's response to the impacts of COVID-19. The CMT implemented the business continuity plans for the Company and had taken a variety of measures to ensure the ongoing availability of the Company's services, while maintaining the Company's commitment to its core values of health and safety. Pursuant to the Company's Infectious Disease & Pandemic Policy, in March 2020, NRG implemented restrictions on business travel and face-to-face sales channels, instituted remote work practices and enhanced cleaning and hygiene protocols in all of its facilities.

In order to effectively serve the Company’s customers, select essential employees and contractors are continuing to report to plant and certain office locations and safety protocols were successfully implemented. In June 2020, summer-critical office employees also returned to the offices. The Company requires pre-entry screening, including temperature checks, separation of work crews, additional personal protective equipment for employees and contractors when social distancing cannot be maintained, and a ban on all non-essential visitors. As a result of these business continuity measures, the Company has not experienced any material disruptions in its ability to continue its business operations to date. The Company will continue to evaluate additional return to normal work operations on a location-by-location basis as COVID-19 conditions evolve.

The Company continues to utilize the communication protocol established in January 2020, including a central information hub on its intranet. The Company has also provided certain additional wellness programs to support employees, including no-cost access to telehealth services, a mindfulness and meditation program, center or home based backup child and elder care, and access to the Company's Emergency Relief Fund for financially-impacted employees.

While the pandemic may present new risks, as further described in Part II, Item 1A — Risk Factors of this Form 10-Q, to the Company’s business, there was not a material adverse impact on the Company’s 2020 results of operations for the nine months ended September 30, 2020. NRG believes it has sufficient liquidity on hand to continue business operations. As disclosed in the Liquidity and Capital Resources section, the Company has total available liquidity of $3.5 billion as of September 30, 2020, consisting of cash on hand and its Revolving Credit Facility.

Following the President's declaration of COVID-19 outbreak being a national emergency, the Governors of the majority of states in which the Company operates issued executive orders that every person should, except where necessary to provide or obtain essential services, minimize social gatherings and minimize in-person contact with people who are not in the same household. The impact of these orders closed schools, restaurants and bars, except in certain cases for takeout, and other non-essential businesses. As state restrictions have been eased or lifted, loads have begun to recover in those markets in which the Company operates. The rebound in demand has varied across the Company's market footprint, as restrictions vary regionally. The Company expects demand uncertainty to continue in the near future. These restrictions have also created limitations to our face-to-face sales channels and are expected to negatively impact our customer count primarily in the East region.

In Texas, the PUCT adopted the COVID-19 Electricity Relief Program ("ERP") to mitigate the impact of COVID-19 on Texas retail electric customers experiencing economic hardship as a result of the pandemic. The COVID-19 ERP provided temporary disconnection protection for eligible customers and established funds to offset some of the costs incurred by retail electric providers that continued service to those customers. The COVID-19 ERP disconnection protection and benefits ended on September 30, 2020. Consistent with the PUCT's orders, NRG is continuing to offer deferred payment plans to all residential and small commercial customers while the declaration of emergency in Texas is in place.

The situation surrounding COVID-19 remains fluid and the potential for a material adverse impact on the Company exists as long as the virus impacts the level of economic activity in the United States and globally. For this reason, NRG cannot reasonably estimate with any degree of certainty the full impact COVID-19, and any resurgence of COVID-19, may have on the Company's results of operations, financial position, and liquidity. The extent to which the COVID-19 pandemic may impact the Company's business, operating results, financial condition, risk exposure or liquidity will depend on future developments, including the duration of the outbreak, travel restrictions, business and workforce disruptions, any resurgence of the outbreak and the effectiveness of actions taken to contain, mitigate and treat the disease. See Part II, Item 1A — Risk Factors of this Form 10-Q.

Strategy

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

To effectuate the Company's strategy, NRG is focused on: (i) serving the energy needs of end-use residential, commercial and industrial customers in competitive markets through multiple brands and channels with a variety of retail energy products and services differentiated by innovative features, premium service, sustainability, and loyalty/affinity programs; (ii) offering innovative and renewable energy solutions for customers; (iii) excellence in operating performance of its existing assets; (iv) optimal hedging of NRG's net retail and generation positions; and (v) engaging in disciplined and transparent capital allocation.

Sustainability is an integral part of NRG's strategy and ties directly to business success, reduced risks and brand value. In 2019, NRG announced the acceleration of its science-based GHG emissions reduction goals to align with prevailing climate science, limiting warming to a 1.5 degree Celsius increase. Under its new GHG emissions reduction timeline, NRG is targeting to achieve a 50% reduction by 2025 and net-zero emissions by 2050 from a 2014 baseline.

Energy Regulatory Matters

The Company's regulatory matters are described in the Company's 2019 Form 10-K in Item 1, Business — *Regulatory Matters.* These matters have been updated below and in Note 18, *Regulatory Matters*, of this Form 10-Q.

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

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

Federal Energy Regulation

D.C. Circuit Ruling on FERC's Use of Tolling Orders — On June 30, 2020, the U.S. Court of Appeals for the D.C. Circuit issued a decision stating that FERC's ability to "toll" actions on rehearing beyond the statutory 30-day period is unlawful. FERC has indicated that it will not seek Supreme Court review of the D.C. Circuit decision. On September 17, 2020, FERC staff presented an overview of changes to FERC's practice regarding rehearing requests. In Federal Power Act cases, FERC staff explained that it will no longer issue tolling orders but instead will issue either a Notice of Denial of Rehearing by Operation of Law or a Notice of Denial of Rehearing by Operation of Law and Providing for Further Consideration. The first indicates that FERC would not intend to issue a merits order and the second indicates that FERC intends to issue further action. Chairman Chatterjee and Commissioner Glick issued a joint statement asking Congress to give FERC a reasonable amount of time to make a decision on rehearing requests under the Natural Gas Act and the Federal Power Act. This decision impacts an array of appeals related to the PJM MOPR order and will impact how rehearings are decided and appeals filed.

Regional Regulatory Developments

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

East/West

PJM

Capacity Market Reforms Filing — On December 19, 2019, FERC issued an order on the pending proposals to reform the PJM market to mitigate subsidized resources in the capacity market. FERC directed PJM to apply the Minimum Offer Price Rule, or MOPR, to new and existing resources receiving state subsidies and subject them to default offer floor prices in their capacity bids. The Order provided for various category specific exemptions to the MOPR, as well as a unit specific exemption, which permits any resource that can justify an offer lower than the default offer price floor to submit such capacity bids to PJM for review. On April 16, 2020, FERC issued two orders on pending requests for rehearing. In those orders, FERC denied requests for rehearing with respect to its June 29, 2018 Order where it found PJM's then-existing Tariff to be unjust and unreasonable because it failed to address the price suppression of our-of-market payments from resources. FERC also affirmed its December 19, 2019 Order in which it directed PJM to apply the MOPR to state-subsidized resources. Multiple parties filed for appeal at various circuit courts. Under the host of Orders, PJM was required to make two compliance filings, one on March 18, 2020 and one on June 1, 2020. In the filings, PJM has stated, among other things, that it would hold its next capacity auction six and a half months after a ruling on the compliance filing. On October 15, 2020, FERC issued an order on the pending compliance filings, in which FERC, in part, accepted the MOPR as described in PJM's compliance filings and required PJM to submit another compliance filing within 30 days. Importantly, FERC approved PJM's proposed auction schedule, however, the timing of the auction remains dependent on a FERC order in the ORDC docket discussed below. Subjecting subsidized resources to default offer floors in the capacity market should protect the market from further price suppression. The impact of these changes on capacity market outcomes depends on, among other factors, bidding behavior, load forecast changes, new resource entry, and existing resource exit.

Indiana Municipal Power Agency and City of Lawrenceburg, Indiana Complaint on Station Power — On September 17, 2020, FERC issued an order in response to a complaint and request for declaratory judgement challenging the station power wholesale netting provisions in PJM's tariff. FERC found that it does not have jurisdiction over the supply of station power and the provision of station power is a retail sale subject to state jurisdiction. The order establishes a Section 206 proceeding and requires PJM to submit a filing within 60 days to show why the station service netting provisions of its tariff are just and reasonable. Parties have filed requests for rehearing, which remain pending. This decision could affect the rates that plants pay for station power.

PJM's ORDC Filing and Compliance Directives — On March 29, 2019, PJM proposed energy and reserve market reforms to enhance price formation in reserve markets, which includes modifying its ORDC and aligning market-based reserve product in Day-Ahead and Real-Time markets. On May 21, 2020, FERC approved PJM's proposed energy and reserve market reforms. PJM proposes to implement these changes in May 2022, subject to FERC approval on compliance. In addition to approving PJM's proposal, FERC also directed PJM to implement a forward-looking Energy and Ancillary Services Offset to be used in PJM's capacity markets. PJM submitted a compliance filing to revise its tariff on August 5, 2020. This matter is pending at FERC. The changes are expected to be implemented for the 2022/2023 Base Residual Auction.

New Jersey Board of Public Utilities' Investigation on Resource Adequacy Alternatives — On March 25, 2020, the NJBPU initiated a proceeding to investigate resource adequacy alternatives for New Jersey. NRG submitted initial comments on May 20, 2020, and subsequently filed reply comments on June 24, 2020. On September 18, 2020, the NJBPU held a technical conference, where an NRG representative participated on the panel. The proceeding is pending. Any actions taken by the NJBPU could affect market prices in PJM.

New England

ISO-NE Inventoried Energy Compensation Proposal — On March 25, 2019, ISO-NE proposed an interim measure to address near-term fuel security concerns. On August 6, 2019, FERC issued a notice stating that due to lack of quorum, ISO-NE's proposal became effective by operation of law. Multiple parties filed for rehearing. Those rehearings were denied. Subsequently, multiple parties filed an appeal of FERC's Order to the Court of Appeals for the D.C. Circuit. On April 14, 2020, FERC filed a motion for a voluntary remand. On April 21, 2020, the Court of Appeals for the D.C. Circuit remanded the case back to FERC. On June 18, 2020, FERC issued an order accepting the Inventoried Energy Compensation Proposal and by operation of law denied requests for rehearing on August 20, 2020. Multiple parties filed amended petitions for review to include FERC's order on remand. ISO-NE's proposal will affect future capacity market prices and the compensation that fuel secure units receive.

ISO-NE Fuel Security Improvements Proposal — On April 15, 2020, ISO-NE filed a compliance filing proposing improvements to the wholesale market design to address winter fuel security issues as directed by FERC. Multiple parties filed comments and protests. On October 30, 2020, FERC rejected ISO-NE's proposal and also rejected ISO-NE's request to sunset the Inventories Energy Program and the Fuel Security Retention Mechanism one year earlier than initially planned. The outcome of the matter will affect market prices in ISO-NE.

Mystic's Complaint on Transmission Reliability Review — On June 10, 2020, Constellation Mystic Power LLC filed a complaint at FERC against ISO-NE alleging that ISO-NE violated its Tariff in its addition of language to its planning procedure and in its conduct in carrying out a competitive transmission REP to address the retirements of Mystic Units 8 and 9. NRG, through its trade associations, filed comments on June 30, 2020. On August 17, 2020, FERC issued an order denying the complaint. On September 16, 2020, Constellation Mystic Power LLC filed for rehearing. The rehearing is pending. The outcome of this proceeding affects the retirement of the Mystic Units 8 and 9, thereby affecting capacity prices in ISO-NE.

Paper Hearing on ISO-NE's New Entrant Rule — On July 1, 2020, FERC issued an order establishing a Section 206 hearing initiated by FERC's preliminary finding that the "new entrant rules" may be unjust and unreasonable, specifically as it relates to the seven-year price-lock rule. This order is a result of the D.C. Circuit February 2, 2018 remand of a FERC order regarding how generators that previously received a seven-year "price lock" should be priced in future auctions. The price-lock mechanism permits qualified new resources that clear the auction to receive their first-year clearing price for seven years. On August 24, 2020, NRG filed an initial brief. Because several auctions have been held under the existing rules, any subsequent order from FERC could affect future capacity prices in ISO-NE, as well as affect the price that non-price locked resources could receive from prior capacity auctions.

Competitive Auctions with Sponsored Resources Proposal (CASPR) — On January 8, 2018, ISO-NE filed the CASPR proposal which attempts to accommodate state sponsored resources while maintaining competitive market pricing. On January 29, 2018, NRG protested certain aspects of the proposal and also supported ISO-NE's beginning attempts to address state sponsored resources entering the capacity market. On March 19, 2018, FERC issued an order approving CASPR. Several parties filed requests for rehearing, which are still pending. On August 31, 2020, parties filed an appeal to the D.C. Circuit. On October 19, 2020, FERC filed a motion at the D.C. Circuit to dismiss the appeal. The outcome of this proceeding will potentially affect future capacity market prices.

New York

New York State Public Service Commission Retail Energy Market Proceedings — On February 23, 2016, the NYSPSC issued an order referred to as the Retail Reset Order. Among other things, the Retail Reset Order placed a price cap on energy supply offers and imposed burdensome new regulations on customers. Various parties have challenged the NYSPSC's authority to regulate prices charged by competitive suppliers. On May 9, 2019 the New York Court of Appeals, the state’s highest tribunal, issued a decision affirming the NYSPSC’s authority to regulate ESCO’s prices as a condition of access to the utilities’ infrastructure. In conjunction with the court challenge, the NYSPSC also noticed an evidentiary proceeding. On December 12, 2019, the NYSPSC issued an order adopting changes to the retail access energy market based on the record in the evidentiary proceeding. The Order limits ESCO offers to three compliant products: guaranteed savings from the utility default rate, a fixed term capped at 5% of the rolling 12-month average utility default rate, or NY-sourced renewable energy that is at least 50% greater than the prevailing NY Renewable Energy Standard for load serving entities. The Order also establishes new ESCO eligibility criteria and certification process, as well as re-certification of current ESCOs. The NYSPSC ordered compliance effective February 10, 2020. On January 13, 2020, multiple parties filed motions for rehearing and a stay of the Order. On September 17, 2020, NYSPSC issued an Order denying all petitions for reconsideration or rehearing. That Order also extended the effective date for the three compliant products to February 16, 2021. The limited offerings imposed by the Order, as issued, may negatively impact the Company's retail sales in New York.

New York State Public Service Commission Resource Adequacy Proceeding — On August 8, 2019, the NYSPSC established an investigation into New York's resource adequacy market design. On November 8, 2019, NRG filed comments and recommendations, specifically putting forth NRG's Forward Clean Energy Market Proposal, that would allow New York to maintain a reliable system while advancing its environmental goals. The NYSPSC has engaged The Brattle Group to evaluate the multiple alternative resource adequacy structures that were recommended by the parties in the proceeding. The NYSPSC held a technical conference on July 10, 2020. The proceeding is pending. Any actions taken by the NYSPSC could affect market design and market prices in New York.

New York Buyer Side Mitigation Proceedings — On February 20, 2020, FERC issued multiple orders pertaining to the NYISO capacity market. The orders narrowed certain exemptions to buyer side mitigation measures. Specifically, FERC stated that certain renewable and self-supply resources would be exempt from offer floor mitigation but rejected NYISO’s proposal of a 1,000 MW cap on renewable resources that could qualify for the exemption. FERC ordered NYISO to make a compliance filing narrowly tailoring its cap. On April 7, 2020, NYISO submitted its compliance filing proposing a formula that sets the Renewable Exemption Limit based generally on projected load growth and generator requirements. On April 28, 2020, the generator trade association filed comments seeking clarification related to the Renewable Exemption Limit formula. On July 16, 2020, FERC accepted a large part of NYISO's April compliance filing. FERC also rejected a complaint to exempt new electric storage resources. It also rejected a blanket exemption to demand response providers currently subject to mitigation but granted a request for new demand response to receive a blanket exemption from the buyer side mitigation measures. On June 18, 2020, the NYSPSC filed petitions for review with the D.C. Circuit regarding these buyer side mitigation orders. The D.C. Circuit issued an order holding the appeals in abeyance pending FERC's consideration of rehearing requests. Implementation of buyer side mitigation measures to address price suppression provides more accurate capacity price signals in the competitive market.

New York Generators' Complaint on Buyer Side Mitigation Rules — On October 14, 2020, two New York generators, Cricket Valley and Empire Generating, filed a complaint at FERC against the NYISO arguing that the NYISO's offer floor rules are unjust and unreasonable because they do not address price suppression in the market. The complaint requests that FERC order the NYISO to implement a MOPR that covers out-of-market support to new and existing resources, similar to that in PJM. The outcome of this proceeding could affect capacity market prices in New York.

Texas

Public Utility Commission of Texas’ Actions Related to COVID-19 — On March 26, 2020, the PUCT adopted the COVID-19 Electricity Relief Program ("ERP") aimed to mitigate the impact of COVID-19 on residential customers in the competitive retail electric market who are experiencing economic hardship as a result of the pandemic. The COVID-19 ERP protected residential customers deemed eligible by the PUCT’s third party administrator from disconnection for nonpayment until September 30, 2020. The COVID-19 ERP also established an emergency fund to allow Retail Electric Providers ("REPs") to recover a certain amount of credit losses incurred while continuing to serve these customers. REPs may recover from the fund a proxy for a portion of their costs (at a fixed rate of $0.04 per kWh) related to eligible residential customers with an unpaid, past due electric bill. Additional protections enacted by the PUCT included a separate March 26, 2020 order that required REPs to suspend charging residential and small commercial customers late fees as part of the response to the Governor's disaster declaration relating to COVID-19. On April 17, 2020, the PUCT narrowed the scope of the late fees waiver to just residential customers. The late fees waiver ended on May 15, 2020.

CAISO

Resource Adequacy Central Procurement Proceeding — On June 11, 2020, the CPUC adopted a decision mandating the central procurement of multi-year local resource adequacy capacity to begin for the 2023 compliance year for PG&E and Southern California Edison ("SCE") service areas, under which PG&E and SCE would be the respective central procurement entities. The decision declined to adopt a central procurement framework for the San Diego Gas and Electric service area and rejected a proposed settlement filed by various entities, including NRG, which included the expansion of multi-year requirements to all categories of resource adequacy (system, flexible and local) and a residual procurement model for the central procurement entity. The CPUC decision represents a retreat from market-based solutions ensuring reliable capacity in California.

Environmental Regulatory Matters

NRG is subject to numerous environmental laws in the development, construction, ownership and operation of power plants. These laws generally require that governmental permits and approvals be obtained before construction and during operation of power plants. Federal and state environmental laws historically have become more stringent over time. Future laws may require the addition of emissions controls or other environmental controls or impose restrictions on the Company's operations. Complying with environmental laws often involves specialized human resources and significant capital and operating expenses, as well as occasionally curtailing operations. The COVID-19 pandemic may prevent the Company from complying with certain of its environmental requirements, which federal and state regulators have recognized. NRG decides to invest capital for environmental controls based on the relative certainty of the requirements, an evaluation of compliance options, and the expected economic returns on capital.

A number of regulations that may affect the Company are under review by the EPA or have been revised recently, including ash storage and disposal requirements, NAAQS revisions and implementation and effluent limitation guidelines. NRG will evaluate the impact of these regulations as they are revised but cannot fully predict the impact of each until anticipated revisions and legal challenges are resolved. The Company’s environmental matters are described in the Company’s

2019 Form 10-K in Item 1, Business - *Environmental Matters* and Item 1A, Risk Factors. These matters have been updated in Note 19, *Environmental Matters*, to the Condensed Consolidated Financial Statements of this Form 10-Q and as follows.

Air

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

Clean Power Plan — The attention in recent years on GHG emissions has resulted in federal regulations and state legislative and regulatory action. In October 2015, the EPA finalized the CPP, addressing GHG emissions from existing EGUs. On February 9, 2016, the U.S. Supreme Court stayed the CPP. In July 2019, EPA promulgated the ACE rule, which rescinded the CPP, which had sought to broadly regulate CO_2 emissions from the power sector. The ACE rule requires states that have coal-fired EGUs to develop plans to seek heat rate improvements from coal-fired EGUs. Texas, Illinois and Delaware have started working on plans to comply with the ACE rule. Numerous parties have challenged the ACE rule in the D.C. Circuit and numerous parties have filed petitions for reconsideration with the EPA.

Byproducts, Wastes, Hazardous Materials and Contamination

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. In September 2017, the EPA agreed to reconsider the rule. On July 30, 2018, the EPA promulgated a rule that amends the existing ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 21, 2018, the D.C. Circuit found, among other things, that the EPA had not adequately regulated unlined ponds and legacy ponds. On August 14, 2019, the EPA proposed targeted changes to the April 2015 Rule including changes to address the August 2018 D.C. Circuit decision. On December 2, 2019, the EPA released for comment "Closure Part A Proposal" to revise the CCR Rule to address the D.C. Circuit's 2018 decision regarding the adequacy of clay-lined impoundments, obligations to close all unlined impoundments and related deadlines. On February 20, 2020, the EPA proposed the framework for developing and implementing a federal permit program for states that are not approved to administer the CCR rule. On March 3, 2020, the EPA proposed for comment "A Holistic Approach to Closure Part B," which proposes procedures for obtaining approval to operate existing impoundments with alternative liners. On August 28, 2020, the EPA finalized "A Holistic Approach to Closure Part A: Deadline to Initiate Closure," which amended the April 2015 Rule to address the August 2018 D.C. Circuit decision and extend some of the deadlines. The Company anticipates that the EPA will promulgate additional regulations to further amend the existing rule. The Company has updated its estimates of required environmental capital expenditures.

Domestic Site Remediation Matters

Under certain federal, state and local environmental laws, a current or previous owner or operator of a facility, including an electric generating facility, may be required to investigate and remediate releases or threatened releases of hazardous or toxic substances or petroleum products. NRG may be responsible for property damage, personal injury and investigation and remediation costs incurred by a party in connection with hazardous material releases or threatened releases. These laws impose liability without regard to whether the owner knew of or caused the presence of the hazardous substances, and the courts have interpreted liability under such laws to be strict (without fault) and joint and several. Cleanup obligations can often be triggered during the closure or decommissioning of a facility, in addition to spills during its operations. Further discussions of affected NRG sites can be found in Note 17, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements.

Jewett Mine Lignite Contract — The Company's Limestone facility historically burned lignite obtained from the Jewett mine, which was operated by TWCC. On or about March 15, 2019, the Jewett mine and related lignite supply agreement with NRG were acquired by Westmoreland Jewett Mining LLC ("Jewett Mining"), a subsidiary of Westmoreland Mining LLC pursuant to a plan of reorganization confirmed by the Texas Bankruptcy Court. Effective August 5, 2020, NRG's subsidiary, NRG Texas LLC, acquired all of the equity interests of Jewett Mining. Active mining under the lignite supply agreement ceased as of December 31, 2016; however, under the terms of the lignite supply agreement, Jewett Mining remains responsible for reclamation activities and NRG is responsible for all reclamation costs. NRG has recorded an adequate ARO liability. The Railroad Commission of Texas has imposed a bond obligation of approximately $99 million for the reclamation of the Jewett mine, which NRG supports through surety bonds. The cost of the reclamation may exceed the value of the bonds. NRG may provide additional performance assurance if required by the Railroad Commission of Texas.

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

On February 5, 2013, STPNOC entered into a settlement agreement with the U.S. DOE for payment of damages relating to the U.S. DOE's failure to accept SNF and HLW under the Nuclear Waste Policy Act through December 31, 2013, which has been extended three times through addendums to cover payments through December 31, 2022. There are no facilities for the reprocessing or permanent disposal of SNF currently in operation in the U.S., nor has the NRC licensed any such facilities. STPNOC currently stores all SNF generated by its nuclear generating facilities on-site. STPNOC plans to continue to assert claims against the U.S. DOE for damages relating to the U.S. DOE's failure to accept SNF and HLW.

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

Water

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

Effluent Limitations Guidelines — In November 2015, the EPA revised the Effluent Limitations Guidelines for Steam Electric Generating Facilities, which imposed more stringent requirements (as individual permits were renewed) for wastewater streams from FGD, fly ash, bottom ash, and flue gas mercury control. On September 18, 2017, the EPA promulgated a final rule that, among other things, postponed the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA amended the rule. On October 13, 2020, the EPA amended the 2015 ELG rule by: (i) altering the stringency of certain limits for FGD wastewater; (ii) relaxing the zero-discharge requirement for bottom ash transport water; and (iii) changing several deadlines. The Company is in the process of estimating the environmental capital expenditures that will be required to comply.

Regional Environmental Developments

NY NOx — On December 31, 2019, the New York State Department of Environmental Conservation finalized a more stringent NOx regulation that will result in the retirement of the Company's combustion turbines in Astoria, New York in 2023.

Ash Regulation in Illinois — On July 30, 2019, Illinois enacted legislation that requires the state to promulgate regulations regarding coal ash at surface impoundments. On March 30, 2020, the state released its proposed implementing regulations. The Company expects the state to promulgate the final implementing regulations in March 2021, at which time regulated entities will then prepare and submit permit applications.

Significant Events

The following significant events have occurred during 2020 as further described within this Management's Discussion and Analysis and the Condensed Consolidated Financial Statements:

Direct Energy Acquisition

On July 24, 2020, the Company entered into a definitive purchase agreement with Centrica to acquire Direct Energy, a North American subsidiary of Centrica (the "Purchase Agreement"). Direct Energy is a leading retail provider of electricity, natural gas, and home and business energy related products and services in North America, with operations in all 50 U.S. states and 6 Canadian provinces. The acquisition will add over 3 million customers to NRG's business and build on and complement its integrated model, enabling better matching of power generation with customer demand. It will also broaden the Company's presence in the Northeast and into states and locales where it does not currently operate, supporting NRG's objective to diversify its business.

The Company will pay an aggregate purchase price of $3.625 billion in cash, subject to a purchase price adjustment, including a working capital adjustment. The Company expects to fund the purchase price using a combination of cash on hand and approximately $3 billion of newly-issued secured and unsecured corporate debt. The Company also expects to increase its collective collateral facilities by $3.5 billion through a combination of new letter of credit facilities and increases to its existing Revolving Credit Facility.

The shareholders of Centrica approved the acquisition on August 20, 2020. The transaction has received approvals under the Canadian Competition Act and early termination of the waiting period under the HSR Act has been granted. The transaction remains subject to customary closing conditions, including the receipt of approval under the Federal Power Act.

The acquisition is targeted to close by December 31, 2020. There are no assurances that the conditions to the consummation of the acquisition of Direct Energy will be satisfied or that the acquisition of Direct Energy will be consummated on the terms agreed to, or at all.

Receivables Securitization and Repurchase Facility

On September 22, 2020, NRG Receivables LLC, a bankruptcy remote, special purpose, indirect wholly owned subsidiary, entered into a revolving accounts receivable financing facility (the "Receivables Facility") for an amount up to $750 million, subject to adjustments on a seasonal basis, with issuers of asset-backed commercial paper and commercial banks (the "Lenders".) As of September 30, 2020, there were no outstanding borrowings and there were $179 million in letters of credit issued under the Receivables Facility.

On September 22, 2020, the Company entered into an uncommitted repurchase facility (the “Repurchase Facility”) related to the Receivables Facility. Under the Repurchase Facility, the Company can borrow up to $75 million, collateralized by a subordinated note issued by NRG Receivables LLC to NRG Retail LLC in favor of the originating entities representing a portion of the balance of receivables sold to NRG Receivables LLC under the Receivables Facility. As of September 30, 2020, there were no outstanding borrowings under the Repurchase Facility.

For further discussion on the Receivables Facility and Repurchase Facility, see Note 9, *Receivables Securitization and Repurchase Facility.*

Midwest Generation Lease Purchase

On September 29, 2020, Midwest Generation acquired all of the ownership interests in the Powerton facility and Units 7 and 8 of the Joliet facility, which were being leased through 2034 and 2030, respectively, for approximately $260 million. The purchase was initially funded with cash-on-hand. The Company anticipates drawing on its Revolving Credit Facility in an amount equal to the previously existing operating lease liability of $148 million before December 31, 2020. Upon closing, lease expense related to these facilities, which totaled approximately $14 million in 2019, has been eliminated.

Share Repurchases

During the nine months ended September 30, 2020, the Company completed $224 million of share repurchases at an average price of $33.05 per share, including $27 million of equivalent shares purchased in lieu of tax withholdings on equity compensation issuance.

Renewable Power Purchase Agreements

During 2019, NRG began execution of its strategy to procure mid to long-term generation through renewable power purchase agreements. As of September 30, 2020, NRG has entered into PPAs totaling approximately 1,700 MWs with third-party project developers and other counterparties. The tenor of these agreements is an average between eleven and twelve years. The Company expects to continue evaluating and executing similar agreements that support the needs of the business. Due to COVID-19, certain of these PPA contracts have been amended to allow for the delay of the project's completion date from mid-2021 into 2022. These amendments include improved terms for NRG.

COVID-19

For discussion of COVID-19 related considerations, refer to *Management’s Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary* and *Liquidity and Capital Resources.*

Trends Affecting Results of Operations and Future Business Performance

The Company’s trends are described in the Company’s 2019 Form 10-K in Item 7, M*anagement’s Discussion and Analysis of Financial Condition and Results of Operations - Business Environment.*

Changes in Accounting Standards

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

Consolidated Results of Operations

The following table provides selected financial information for the Company:

(In millions, except as otherwise noted)	Three months ended September 30, 2020	2019	Change	Nine months ended September 30, 2020	2019	Change
Operating Revenues						
Retail revenue	$ 2,302	$ 2,488	$ (186)	$ 5,795	$ 5,762	$ 33
Energy revenue[a]	222	426	(204)	429	952	(523)
Capacity revenue[a]	174	194	(20)	518	551	(33)
Mark-to-market for economic hedging activities	39	(210)	249	78	51	27
Other revenues [a][b]	72	98	(26)	246	310	(64)
Total operating revenues	2,809	2,996	(187)	7,066	7,626	(560)
Operating Costs and Expenses						
Cost of Sales [c]	1,515	1,948	433	3,799	4,562	763
Mark-to-market for economic hedging activities	157	(146)	(303)	65	74	9
Contract and emissions credit amortization [c]	2	5	3	4	16	12
Operations and maintenance	265	263	(2)	837	795	(42)
Other cost of operations	95	83	(12)	220	202	(18)
Total cost of operations	2,034	2,153	119	4,925	5,649	724
Depreciation and amortization	99	91	(8)	318	261	(57)
Impairment losses	29	—	(29)	29	1	(28)
Selling, general and administrative costs	253	210	(43)	670	615	(55)
Reorganization costs	—	1	1	3	16	13
Development costs	1	1	—	6	5	(1)
Total operating costs and expenses	2,416	2,456	40	5,951	6,547	596
Gain on sale of assets	—	—	—	6	2	4
Operating Income	393	540	(147)	1,121	1,081	40
Other Income/(Expense)						
Equity in earnings of unconsolidated affiliates	36	29	7	37	8	29
Impairment losses on investments	—	(107)	107	(18)	(107)	89
Other income, net	11	17	(6)	52	49	3
Loss on debt extinguishment, net	—	—	—	(1)	(47)	46
Interest expense	(99)	(99)	—	(292)	(318)	26
Total other expense	(52)	(160)	108	(222)	(415)	193
Income from Continuing Operations Before Income Taxes	341	380	(39)	899	666	233
Income tax expense	92	6	(86)	216	9	(207)
Income from Continuing Operations	249	374	(125)	683	657	26
(Loss)/income from discontinued operations, net of income tax	—	(2)	2	—	399	(399)
Net Income	249	372	(123)	683	1,056	(373)
Less: Net income attributable to redeemable noncontrolling interests	—	—	—	—	1	(1)
Net Income Attributable to NRG Energy, Inc.	$ 249	$ 372	$ (123)	$ 683	$ 1,055	$ (372)
Business Metrics						
Average natural gas price — Henry Hub ($/MMBtu)	$ 1.98	$ 2.23	(11)%	$ 1.88	$ 2.67	(30)%

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

Management's discussion of the results of operations for the three months ended September 30, 2020 and 2019

Electricity Prices

The following table summarizes average on peak power prices for each of the major markets in which NRG operates for the three months ended September 30, 2020 and 2019. The average on-peak power prices decreased in Texas and East due to mild weather and lower demand due to COVID-19. The average on-peak power prices increased in California due to summer heat.

	Average on Peak Power Price ($/MWh)		
	Three months ended September 30,		
Region	**2020**	**2019**	**Change %**
Texas			
ERCOT - Houston[a]	$ 28.59	$ 120.55	(76)%
ERCOT - North[a]	27.91	120.49	(77)%
East			
NY J/NYC[b]	$ 27.32	$ 31.13	(12)%
NEPOOL[b]	27.20	29.52	(8)%
COMED (PJM)[b]	25.82	29.86	(14)%
PJM West Hub[b]	28.24	31.17	(9)%
West			
MISO - Louisiana Hub[b]	$ 24.83	$ 29.75	(17)%
CAISO - SP15[b]	61.94	37.32	66 %

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

The following table summarizes average realized power prices for NRG, including the impact of settled hedges, for the three months ended September 30, 2020 and 2019:

	Average Realized Power Price ($/MWh)		
	Three months ended September 30,		
Region	**2020**	**2019**	**Change %**
East[a]	$ 31.23	$ 31.60	(1)%
West/Other	48.39	35.87	35

(a) Average Realized Power Price reflects energy sales from the generation fleet, omitting sales to the retail component of the East Segment. Intercompany financial transactions hedging generation with the retail business make up $4.09/MWh in the three months ended September 30, 2020 and $3.13/MWh in the three months ended September 30, 2019

The average realized power prices increased in West/Other for the three months ended September 30, 2020 as compared to the same period in 2019, due to summer heat in California.

Gross Margin

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

Economic Gross Margin

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

The below tables present the composition and reconciliation of gross margin and economic gross margin for the three months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020				
($ In millions)	**Texas**	**East**	**West/Other**	**Corporate/Eliminations**	**Total**
Retail revenue	$ 1,921	$ 381	$ —	$ —	$ 2,302
Energy revenue	11	93	117	1	222
Capacity revenue	—	158	16	—	174
Mark-to-market for economic hedging activities	1	43	(10)	5	39
Other revenue	59	18	(1)	(4)	72
Operating revenue	1,992	693	122	2	2,809
Cost of fuel	(206)	(58)	(36)	—	(300)
Purchased power	(287)	(140)	(13)	1	(439)
Other cost of sales[a][b]	(647)	(118)	(11)	—	(776)
Mark-to-market for economic hedging activities	(153)	2	(1)	(5)	(157)
Contract and emission credit amortization	(2)	—	—	—	(2)
Gross margin	**$ 697**	**$ 379**	**$ 61**	**$ (2)**	**$ 1,135**
Less: Mark-to-market for economic hedging activities, net	(152)	45	(11)	—	(118)
Less: Contract and emission credit amortization, net	(2)	—	—	—	(2)
Economic gross margin	**$ 851**	**$ 334**	**$ 72**	**$ (2)**	**$ 1,255**
(a) Includes capacity and emissions credits					
(b) Includes $595 million and $3 million of TDSP expense in Texas and East, respectively					
Business Metrics					
Mass Market electricity sales volume (GWh)	12,849	3,028	—		15,877
C&I electricity sales volume (GWh)	4,886	439	—		5,325
Natural gas sales volume (MDth)	—	1,850	—		1,850
Average retail Mass Market customer count (in thousands)	2,452	1,154	—		3,606
Ending retail Mass Market customer count (in thousands)	2,460	1,139	—		3,599
GWh sold	11,294	3,426	2,418		17,138
GWh generated:[a]					
Coal	5,265	1,110	—		6,375
Gas	3,102	1,089	2,200		6,391
Nuclear	2,531	—	—		2,531
Oil	—	174	—		174
Total	10,898	2,373	2,200		15,471
(a) Includes owned and leased generation, and excludes equity investments					

($ In millions)	Three months ended September 30, 2019 Texas	East	West/Other	Corporate/Eliminations	Total
Retail revenue	$ 2,132	$ 356	$ —	$ —	$ 2,488
Energy revenue	211	109	107	(1)	426
Capacity revenue	—	185	9	—	194
Mark-to-market for economic hedging activities	(213)	12	(9)	—	(210)
Other revenue	78	17	4	(1)	98
Operating revenue	2,208	679	111	(2)	2,996
Cost of fuel	(227)	(79)	(55)	—	(361)
Purchased power	(573)	(160)	(6)	2	(737)
Other cost of sales[a][b]	(739)	(101)	(10)	—	(850)
Mark-to-market for economic hedging activities	141	5	—	—	146
Contract and emission credit amortization	(5)	—	—	—	(5)
Gross margin	**$ 805**	**$ 344**	**$ 40**	**$ —**	**$ 1,189**
Less: Mark-to-market for economic hedging activities, net	(72)	17	(9)	—	(64)
Less: Contract and emission credit amortization, net	(5)	—	—	—	(5)
Economic gross margin	**$ 882**	**$ 327**	**$ 49**	**$ —**	**$ 1,258**

(a) Includes capacity and emissions credits

(b) Includes $620 million and $2 million of TDSP expense in Texas and East, respectively

Business Metrics

	Texas	East	West/Other	Corporate/Eliminations	Total
Mass Market electricity sales volume (GWh)	13,468	2,934	—		16,402
C&I electricity sales volume (GWh)	5,030	334	—		5,364
Natural gas sales volume (MDth)	—	1,693	—		1,693
Average retail Mass Market customer count (in thousands)	2,397	1,163	—		3,560
Ending retail Mass Market customer count (in thousands)	2,466	1,231	—		3,697
GWh sold	13,422	3,829	2,983		20,234
GWh generated:[a]					
Coal	6,014	1,097	—		7,111
Gas	3,355	1,373	2,995		7,723
Nuclear	2,511	—	—		2,511
Oil	—	192	—		192
Renewables	—	—	2		2
Total	11,880	2,662	2,997		17,539

(a) Includes owned and leased generation, and excludes equity investments

The table below represents the weather metrics for the three months ended September 30, 2020 and 2019:

Weather Metrics	Three months ended September 30, Texas	East	West/Other [b]
2020			
CDDs [a]	1,640	874	1,152
HDDs [a]	6	72	4
2019			
CDDs	1,840	869	1,219
HDDs	—	29	9
10-year average			
CDDs	1,693	818	1,149
HDDs	5	54	13

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

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

Gross Margin and Economic Gross Margin

Gross margin decreased $54 million and economic gross margin decreased $3 million, both of which include intercompany sales, during the three months ended September 30, 2020, compared to the same period in 2019.

The tables below describe the changes in gross margin and economic gross margin by segment:

Texas

	(In millions)
Lower fuel and supply costs primarily due to lower costs to serve the retail load, driven by lower power prices of $35 per MWh from purchasing incremental supply in 2019 at escalated prices above $1,000/MWh during periods of extreme weather, partially offset by sell back of excess supply	$ 276
Lower gross margin due to a decrease in net sales of generation to third parties, as the supply was fully utilized to serve the Company's retail load following the integration of the wholesale generation and retail businesses with a geographical focus in 2020	(142)
Lower net revenue rates driven by customer term, product, mix and the impact from COVID-19 of $4.25 per MWh or $74 million, lower net revenue from decreased load of 735,000 MWhs from unfavorable weather of $59 million and attrition and customer mix of $67 million, partially offset by higher retail net revenue due to increased volumes from the acquisition of Stream in August 2019 of $54 million	(146)
Lower gross margin from market optimization activities	(10)
Other	(9)
Decrease in economic gross margin	$ (31)
Decrease in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	(80)
Increase in contract and emission credit amortization	3
Decrease in gross margin	**$ (108)**

East

	(In millions)	
Higher gross margin driven by a 38% increase in New York realized capacity prices	$	15
Higher gross margin due to increased sales of portable solar and power products		7
Higher gross margin from higher revenue rates of $4 million, or $2 per MWh, and a favorable impact from weather of $1 million		5
Higher gross margin due to market optimization activities		5
Higher gross margin from lower supply costs on load contracts		3
Lower gross margin due to a decrease in PJM capacity volumes		(14)
Lower gross margin due to a 25% decrease in New England realized capacity prices		(8)
Lower gross margin due to insurance proceeds from outages in 2019		(8)
Other		2
Increase in economic gross margin	$	7
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges		28
Increase in gross margin	**$**	**35**

West/Other

	(In millions)	
Higher gross margin primarily due to MISO uplift payments resulting from out-of-market dispatch during Hurricane Laura and increased California resource adequacy pricing, partially offset by lower realized pricing in the West	$	25
Higher gross margin from market optimization activities		5
Lower gross margin due to the sale of emission credits in 2019		(5)
Lower gross margin primarily due to forced outages at Cottonwood in 2020		(3)
Other		1
Increase in economic gross margin	$	23
Decrease in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges		(2)
Increase in gross margin	**$**	**21**

Mark-to-Market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results decreased by $54 million during the three months ended September 30, 2020, compared to the same period in 2019.

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

	Three months ended September 30, 2020				
(In millions)	**Texas**	**East**	**West/Other**	**Eliminations**	**Total**
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 2	$ 25	$ 1	$ 1	$ 29
Net unrealized (losses)/gains on open positions related to economic hedges	(1)	18	(11)	4	10
Total mark-to-market gains/(losses) in operating revenues	$ 1	$ 43	$ (10)	$ 5	$ 39
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ (128)	$ (1)	$ —	$ (1)	$ (130)
Reversal of acquired (gain)/loss positions related to economic hedges	(3)	1	—	—	(2)
Net unrealized (losses)/gains on open positions related to economic hedges	(22)	2	(1)	(4)	(25)
Total mark-to-market (losses)/gains in operating costs and expenses	$ (153)	$ 2	$ (1)	$ (5)	$ (157)

	Three months ended September 30, 2019				
(In millions)	**Texas**	**East**	**West/Other**	**Eliminations**	**Total**
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 25	$ 22	$ 9	$ —	$ 56
Net unrealized (losses) on open positions related to economic hedges	(238)	(10)	(18)	—	(266)
Total mark-to-market (losses)/gains in operating revenues	$ (213)	$ 12	$ (9)	$ —	$ (210)
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	$ (174)	$ —	$ —	$ —	$ (174)
Reversal of acquired (gain)/loss positions related to economic hedges	(6)	3	—	—	(3)
Net unrealized gains on open positions related to economic hedges	321	2	—	—	323
Total mark-to-market gains in operating costs and expenses	$ 141	$ 5	$ —	$ —	$ 146

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

For the three months ended September 30, 2020, the $39 million gain in operating revenues from economic hedge positions was driven primarily by the reversal of previously recognized unrealized losses on contracts that settled during the period as well as an increase in the value of open positions as a result of decreases in New York capacity prices. The $157 million loss in operating costs and expenses from economic hedge positions was driven primarily by the reversal of previously recognized unrealized gains on contracts that settled during the period as well as a decrease in the value of open positions as a result of increases in natural gas prices and ERCOT heat rate contraction.

For the three months ended September 30, 2019, the $210 million loss in operating revenues from economic hedge positions was driven primarily by a decrease in the value of open positions as a result of ERCOT heat rate expansion, partially offset by the reversal of previously recognized losses on contracts that settled during the period. The $146 million gain in operating costs and expenses from economic hedge positions was driven primarily by an increase in the value of open positions as a result of ERCOT heat rate expansion, partially offset by the reversal of previously recognized unrealized gains on contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of the Company's financial and physical trading of energy commodities for the three months ended September 30, 2020 and 2019. The realized and unrealized financial and physical trading results are included in operating revenue. The Company's trading activities are subject to limits based on the Company's Risk Management Policy.

	Three months ended September 30,	
(In millions)	**2020**	**2019**
Trading gains/(losses)		
Realized	$ 3	$ 13
Unrealized	(5)	(4)
Total trading (losses)/gains	$ (2)	$ 9

Operations and Maintenance Expense

Operations and maintenance expense are comprised of the following:

(In millions)	**Texas**	**East**	**West/Other**	**Corporate**	**Eliminations**	**Total**
Three months ended September 30, 2020	$ 147	$ 95	$ 23	$ 2	$ (2)	$ 265
Three months ended September 30, 2019	143	97	22	2	(1)	263

Operations and maintenance expense increased by $2 million for the three months ended September 30, 2020, compared to the same period in 2019, due to the following:

	(In millions)
Increase due to higher spend for customer operations including digital capabilities, data analytics and retention	$ 7
Increase due to the Stream Energy acquisition in August 2019	3
Increase due to incremental expenses related to COVID-19	3
Decrease in outage and maintenance costs primarily due to prior year planned outages at STP and forced outages at W.A. Parish	(11)
Increase in operations and maintenance expense	$ 2

Other Cost of Operations

Other cost of operations are comprised of the following:

(In millions)	**Texas**	**East**	**West/Other**	**Total**
Three months ended September 30, 2020	$ 63	$ 24	$ 8	$ 95
Three months ended September 30, 2019	46	23	14	83

Other costs of operations increased $12 million for the three months ended September 30, 2020, compared to the same period in 2019, due to an increase in ARO expense at Jewett Mine, partially offset by increased ARO at Encina in 2019.

Depreciation and Amortization

Depreciation and amortization are comprised of the following:

(In millions)	**Texas**	**East**	**West/Other**	**Corporate**	**Total**
Three months ended September 30, 2020	$ 49	$ 34	$ 9	$ 7	$ 99
Three months ended September 30, 2019	45	31	8	7	91

Depreciation and amortization increased by $8 million primarily due to customer book acquisitions in 2020.

Impairment losses

Impairment losses of $29 million were recorded during the three months ended September 30, 2020 related to advanced negotiations to sell the Home Solar business, as further discussed in Note 8, *Impairments*.

Selling, General and Administrative Costs

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

(In millions)	Texas	East	West/Other	Corporate	Total
Three months ended September 30, 2020	$ 152	$ 72	$ 11	$ 18	$ 253
Three months ended September 30, 2019	130	69	6	5	210

Selling, general and administrative costs increased by $43 million for the three months ended September 30, 2020, compared to the same period in 2019, due to the following:

	(In millions)
Increase due to higher personnel costs, partially offset by income from transition services agreements in 2019	$ 24
Increase in selling and marketing expenses primarily related to increased advertising expenses and marketing campaigns to increase customer count	14
Increase in acquisition costs related to the Direct Energy acquisition	9
Increase due to higher amortization of commissions	3
Decrease in bad debt expense due to improved collections in 2020	(8)
Other	1
Increase in selling, general and administrative costs	$ 43

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates was $7 million higher for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to higher revenues at Ivanpah driven by operational efficiencies and favorable weather.

Impairment losses on investments

Impairment losses on investments of $107 million were recorded during the three months ended September 30, 2019, primarily related to the impairment of Petra Nova Parish Holdings, as further discussed in Note 8, *Impairments*.

Other Income, Net

Other income, net decreased by $6 million for the three months ended September 30, 2020, compared to the same period in 2019, primarily due to a gain recognized in the third quarter of 2019 as a result of the curtailment of benefits for the STP benefit pension plan.

Income Tax Expense

For the three months ended September 30, 2020, income tax expense of $92 million was recorded on pre-tax income of $341 million. For the same period in 2019, an income tax expense of $6 million was recorded on pre-tax income of $380 million. The effective tax rates were 27.0% and 1.6% for the three months ended September 30, 2020 and 2019, respectively.

For the three months ended September 30, 2020, the effective tax rate was higher than the statutory rate of 21%, due to state tax expense partially offset by an excess tax benefit related to share-based compensation. For the same period in 2019, the effective tax rate was lower than the statutory rate of 21%, primarily due to the tax benefit for the change in valuation allowance, partially offset by state tax expense.

Management's discussion of the results of operations for the nine months ended September 30, 2020 and 2019

Electricity Prices

The following table summarizes average on peak power prices for each of the major markets in which NRG operates for the nine months ended September 30, 2020 and 2019. The average on-peak power prices decreased due to increased renewable generation and lower than expected load growth due to COVID-19.

	Average on Peak Power Price ($/MWh)		
	Nine months ended September 30,		
Region	**2020**	**2019**	**Change %**
Texas			
ERCOT - Houston [a]	$ 26.09	$ 60.21	(57)%
ERCOT - North[a]	24.12	59.55	(59)%
East			
NY J/NYC[b]	23.38	35.27	(34)%
NEPOOL[b]	24.02	34.69	(31)%
COMED (PJM)[b]	22.13	28.91	(23)%
PJM West Hub[b]	23.84	31.17	(24)%
West			
MISO - Louisiana Hub[b]	23.01	32.00	(28)%
CAISO - SP15[b]	36.60	37.01	(1)%

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

The following table summarizes average realized power prices for NRG, including the impact of settled hedges, for the nine months ended September 30, 2020 and 2019:

	Average Realized Power Price ($/MWh)		
	Nine months ended September 30,		
Region	**2020**	**2019**	**Change %**
East[a]	$ 33.92	$ 34.60	(2)%
West/Other	35.18	33.46	5

(a) Average Realized Power Price reflects energy sales from the generation fleet, omitting sales to the retail component of the East Segment. Intercompany financial transactions hedging generation with the retail business make up $12.10/MWh in the nine months ended September 30, 2020 and $5.37/MWh in the nine months ended September 30, 2019

The average realized power prices decreased slightly in the East region for the nine months ended September 30, 2020, as compared to the same period in 2019, due to the Company's hedged positions. The average realized power prices increased in the West/Other region mainly due to the higher power prices in California driven by the summer heat.

Gross Margin

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

Economic Gross Margin

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

The below tables present the composition and reconciliation of gross margin and economic gross margin for the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30, 2020				
($ In millions)	Texas	East	West/Other	Corporate/Eliminations	Total
Retail revenue	$ 4,734	$ 1,062	$ —	$ (1)	$ 5,795
Energy revenue	21	157	252	(1)	429
Capacity revenue	—	471	47	—	518
Mark-to-market for economic hedging activities	1	63	6	8	78
Other revenue	172	45	36	(7)	246
Operating revenue	4,928	1,798	341	(1)	7,066
Cost of fuel	(432)	(132)	(102)	—	(666)
Purchased power	(755)	(389)	(22)	4	(1,162)
Other cost of sales [(a) (b)]	(1,663)	(307)	(1)	—	(1,971)
Mark-to-market for economic hedging activities	(63)	7	(1)	(8)	(65)
Contract and emission credit amortization	(4)	—	—	—	(4)
Gross margin	**$ 2,011**	**$ 977**	**$ 215**	**$ (5)**	**$ 3,198**
Less: Mark-to-market for economic hedging activities, net	(62)	70	5	—	13
Less: Contract and emission credit amortization, net	(4)	—	—	—	(4)
Economic gross margin	**$ 2,077**	**$ 907**	**$ 210**	**$ (5)**	**$ 3,189**
(a) Includes capacity and emissions credits					
(b) Includes $1,509 million and $8 million of TDSP expense in Texas and East, respectively					
Business Metrics					
Mass Market electricity sales volume (GWh)	30,360	7,931	—		38,291
C&I electricity sales volume (GWh)	13,555	1,193	—		14,748
Natural gas sales volume (MDth)	—	15,949	—		15,949
Average retail Mass Market customer count (in thousands)	2,446	1,188	—		3,634
Ending retail Mass Market customer count (in thousands)	2,460	1,139	—		3,599
GWh sold	24,868	7,193	7,163		39,224
GWh generated [(a)]					
Coal	12,102	1,504	—		13,606
Gas	5,117	1,717	6,801		13,635
Nuclear	7,093	—	—		7,093
Oil	—	258	—		258
Total	24,312	3,479	6,801		34,592
(a) Includes owned and leased generation, and excludes equity investments					

($ In millions)	Nine months ended September 30, 2019 Texas	East	West/Other	Corporate/Eliminations	Total
Retail revenue	$ 4,818	$ 947	$ —	$ (3)	$ 5,762
Energy revenue	452	283	217	—	952
Capacity revenue	—	524	27	—	551
Mark-to-market for economic hedging activities	28	13	11	(1)	51
Other revenue	213	45	55	(3)	310
Operating revenue	5,511	1,812	310	(7)	7,626
Cost of fuel	(576)	(179)	(123)	—	(878)
Purchased Power	(1,201)	(459)	(8)	2	(1,666)
Other cost of sales [(a)] [(b)]	(1,725)	(266)	(27)	—	(2,018)
Mark-to-market for economic hedging activities	(80)	6	(1)	1	(74)
Contract and emission credit amortization	(16)	—	—	—	(16)
Gross margin	**$ 1,913**	**$ 914**	**$ 151**	**$ (4)**	**$ 2,974**
Less: Mark-to-market for economic hedging activities, net	(52)	19	10	—	(23)
Less: Contract and emission credit amortization, net	(16)	—	—	—	(16)
Economic gross margin	**$ 1,981**	**$ 895**	**$ 141**	**$ (4)**	**$ 3,013**

(a) Includes capacity and emissions credits

(b) Includes $1,485 million and $7 million of TDSP expense in Texas and East, respectively

Business Metrics	Texas	East	West/Other	Corporate/Eliminations	Total
Mass Market electricity sales voldume (GWh)	30,588	7,341	—		37,929
C&I electricity sales volume (GWh)	14,299	904	—		15,203
Natural gas sales volume (MDth)	—	15,293	—		15,293
Average retail Mass Market customer count (in thousands)	2,324	1,073	—		3,397
Ending retail Mass Market customer count (in thousands)	2,466	1,231	—		3,697
GWh sold	33,751	9,681	6,485		49,917
GWh generated [(a)]					
Coal	17,024	3,903	—		20,927
Gas	5,564	1,987	6,495		14,046
Nuclear	7,571	—	—		7,571
Oil	—	211	—		211
Renewables	—	—	11		11
Total	30,159	6,101	6,506		42,766

(a) Includes owned and leased generation, and excludes equity investments

The table below represents the weather metrics for the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30,		
Weather Metrics	**Texas**	**East**	**West/Other [b]**
2020			
CDDs [a]	2,822	1,283	1,790
HDDs [a]	867	2,751	1,176
2019			
CDDs	2,848	1,251	1,763
HDDs	1,111	2,951	1,393
10-year average			
CDDs	2,799	1,214	1,747
HDDs	1,060	3,013	1,329

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

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

Gross Margin and Economic Gross Margin

Gross margin increased $224 million and economic gross margin increased $176 million, both of which include intercompany sales, during the nine months ended September 30, 2020, compared to the same period in 2019.

The tables below describe the changes in gross margin and economic gross margin by segment:

Texas

	(In millions)
Lower fuel and supply costs primarily due to lower costs to serve the retail load, driven by lower power prices of $18 per MWh from purchasing incremental supply in 2019 at escalated prices above $1,000/MWh during periods of extreme weather during the third quarter partially offset by sell back of excess supply	$ 426
Lower gross margin due to a decrease in net sales of generation to third parties, as the supply was fully utilized to serve the Company's retail load following the integration of the wholesale generation and retail businesses with a geographical focus in 2020	(228)
Lower net revenue from attrition and customer mix of $205 million, lower net revenue rates driven by customer term, product, mix and the impact from COVID-19 of $0.25 per MWh or $11 million, and decreased load of 801,000 MWhs from unfavorable weather of $63 million, partially offset by higher retail net revenue due to increased volumes from the acquisition of Stream in August 2019 of $220 million	(59)
Lower gross margin due to market optimization activities	(24)
Lower gross margin due to the sale of emissions in 2019	(13)
Other	(6)
Increase in economic gross margin	$ 96
Decrease in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	(10)
Increase in contract and emission credit amortization	12
Increase in gross margin	**$ 98**

East

		(In millions)
Higher gross margin due to increased volumes from the acquisition of Stream Energy in August 2019	$	33
Higher gross margin driven by a 42% increase in New York realized capacity prices		32
Higher gross margin due to lower supply costs driven by lower electricity and natural gas prices of approximately $4 per MWh, or $33 million, partially offset by lower volumes due to attrition and customer mix of $9 million		24
Higher gross margin due to lower supply costs coupled with an increase in load contract volumes		23
Higher gross margin due to increased sales of portable solar and power products		15
Lower gross margin due to a lower of cost or market adjustment on oil inventory in 2020		(29)
Lower gross margin due to decreases in PJM capacity prices and volume		(29)
Lower gross margin due to a 25% decrease in New England capacity prices		(28)
Lower gross margin primarily due to a 43% decrease in economic generation volumes, primarily due to dark spread contractions and planned outages in 2020		(16)
Lower gross margin due to insurance proceeds from outages in 2019		(8)
Lower gross margin from market optimization activities		(5)
Increase in economic gross margin	$	12
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges		51
Increase in gross margin	**$**	**63**

West/Other

		(In millions)
Higher gross margin primarily due to MISO uplift payments resulting from out-of-market dispatch during Hurricane Laura, increased California resource adequacy pricing and spark spread expansion, partially offset by lower realized pricing in the West	$	53
Higher gross margin from generation outage insurance proceeds received in 2020 for forced outages in 2019		30
Higher gross margin due to the prior year extended forced outage at the Sunrise facility in 2019, partially offset by 2020 forced outages at Cottonwood		7
Lower gross margin due to the Canal 3 substantial completion payment earned in 2019		(8)
Lower gross margin from market optimization activities		(6)
Lower gross margin due to the sale of emissions in 2019		(6)
Increase in economic gross margin	$	69
Decrease to mark-to-market for economic hedges primarily due to net unrealized gains/losses on open positions related to economic hedges		(6)
Increase in gross margin	**$**	**63**

Mark-to-Market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results increased by $36 million during the nine months ended September 30, 2020, compared to the same period in 2019.

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

	Nine months ended September 30, 2020				
(In millions)	**Texas**	**East**	**West/Other**	**Eliminations**	**Total**
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	$ 1	$ 29	$ (4)	$ 3	$ 29
Net unrealized gains on open positions related to economic hedges	—	34	10	5	49
Total mark-to-market gains in operating revenues	$ 1	$ 63	$ 6	$ 8	$ 78
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (92)	$ 5	$ (1)	$ (3)	$ (91)
Reversal of acquired loss positions related to economic hedges	1	1	—	—	2
Net unrealized gains on open positions related to economic hedges	28	1	—	(5)	24
Total mark-to-market (losses)/gains in operating costs and expenses	$ (63)	$ 7	$ (1)	$ (8)	$ (65)

	Nine months ended September 30, 2019				
(In millions)	**Texas**	**East**	**West/Other**	**Eliminations**	**Total**
Mark-to-market results in operating revenues					
Reversal of previously recognized unrealized losses on settled positions related to economic hedges	$ 23	$ 14	$ 11	$ —	$ 48
Net unrealized gains/(losses) on open positions related to economic hedges	5	(1)	—	(1)	3
Total mark-to-market gains in operating revenues	$ 28	$ 13	$ 11	$ (1)	$ 51
Mark-to-market results in operating costs and expenses					
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	$ (139)	$ 4	$ (1)	$ —	$ (136)
Reversal of acquired (gain)/loss positions related to economic hedges	(6)	2	—	—	(4)
Net unrealized gains on open positions related to economic hedges	65	—	—	1	66
Total mark-to-market (losses)/gains in operating costs and expenses	$ (80)	$ 6	$ (1)	$ 1	$ (74)

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

For the nine months ended September 30, 2020, the $78 million gain in operating revenues from economic hedge positions was driven by an increase in the value of open positions as a result of decreases in New York capacity and power prices as well as the reversal of previously recognized unrealized losses on contracts that settled during the period. The $65 million loss in operating costs and expenses from economic hedge positions was driven primarily by the reversal of previously recognized unrealized gains on contracts that settled during the period, partially offset by an increase in the value of open positions as a result of increases in ERCOT power prices.

For the nine months ended September 30, 2019, the $51 million gain in operating revenues from economic hedge positions was driven primarily by the reversal of previously recognized unrealized losses on contracts that settled during the period. The $74 million loss in operating costs and expenses from economic hedge positions was driven primarily by the reversal of previously recognized unrealized gains on contracts that settled during the period, partially offset by an increase in the value of open positions as a result of ERCOT heat rate expansion.

In accordance with ASC 815, the following table represents the results of the Company's financial and physical trading of energy commodities for the nine months ended September 30, 2020 and 2019. The realized and unrealized financial and physical trading results are included in operating revenue. The Company's trading activities are subject to limits based on the Company's Risk Management Policy.

	Nine months ended September 30,	
(In millions)	**2020**	**2019**
Trading gains		
Realized	$ 26	$ 44
Unrealized	5	15
Total trading gains	$ 31	$ 59

Operations and Maintenance Expense

Operations and maintenance expense are comprised of the following:

(In millions)	**Texas**	**East**	**West/Other**	**Corporate**	**Eliminations**	**Total**
Nine months ended September 30, 2020	$ 480	$ 277	$ 79	$ 6	$ (5)	$ 837
Nine months ended September 30, 2019	446	265	82	6	(4)	795

Operations and maintenance expense increased by $42 million for the nine months ended September 30, 2020, compared to the same period in 2019, due to the following:

	(In millions)
Increase due to settlement of the asbestos liability for Midwest Generation and the resulting reduction of the accrual in 2019	$ 27
Increase in outages primarily due to planned outages at STP and Midwest Generation in 2020 of $11 million and incremental expenses of $7 million related to COVID-19	18
Increase due to the Stream Energy acquisition in August 2019	14
Increase due to higher spend for customer operations including digital capabilities, data analytics and retention	14
Decrease in variable chemical costs due to a reduction in East generation volumes, partially offset by an increase at Sunrise in 2020 as a result of higher volumes	(11)
Decrease in deactivation costs primarily due to work done at Midwest Generation and Encina in 2019	(8)
Decrease due to return to service costs at Gregory in September 2019	(7)
Other	(5)
Increase in operations and maintenance expense	$ 42

Other Cost of Operations

Other Cost of operations are comprised of the following:

(In millions)	**Texas**	**East**	**West/Other**	**Total**
Nine months ended September 30, 2020	$ 134	$ 71	$ 15	$ 220
Nine months ended September 30, 2019	116	63	23	202

Other cost of operations increased by $18 million for the nine months ended September 30, 2020, compared to the same period in 2019, due to the following:

	(In millions)
Increase in ARO expense at Jewett Mine and Joliet as a result of regulatory requirements in 2020, partially offset by increased ARO expense at Encina in 2019	$ 16
Other	2
Increase in other cost of operations	$ 18

Depreciation and Amortization

Depreciation and amortization expenses are comprised of the following:

(In millions)	Texas	East	West/Other	Corporate	Total
Nine months ended September 30, 2020	$ 167	$ 100	$ 25	$ 26	$ 318
Nine months ended September 30, 2019	125	87	26	23	261

Depreciation and amortization increased by $57 million for the nine months ended September 30, 2020, compared to the same period in 2019, driven primarily by the acquisition of Stream Energy in August 2019 and retail customer book acquisitions in 2020.

Impairment Losses

Impairment losses of $29 million were recorded during the nine months ended September 30, 2020 related to advanced negotiations to sell the Home Solar business, as further discussed in Note 8, *Impairments*.

Selling, General and Administrative Costs

Selling, general and administrative costs comprised of the following:

(In millions)	Texas	East	West/Other	Corporate	Total
Nine months ended September 30, 2020	$ 413	$ 198	$ 27	$ 32	$ 670
Nine months ended September 30, 2019	368	209	23	15	615

Selling, general and administrative costs increased by $55 million for the nine months ended September 30, 2020, compared to the same period in 2019, due to the following:

	(In millions)
Increase due to higher personnel costs, partially offset by income from transition services agreements in 2019	$ 21
Increase due to the acquisition of Stream Energy in August 2019	19
Increase due to higher amortization of commissions	12
Increase in acquisition costs related to the Direct Energy acquisition	9
Increase in selling and marketing expenses due in part to increased advertising expenses and marketing campaigns to increase customer count	6
Decrease in bad debt expense due to improved collections in 2020, partially offset by the impact of COVID-19	(13)
Other	1
Increase in selling, general and administrative costs	$ 55

Reorganization Costs

Reorganization costs, primarily related to employee severance and contract cancellation costs, decreased by $13 million for the nine months ended September 30, 2020, compared to the same period in 2019, driven by significant achievement of the operations and cost excellence portion of the Transformation Plan during 2019.

Gain on Sale of Assets

The gain on sale of assets of $6 million for the nine months ended September 30, 2020 is related to the sale of land and investments in January 2020.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates was $29 million higher for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to higher revenues at Ivanpah driven by operational efficiencies and favorable weather, as well as lower interest expenses in 2020.

Impairment losses on investments

Impairment losses on investments were $18 million and $107 million during the nine months ended September 30, 2020 and September 30, 2019, respectively, primarily related to the impairment of Petra Nova Parish Holdings, as further discussed in Note 8, *Impairments*.

Other Income, Net

Other income increased by $3 million for the nine months ended September 30, 2020, compared to the same period in 2019, primarily due to income from insurance proceeds received of $11 million in 2020, partially offset by decreases in interest income and dividends received from cost method investments in 2020.

Loss on Debt Extinguishment

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

Interest Expense

Interest expense decreased by $26 million for the nine months ended September 30, 2020, compared to the same period in 2019, due to the following:

		(In millions)
Decrease related to the debt reduction of $600 million and refinancing $1.8 billion of debt at lower interest rates in 2019	$	(14)
Decrease in derivative interest expense due to the termination of interest rate swaps in 2019		(8)
Other		(4)
Decrease in interest expense	$	(26)

Income Tax Expense

For the nine months ended September 30, 2020, income tax expense of $216 million was recorded on pre-tax income of $899 million. For the same period in 2019, income tax expense of $9 million was recorded on a pre-tax income of $666 million. The effective tax rates were 24.0% and 1.4% for the nine months ended September 30, 2020 and 2019, respectively.

For the nine months ended September 30, 2020, NRG's overall effective tax rate was higher than the statutory rate of 21% due to state tax expense partially offset by an excess tax benefit related to share-based compensation. For the same period in 2019, NRG's overall effective tax rate was lower that the statutory rate of 21% primarily due to the change in valuation allowance partially offset by state tax expense.

Income from Discontinued Operations, Net of Income Tax

(In millions)	**Nine months ended September 30, 2019**	
South Central Portfolio	$	35
Carlsbad		362
GenOn		2
Income from discontinued operations, net of income tax	**$**	**399**

For the nine months ended September 30, 2019, NRG recorded income from discontinued operations, net of income tax of $399 million, as further described in Note 4, *Acquisitions, Discontinued Operations and Dispositions*.

Liquidity and Capital Resources

Liquidity Position

As of September 30, 2020 and December 31, 2019, NRG's total liquidity, excluding funds deposited by counterparties, of approximately $3.5 billion and $2.1 billion, respectively, was comprised of the following:

(In millions)	**September 30, 2020**		**December 31, 2019**	
Cash and cash equivalents	$	697	$	345
Restricted cash - operating		3		4
Restricted cash - reserves[(a)]		3		4
Total		703		353
Total credit facility availability		2,815		1,794
Total liquidity, excluding funds deposited by counterparties	$	3,518	$	2,147

(a) Includes reserves primarily for performance obligations and capital expenditures

For the nine months ended September 30, 2020, total liquidity, excluding funds deposited by counterparties, increased by $1.4 billion. Changes in cash and cash equivalent balances are further discussed hereinafter under the heading *Cash Flow Discussion*. Cash and cash equivalents at September 30, 2020 were predominantly held in money market funds invested in treasury securities, treasury repurchase agreements or government agency debt.

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

On July 24, 2020, Standard & Poor's upgraded NRG's issuer credit rating and senior unsecured debt rating from BB to BB+ with a stable outlook. The agency affirmed NRG's senior secured debt rating at BBB-. In addition, Moody's reaffirmed NRG's corporate family rating of Ba1 with a positive outlook on July 24, 2020.

Liquidity

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

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

Direct Energy Acquisition

On July 24, 2020, the Company entered into the Purchase Agreement with Centrica to acquire Direct Energy, a North American subsidiary of Centrica. Direct Energy is a leading retail provider of electricity, natural gas, and home and business energy related products and services in North America, with operations in all 50 U.S. states and 6 Canadian provinces. The acquisition will add over 3 million customers to NRG's business and build on and complement its integrated model, enabling better matching of power generation with customer demand. It will also broaden the Company's presence in the Northeast and into states and locales where it does not currently operate, supporting NRG's objective to diversify its business.

The Company will pay an aggregate purchase price of $3.625 billion in cash, subject to a purchase price adjustment, including a working capital adjustment. The Company expects to fund the purchase price using a combination of cash on hand and approximately $3 billion of newly-issued secured and unsecured corporate debt. The Company also expects to increase its collective collateral facilities by $3.5 billion through a combination of new letter of credit facilities and increases to its existing Revolving Credit Facility, as further discussed below.

The shareholders of Centrica approved the acquisition on August 20, 2020. The transaction has received approvals under the Canadian Competition Act and early termination of the waiting period under the HSR Act has been granted. The transaction remains subject to customary closing conditions, including the receipt of approval under the Federal Power Act.

The acquisition is targeted to close by December 31, 2020. There are no assurances that the conditions to the consummation of the acquisition of Direct Energy will be satisfied or that the acquisition of Direct Energy will be consummated on the terms agreed to, or at all.

Collateral Facility Increases

The following table presents increases to the Company's collective collateral facilities in connection with the Direct Energy acquisition.

(In millions)	**November 5, 2020**
Revolving Facility Commitment Increase[a]	$ 802
Revolving Facility New Tranche[a]	273
Credit Default Swap Facility	87
Revolving Accounts Receivable Financing Facility	750
Repurchase Facility	75
Total Increases to Collateral Facilities	1,987
Additional LC Facilities Planned	1,500
Total Planned Increases to Collateral Facilities	$ 3,487

(a) Will become available upon the Acquisition Closing Date

Revolving Credit Facility

The Company had $83 million outstanding under its Revolving Credit Facility as of December 31, 2019, which was used to repay the outstanding indebtedness on the Agua Caliente Borrower 1 notes on a leverage-neutral basis during the fourth quarter of 2019. Due to market conditions, primarily as a result of COVID-19, the Company drew upon the facility in the first quarter of 2020 as a precaution and to proportionally increase cash on hand, and fully repaid the outstanding borrowings during the second quarter of 2020.

On August 20, 2020, the Company amended its existing credit agreement to, among other things, (i) increase the existing revolving commitments in an aggregate amount of $802 million, (ii) provide for a new tranche of revolving commitments in an aggregate amount of $273 million with a maturity date that is 30 months after the date of closing of the Direct Energy acquisition (the "Acquisition Closing Date"), The maturity date of the new revolving tranche of commitments may, upon request by the Company, at the option of each applicable lender under the new tranche be extended by 12 months, but not beyond May 28, 2024, which is the maturity date of the existing and increased commitments. Other than with respect to the maturity date, the terms of all revolving commitments and loan made pursuant thereto are identical. The increase in the existing commitments and the commitments with respect to the new tranche are effective on August 20, 2020 but will only become available upon the Acquisition Closing Date. For further discussion on the acquisition of Direct Energy see Note 4, *Acquisitions, Discontinued Operations and Dispositions*. Upon the Acquisition Closing Date, total revolving commitments available, subject to usage, under this amendment will be $3.7 billion.

In addition, the amendment includes changes to, among other things, (i) permit the borrowing of up to the full amount of the revolving commitments in Canadian dollars, (ii) increase the swingline facility from $50 million to $100 million and provide a $10 million swingline facility in Canadian dollars, (iii) increase the credit facilities lien basket from the greater of $6 billion and 30% of total assets to the greater of $10 billion and 30% of total assets, (iv) increase the credit facilities debt basket from $6 billion to $10 billion, (v) increase the basket for securitization indebtedness from $750 million to $1.7 billion, (vi) provide an additional indebtedness basket equal to $600 million for certain liquidity facilities, and (vii) make certain other changes to the existing covenants and other provisions.

Credit Default Swap Facility

On August 13, 2020, the Company amended its credit default swap facility permitting the Company to increase the size of the facility and fees on the facility were adjusted to reflect the cost of the credit default swaps that serve as collateral for the facility. In order to increase the Company's collective collateral facilities in connection with the Direct Energy acquisition, NRG expanded the facility allowing for the issuance of an additional $50 million of letters of credit as of September 30, 2020. The Company has further expanded the facility to a total capacity of $167 million as of November 5, 2020. As of September 30, 2020, $80 million was issued under this facility.

Receivables Securitization

On September 22, 2020, NRG Receivables LLC, a bankruptcy remote, special purpose, indirect wholly owned subsidiary, entered into a revolving accounts receivable financing facility (the "Receivables Facility") for an amount up to $750 million, subject to adjustments on a seasonal basis, with issuers of asset-backed commercial paper and commercial banks (the "Lenders".) The assets of NRG Receivables LLC are first available to satisfy the claims of the Lenders before making payments on the subordinated note and equity issued by NRG Receivables LLC. The assets of NRG Receivables LLC are not available to the Company and its subsidiaries and creditors unless and until distributed by NRG Receivables LLC. Under the Receivables

Facility, certain indirect subsidiaries of the Company sell their accounts receivables to NRG Receivables LLC, subject to certain terms and conditions. In turn, NRG Receivables LLC has granted a security interest in the purchased receivables to the Lenders as collateral for borrowings of cash and issuances of letters of credit. Receivables remain on the Company's consolidated balance sheet and amounts funded by the Lenders to NRG Receivables LLC are reflected as short-term borrowings. Cash flows from the Receivables Facility are reflected as financing activities in the Company's Consolidated Statements of Cash Flows. The Company will continue to service the receivables sold in exchange for a servicing fee. The Receivables Facility is scheduled to expire on September 21, 2021, unless renewed by the mutual consent of the parties in accordance with its terms. Borrowings by NRG Receivables LLC under the Receivables Facility bear interest as defined under the Receivables Financing Agreement. The weighted average interest rate related to usage under the Receivables Facility as of September 30, 2020 was 0.489%. As of September 30, 2020, there were no outstanding borrowings and there were $179 million in letters of credit issued under the Receivables Facility.

Repurchase Facility

On September 22, 2020, the Company entered into an uncommitted repurchase facility (“Repurchase Facility”) related to the Receivables Facility. Under the Repurchase Facility the Company can borrow up to $75 million, collateralized by a subordinated note issued by NRG Receivables LLC to NRG Retail LLC in favor of the originating entities representing a portion of the balance of receivables sold to NRG Receivables LLC under the Receivables Facility. The Repurchase Facility is scheduled to expire on September 22, 2021, unless renewed by the mutual consent of the parties in accordance with its terms. The Repurchase Facility has no commitment fee and borrowings will be drawn at LIBOR + 1.25%. As of September 30, 2020, there were no outstanding borrowings under the Repurchase Facility.

Midwest Generation Lease Purchase

On September 29, 2020, Midwest Generation acquired all of the ownership interests in the Powerton facility and Units 7 and 8 of the Joliet facility, which were being leased through 2034 and 2030, respectively, for approximately $260 million. The Company funded the purchase with cash-on-hand. The Company anticipates drawing on its Revolving Credit Facility in an amount equal to the previously existing operating lease liability of $148 million before December 31, 2020.

Marketing of Agua Caliente

NRG renewed its efforts to sell its 35% interest in Agua Caliente in July 2020, following PG&E's emergence from bankruptcy.

COVID-19

On March 27, 2020, the U.S. government enacted the CARES Act, which provides, among other things, the option to defer payments of certain 2019 employer payroll taxes incurred after the date of enactment and pension contributions due in 2020, as well as claim a refund now for AMT credits from the IRS that were previously refundable over several years. As a result, the Company (i) expects to defer the payment of approximately $17 million for the employer share of social security taxes that would otherwise have been due in 2020, with 50% due by December 31, 2021 and the remaining 50% due by December 31, 2022 and (ii) received $34 million of refundable AMT credits on August 4, 2020, inclusive of $17 million that was originally scheduled to be received in 2021. Of the amount received, $11 million was paid to GenOn for its share of the AMT credits during the third quarter of 2020.

Pension Plan Contribution

In the Company's 2019 Form 10-K, NRG had anticipated making contributions of $56 million to its pension plans in 2020. Cash contributions of $12 million were made during the nine months ended September 30, 2020 and the remaining planned contributions for 2020 were satisfied by available pre-funded pension balances (previous contributions in excess of required pension contributions). No additional contributions are planned in the fourth quarter of 2020.

Tax-Exempt Bonds

On March 11, 2020, NRG issued $59 million in aggregate principal amount of NRG Dunkirk 2020 1.30% tax-exempt refinancing bonds due 2042 ("the Bonds"). The Bonds are guaranteed on a first-priority basis by each of NRG’s current and future subsidiaries that guarantee indebtedness under its credit agreement. The Bonds are secured by a first priority security interest in the same collateral that is pledged for the benefit of the lenders under NRG’s credit agreement, which consists of a substantial portion of the property and assets owned by NRG and the guarantors. The collateral securing the Bonds will, at the request of NRG, be released if NRG satisfies certain conditions, including receipt of an investment grade rating on its senior, unsecured debt securities from two out of the three rating agencies, subject to reversion if those rating agencies withdraw their investment grade rating of the Bonds or any of NRG’s senior, unsecured debt securities or downgrade such rating below investment grade. The Bonds are subject to mandatory tender and purchase on April 3, 2023 and have a final maturity date of April 1, 2042.

NRG used the net proceeds from the offering to redeem the existing principal amount of outstanding Dunkirk Power LLC 5.875% tax exempt bonds due 2042.

Market Operations

The Company's market operations activities require a significant amount of liquidity and capital resources. These liquidity requirements are primarily driven by: (i) margin and collateral posted with counterparties; (ii) margin and collateral required to participate in physical markets and commodity exchanges; (iii) timing of disbursements and receipts (i.e., buying fuel before receiving energy revenues); and (iv) initial collateral for large structured transactions. As of September 30, 2020, the Company had total cash collateral outstanding of $77 million and $654 million outstanding in letters of credit to third parties primarily to support its market activities. As of September 30, 2020, total funds deposited by counterparties were $14 million in cash and $82 million of letters of credit.

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

First Lien Structure

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

The Company's first lien counterparties may have a claim on its assets to the extent market prices exceed the hedged prices. As of September 30, 2020, all hedges under the first liens were in-the-money on a counterparty aggregate basis.

The following table summarizes the amount of MW hedged against the Company's coal and nuclear assets and as a percentage relative to the Company's coal and nuclear capacity under the first lien structure as of September 30, 2020:

Equivalent Net Sales Secured by First Lien Structure[(a)]	**2020**	**2021**	**2022**	**2023**
In MW	785	751	739	746
As a percentage of total net coal and nuclear capacity[(b)]	17%	16%	16%	16%

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

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

Capital Expenditures

The following tables and descriptions summarize the Company's capital expenditures for maintenance, environmental and growth investments for the nine months ended September 30, 2020, and the estimated capital expenditures forecast for the remainder of 2020.

(In millions)	Maintenance	Environmental	Growth Investments[a]	Total
Texas	$ (75)	$ —	$ (21)	$ (96)
East	(15)	(2)	(8)	(25)
West/Other	(26)	—	—	(26)
Corporate	(5)	—	(15)	(20)
Total cash capital expenditures for the nine months ended September 30, 2020	(121)	(2)	(44)	(167)
Investments	—	—	(18)	(18)
Total capital expenditures and investments	(121)	(2)	(62)	(185)
Estimated capital expenditures and investments for the remainder of 2020	$ (46)	$ (1)	$ (41)	$ (88)

(a) Includes other investments, acquisitions, digital NRG and costs to achieve. Excludes Midwest Generation lease buyout

Growth investments in East for the nine months ended September 30, 2020 include the Astoria generating facility, for which the Company has proposed to replace the existing units with a single, new state-of-the-art Simple Cycle Combustion Turbine having a total generating capacity of 437 MW. The Company is working to obtain the permits and regulatory approvals necessary to commence construction of the project. NRG is targeting 2023 for commercial operation. Additionally, included in Investments are expenditures for Encina site improvements classified as ARO payments. Demolition is underway and is expected to be completed in the first half of 2022. The Company expects to begin marketing the site in 2021.

Environmental Capital Expenditures

NRG estimates that environmental capital expenditures from 2020 through 2024 required to comply with environmental laws will be approximately $71 million. The increase of $28 million during the three months ended September 30, 2020 was driven by the inclusion of anticipated capital expenditures to comply with the recently revised CCR rule as further discussed in Note 19, *Environmental Matters*.

Share Repurchases

The Company adopted in the fourth quarter of 2019 a long-term capital allocation policy that targets allocating 50% of cash available for allocation generated each year to growth investments and 50% to be returned to shareholders. The return of capital to shareholders is expected to be completed through the increased dividend, supplemented by share repurchases.

During the nine months ended September 30, 2020, the Company completed $224 million of share repurchases at an average price of $33.05 per share, including $27 million of equivalent shares purchased in lieu of tax withholdings on equity compensation issuance.

Common Stock Dividends

Beginning in the first quarter of 2020, NRG increased the annual dividend to $1.20 from $0.12 per share and expects to target an annual dividend growth rate of 7-9% per share in subsequent years. A quarterly dividend of $0.30 per share was paid on the Company's common stock during the three months ended September 30, 2020. On October 23, 2020, NRG declared a quarterly dividend on the Company's common stock of $0.30 per share, payable on November 16, 2020 to stockholders of record as of November 2, 2020.

Cash Flow Discussion

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

(In millions)	Nine months ended September 30, 2020	2019	Change
Net Cash Provided by Operating Activities	$ 1,386	$ 897	$ 489
Net Cash (Used)/Provided by Investing Activities	(484)	614	(1,098)
Net Cash Used by Financing Activities	(567)	(1,798)	1,231

Net Cash Provided by Operating Activities

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

	(In millions)
Increase in operating income adjusted for other non-cash items	$ 198
Decrease in accounts receivable primarily due to unfavorable weather in Texas in 2020 as compared to 2019	162
Decrease primarily due to lower pension contributions in 2020 due to available pre-funded pension balances and deferred revenues, offset by an increase in prepaid rent	72
Decrease in current liabilities primarily due to AMT Credit payment to GenOn, lower payroll accruals, and a lower property tax accruals due to lower rates/assessments on the Limestone and WA Parish facilities	56
Changes in cash collateral in support of risk management activities due to change in commodity prices	(33)
Decrease in cash provided by discontinued operations	(8)
Increase in other working capital	42
	$ 489

Net Cash (Used)/Provided by Investing Activities

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

	(In millions)
Decrease in proceeds from sales of assets and discontinued operations primarily due to sales of South Central and Carlsbad in 2019	$ (1,278)
Change in investments in unconsolidated affiliates	96
Decrease in cash paid for acquisitions	71
Decrease in contributions to discontinued operations	44
Decrease in sales of emissions allowances	(23)
Increase in purchases of investments in nuclear decommissioning trust fund securities, net of proceeds from sales	(18)
Decrease in capital expenditures	16
Other	(6)
	$ (1,098)

Net Cash Used by Financing Activities

Changes to net cash used by financing activities were driven by:

	(In millions)
Decrease in payments of long-term debt	$ 2,425
Decrease in proceeds from issuance of long-term debt	(1,774)
Decrease in payments for share repurchase activity	1,093
Increase in payments of dividends to common stockholders	(197)
Net proceeds from Revolving Credit Facility	(298)
Decrease in cash provided by discontinued operations	(43)
Decrease in payments of debt extinguishment costs and deferred issuance costs	34
Other	(9)
	$ 1,231

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

For the nine months ended September 30, 2020, the Company had domestic pre-tax book income of $889 million and foreign pre-tax book income of $10 million. As of December 31, 2019, the Company had cumulative domestic Federal NOL carryforwards of $10.1 billion, which will begin expiring in 2031, and cumulative state NOL carryforwards of $5.5 billion for financial statement purposes. NRG also has cumulative foreign NOL carryforwards of $357 million, which do not have an expiration date. In addition to the above NOLs, NRG has $384 million of tax credits to be utilized in future years. As a result of the Company's tax position, and based on current forecasts, NRG anticipates income tax payments, primarily to state and local jurisdictions, of up to $17 million in 2020.

The Company has recorded a non-current tax liability of $21 million, inclusive of accrued interest, for uncertain tax benefits taken on various state income tax positions until final resolution is reached with the related taxing authority.

The Company is no longer subject to U.S. federal income tax examinations for years prior to 2016. With few exceptions, state and local income tax examinations are no longer open for years prior to 2011.

Net deferred tax balance — As of September 30, 2020 and December 31, 2019, NRG recorded a net deferred tax asset, excluding valuation allowance, of $3.3 billion and $3.4 billion, respectively. The Company believes certain state net operating losses may not be realizable under the more-likely-than-not measurement and as such, a valuation allowance was recorded as of September 30, 2020 as discussed below.

Valuation allowance — As of September 30, 2020 and December 31, 2019, the Company's tax-effected valuation allowance was $246 million and $242 million, respectively, consisting of state NOL carryforwards and foreign NOL carryforwards. The valuation allowance was recorded based on the assessment of cumulative and forecasted pre-tax book earnings and the future reversal of existing taxable temporary differences.

Off-Balance Sheet Arrangements

Obligations under Certain Guarantee Contracts

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

Retained or Contingent Interests

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

Obligations Arising Out of a Variable Interest in an Unconsolidated Entity

Variable interest in equity investments — As of September 30, 2020, NRG has investments in energy and energy-related entities that are accounted for under the equity method of accounting. NRG’s investment in Ivanpah is a variable interest entity for which NRG is not the primary beneficiary. See also Note 11, *Investments Accounted for Using the Equity Method and Variable Interest Entities, or VIEs,* to this Form 10-Q.

NRG's pro-rata share of non-recourse debt held by unconsolidated affiliates was approximately $852 million as of September 30, 2020. This indebtedness may restrict the ability of these subsidiaries to issue dividends or distributions to NRG. See also Note 15, *Investments Accounted for by the Equity Method and Variable Interest Entities,* to the Company's 2019 Form 10-K.

Contractual Obligations and Market Commitments

NRG has a variety of contractual obligations and other market commitments that represent prospective cash requirements in addition to the Company's capital expenditure programs, as disclosed in the Company's 2019 Form 10-K. See also Note 10, *Long-term Debt*, and Note 17, *Commitments and Contingencies*, to this Form 10-Q for a discussion of new commitments and contingencies that also include contractual obligations and market commitments that occurred during the three and nine months ended September 30, 2020.

Fair Value of Derivative Instruments

NRG may enter into power purchase and sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at power plants or retail load obligations. Historically, in order to mitigate interest rate risk associated with the issuance of the Company's variable rate and fixed rate debt, NRG entered into interest rate swap agreements. As of September 30, 2020, NRG had no interest rate derivative instruments. The following disclosures about fair value of derivative instruments provide an update to, and should be read in conjunction with, *Fair Value of Derivative Instruments* in Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of the Company's 2019 Form 10-K.

The tables below disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820. Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values at September 30, 2020, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at September 30, 2020.

Derivative Activity Gains/(Losses)	(In millions)
Fair Value of Contracts as of December 31, 2019	$ 67
Contracts realized or otherwise settled during the period	(78)
Changes in fair value	91
Fair Value of Contracts as of September 30, 2020	$ 80

(In millions)	Fair Value of Contracts as of September 30, 2020				
	Maturity				
Fair value hierarchy Gains/(Losses)	1 Year or Less	Greater than 1 Year to 3 Years	Greater than 3 Years to 5 Years	Greater than 5 Years	Total Fair Value
Level 1	$ 8	$ (4)	$ (1)	$ 1	$ 4
Level 2	40	7	(16)	(7)	24
Level 3	35	6	(2)	13	52
Total	$ 83	$ 9	$ (19)	$ 7	$ 80

The Company has elected to present derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Also, collateral received or paid on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company's portfolio. As discussed in Item 3, *Quantitative and Qualitative Disclosures About Market Risk, Commodity Price Risk*, to this Form 10-Q, NRG measures the sensitivity of the Company's portfolio to potential changes in market prices using VaR, a statistical model which attempts to predict risk of loss based on market price and volatility. NRG's risk management policy places a limit on one-day holding period VaR, which limits the Company's net open position. As the Company's trade-by-trade derivative accounting results in a gross-up of the Company's derivative assets and liabilities, the net derivative asset and liability position is a better indicator of NRG's hedging activity. As of September 30, 2020, NRG's net derivative asset was $80 million, an increase to total fair value of $13 million as compared to December 31, 2019. This increase was primarily driven by gains in fair value, largely offset by roll-off of trades that settled during the period.

Based on a sensitivity analysis using simplified assumptions, the impact of a $0.50 per MMBtu increase in natural gas prices across the term of the derivative contracts would result in an increase of approximately $94 million in the net value of derivatives as of September 30, 2020. The impact of a $0.50 per MMBtu decrease in natural gas prices across the term of derivative contracts would result in a decrease of approximately $94 million in the net value of derivatives as of September 30, 2020.

Critical Accounting Policies and Estimates

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

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

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

The Company's significant accounting policies are outlined in Note 2, *Summary of Significant Accounting Policies*, of this Form 10-Q, and in Note 2, *Summary of Significant Accounting Policies*, under Part IV, Item 15 of the Company's 2019 Form 10-K. The Company's critical accounting estimates are described in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in the Company's 2019 Form 10-K. There have been no material changes to the Company's critical accounting policies and estimates since the 2019 Form 10-K, except as noted below.

As part of perfecting the integrated model, in which the majority of the Company’s generation serves its retail customers, the Company began managing its operations based on the combined results of the retail and wholesale generation businesses with a geographical focus in 2020. As a result, the Company changed its business segments to Texas, East and West/Other beginning in the first quarter of 2020, as further described in Note 1, *Nature of Business*. As a result, the Company identified its reporting units as Texas (included in the Texas segment), East Retail (included in the East segment) and Midwest Generation (included in the East segment). The Company performed a quantitative assessment, using primarily an income approach, for each of the Company's new reporting units as of January 1, 2020. Under the income approach, the Company estimated the fair value of each reporting unit's cash flow exceeded its carrying value and, as such, the Company concluded that goodwill associated with each of the reporting units was not impaired as of January 1, 2020 as a result of the change in reporting units.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NRG is exposed to several market risks in the Company's normal business activities. Market risk is the potential loss that may result from market changes associated with the Company's merchant power generation or with an existing or forecasted financial or commodity transaction. The types of market risks the Company is exposed to are commodity price risk, liquidity risk, credit risk, interest rate risk and currency exchange risk. The following disclosures about market risk provide an update to, and should be read in conjunction with, Item 7A — *Quantitative and Qualitative Disclosures About Market Risk*, of the Company's 2019 Form 10-K.

Commodity Price Risk

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

The following table summarizes average, maximum and minimum VaR for NRG's commodity portfolio, including generation assets, load obligations and bilateral physical and financial transactions, calculated using the VaR model for the three and nine months ending September 30, 2020 and 2019:

(In millions)	2020	2019
VaR as of September 30,	$ 38	$ 49
Three months ended September 30,		
Average	$ 31	$ 46
Maximum	40	55
Minimum	25	37
Nine months ended September 30,		
Average	$ 28	$ 44
Maximum	47	55
Minimum	22	33

In order to provide additional information, the Company also uses VaR to estimate the potential loss of derivative financial instruments that are subject to mark-to-market accounting. These derivative instruments include transactions that were entered into for both asset management and trading purposes. The VaR for the derivative financial instruments calculated using the diversified VaR model for the entire term of these instruments entered into for both asset management and trading, was $17 million, as of September 30, 2020, primarily driven by asset-backed transactions.

Liquidity Risk

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

Based on a sensitivity analysis for power and gas positions under marginable contracts as of September 30, 2020, a $0.50 per MMBtu decrease in natural gas prices across the term of the marginable contracts would cause an increase in margin collateral posted of approximately $211 million and a 1.00 MMBtu/MWh decrease in heat rates for heat rate positions would result in an increase in margin collateral posted of approximately $131 million. This analysis uses simplified assumptions and is calculated based on portfolio composition and margin-related contract provisions as of September 30, 2020.

Credit Risk

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

Interest Rate Risk

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

The Company previously entered into interest rate swaps. As of September 30, 2020, NRG had no interest rate derivative instruments. As of November 5, 2020, the Company entered into $1.6 billion of interest rate hedges associated with anticipated financing needs.

As of September 30, 2020, the fair value and related carrying value of the Company's debt was $6.3 billion and $5.9 billion respectively. NRG estimates that a 1% decrease in market interest rates would have increased the fair value of the Company's long-term debt as of September 30, 2020 by $521 million.

Currency Exchange Risk

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

ITEM 4 — CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in NRG's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred in the quarter ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, NRG's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

For a discussion of material legal proceedings in which NRG was involved through September 30, 2020, see Note 17, *Commitments and Contingencies*, to this Form 10-Q.

ITEM 1A — RISK FACTORS

Except as set forth below, during the nine months ended September 30, 2020, there were no material changes to the Risk Factors disclosed in Part I, Item 1A, *Risk Factors*, of the Company's 2019 Form 10-K.

Public health threats or outbreaks of communicable diseases could have a material adverse effect on the Company's operations and financial results.

The Company may face risks related to public health threats or outbreaks of communicable diseases. A widespread healthcare crisis, such as an outbreak of a communicable disease, could adversely affect the global economy and the Company's ability to conduct its business for an indefinite period of time. For example, the ongoing global COVID-19 pandemic has negatively impacted local and global economies, disrupted financial markets and international trade, resulted in increased unemployment levels and impacted local and global supply chains, all of which negatively impact the electricity industry and the Company's business. In addition, federal, state, and local governments have implemented various mitigation measures, including travel restrictions, border closings, restrictions on public gatherings, shelter-in-place orders and limitations on business activities. Although the operations of the Company are considered an essential service, some of these measures have adversely impacted the ability of NRG employees, contractors, suppliers, customers, and other business partners to conduct business activities. This could have a material adverse effect on the Company's results of operations, financial condition, risk exposure and liquidity.

In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- adversely impact demand for the Company's electricity services and other products and services and the ability of customers to pay their bills;
- cause an increase in costs for the Company as a result of emergency measures taken by state and local regulatory authorities in response to the COVID-19 crisis, including regulatory changes prohibiting customer disconnects and late fees;
- impact the ability of the Company's partners or counterparties to perform their obligations under existing arrangements, including development projects, power purchase and sale arrangements, hedging arrangements or other commercial activities; and
- cause other unpredicted events which may have an adverse impact on the Company's results of operations, financial condition, risk exposure and liquidity.

The situation surrounding COVID-19 remains fluid and the potential for a material impact on the Company's results of operations, financial condition, risk exposure and liquidity increases the longer the virus impacts the level of economic activity in the United States and globally. NRG cannot reasonably estimate with any degree of certainty the future impact of COVID-19, or any resurgence of COVID-19 or other pandemic may have on the Company's results of operations, financial position, risk exposure and liquidity.

Risks related to the proposed acquisition of Direct Energy

The Company may be unable to consummate the acquisition of Direct Energy because it may not be able to obtain the approvals necessary to do so, or the combined company may be required to comply with material restrictions or conditions that might impact the parties' interests in consummating the transaction.

On July 24, 2020, the Company entered into a definitive purchase agreement with Centrica to acquire its North American retail business, Direct Energy (the "Purchase Agreement"). The completion of the acquisition is conditioned on certain customary closing conditions, including the receipt of approvals or expiration of applicable waiting periods under the Federal Power Act. Governmental authorities may impose conditions on the completion, or require changes to the terms, of the transaction, including conditions on or changes to the business, or operations of the combined company following completion of the acquisition. These conditions or changes could impose additional costs on or limit the revenues or income of the combined company following the acquisition, which could have a material adverse effect on the financial results of the combined company and/or cause either NRG or Centrica to abandon the acquisition. In addition, the regulatory review processes to be pursued in connection with the transaction, and any litigation that may arise from these processes or otherwise, may materially delay the closing of the acquisition.

If the Company is unable to complete the acquisition, it will still incur and will remain liable for significant transaction costs, including financing, legal, accounting, filing, and other costs relating to the transaction.

If completed, the acquisition of Direct Energy may not achieve its intended results.

The Company entered into the Purchase Agreement with the expectation that the acquisition would result in various benefits, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the acquisition is subject to a number of uncertainties, including whether the businesses of NRG and Direct Energy are integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs, lower-than-expected revenues or income generated by the combined company and diversion of management's time and energy and could have an adverse effect on the Company's business, financial results and prospects.

The Company will be subject to business uncertainties and contractual restrictions while the acquisition of Direct Energy is pending that could adversely affect its financial results.

Uncertainty about the effects of the acquisition of Direct Energy on employees, customers and suppliers may have an adverse effect on NRG's business. Although the Company intends to take steps designed to reduce any adverse effects, these uncertainties may impair its ability to attract, retain and motivate key personnel until the acquisition is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with it to seek to change existing business relationships.

Employee retention and recruitment may be particularly challenging prior to the completion of the acquisition, as employees and prospective employees may experience uncertainty about their future roles with the combined company. If, despite the Company's retention and recruiting efforts, key employees depart or fail to accept employment with NRG because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, the Company's financial results could be affected.

The pursuit of the acquisition and the preparation for the integration of NRG and Direct Energy may place a significant burden on management and internal resources. The diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could affect the Company's business, results of operations and financial condition.

In addition, the Company is obligated under the Purchase Agreement to take all actions necessary to obtain antitrust and competition approvals for the acquisition, subject to its right not to take actions that would have a material adverse effect as described in the Purchase Agreement. In addition, the Company has agreed not to take any actions that would materially delay the satisfaction of any of the closing conditions to the transaction or prevent any of those conditions from being satisfied. This restriction on the Company's actions may prevent it from pursuing otherwise attractive business opportunities and making other changes to its business prior to completion of the acquisition or termination of the Purchase Agreement.

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

During the quarter ended September 30, 2020, no purchases of NRG's common stock were made by or on behalf of NRG or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act).

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 — MINE SAFETY DISCLOSURES

There have been no events which are required to be reported under this Item.

ITEM 5 — OTHER INFORMATION

None.

ITEM 6 — EXHIBITS

Number	Description	Method of Filing
2.1	Purchase Agreement, dated as of July 24, 2020, by and between the Company, Parent, Centrica Beta Holdings Limited, Centrica Gamma Holdings Limited, Centrica US Holdings Inc. and Direct Energy Marketing Limited.	Incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on July 30, 2020.
2.2	Commitment Letter, dated as of July 24, 2020, by and between the Company, Citi and Credit Suisse.	Incorporated herein by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K, filed on July 30, 2020.
10.1	Receivables Sale Agreement, dated as of September 22, 2020, among the Originators from time to time parties thereto, NRG Retail LLC, as Servicer, and NRG Receivables LLC.	Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on September 24, 2020.
10.2	Receivables Loan and Servicing Agreement, dated as of September 22, 2020, among NRG Receivables LLC, as Borrower, NRG Retail LLC, as Servicer, the persons from time to time party thereto as Conduit Lenders, the persons from time to time party thereto as Committed Lenders, the persons from time to time party thereto as Facility Agents, the financial institutions from time to time party thereto as LC Issuers, and Royal Bank of Canada as Administrative Agent.	Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on September 24, 2020.
10.3	Fifth Amendment to Credit Agreement and Third Amendment to Collateral Trust Agreement, dated as of August 20, 2020, by and among NRG Energy, Inc., its subsidiaries parties thereto, the lenders party thereto, Citigroup North America, Inc., as administrative agent and collateral agent, and Deutsche Bank Trust Company Americas, as collateral trustee.	Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on August 21, 2020.
31.1	Rule 13a-14(a)/15d-14(a) certification of Mauricio Gutierrez.	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) certification of Kirkland B. Andrews.	Filed herewith.
31.3	Rule 13a-14(a)/15d-14(a) certification of David Callen.	Filed herewith.
32	Section 1350 Certification.	Furnished herewith.
101 INS	Inline XBRL Instance Document.	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101 SCH	Inline XBRL Taxonomy Extension Schema.	Filed herewith.
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	Filed herewith.
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
104	Cover Page Interactive Data File (the cover page interactive data file does not appear in Exhibit 104 because it's Inline XBRL tags are embedded within the Inline XBRL document).	Filed herewith.

SIGNATURES

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

NRG ENERGY, INC.
(Registrant)

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

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

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

Date: November 5, 2020

EXHIBIT 31.1

CERTIFICATION

I, Mauricio Gutierrez, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ MAURICIO GUTIERREZ

Mauricio Gutierrez
Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2020

EXHIBIT 31.2

CERTIFICATION

I, Kirkland B. Andrews, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ KIRKLAND B. ANDREWS

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

Date: November 5, 2020

EXHIBIT 31.3

CERTIFICATION

I, David Callen, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ DAVID CALLEN

David Callen
Chief Accounting Officer
(Principal Accounting Officer)

Date: November 5, 2020

EXHIBIT 32

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

In connection with the Quarterly Report of NRG Energy, Inc. on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

Date: November 5, 2020

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

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

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

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

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