redemption prices expressed as percentages of principal amount as set forth below, plus accrued and unpaid interest on the notes redeemed to the applicable redemption date:

Redemption Period	Redemption Percentage
February 1, 2011 to February 1, 2012	103.688%
February 1, 2012 to February 1, 2013	102.458%
February 1, 2013 to February 1, 2014	101.229%
February 1, 2014 and thereafter	100.000%

Prior to January 15, 2012, NRG may redeem up to 35% of the 2017 Senior Notes with net cash proceeds of certain equity offerings at a price of 107.375%, provided at least 65% of the aggregate principal amount of the notes issued remain outstanding after the redemption. Prior to January 15, 2012, NRG may redeem all or a portion of the Senior Notes at a price equal to 100% of the principal amount of the notes redeemed, plus a premium and any accrued and unpaid interest. The premium is the greater of: (i) 1% of the principal amount of the note, or (ii) the excess of the principal amount of the note over the following: the present value of 103.688% of the note, plus interest payments due on the note from the date of redemption through January 15, 2012, discounted at a Treasury rate plus 0.50%. In addition, on or after January 15, 2012, NRG may redeem some or all of the notes at redemption prices expressed as percentages of principal amount as set forth below, plus accrued and unpaid interest on the notes redeemed to the first applicable redemption date:

Redemption Period	Redemption Percentage
February 1, 2012 to February 1, 2013	103.688%
February 1, 2013 to February 1, 2014	102.458%
February 1, 2014 to February 1, 2015	101.229%
February 1, 2015 and thereafter	100.000%

Prior to June 15, 2012, NRG may redeem up to 35% of the aggregate principal amount of the 2019 Senior Notes with the net proceeds of certain equity offerings, at a redemption price of 108.5% of the principal amount. Prior to June 15, 2014, NRG may redeem all or a portion of the 2019 Senior Notes at a price equal to 100% of the principal amount plus a premium and accrued and unpaid interest. The premium is the greater of: (i) 1% of the principal amount of the notes; or (ii) the excess of the principal amount of the note over the following: the present value of 104.25% of the note, plus interest payments due on the note from the date of redemption through June 15, 2014, discounted at a Treasury rate plus 0.50%. In addition, on or after June 15, 2014, NRG may redeem some or all of the notes at redemption prices expressed as percentages of principal amount as set forth in the following table, plus accrued and unpaid interest on the notes redeemed to the first applicable redemption date:

Redemption Period	Redemption Percentage
June 15, 2014 to June 14, 2015	104.25%
June 15, 2015 to June 14, 2016	102.83%
June 15, 2016 to June 14, 2017	101.42%
June 15, 2017 and thereafter	100.00%

Senior Credit Facility

As of December 31, 2009, NRG has a Senior Credit Facility which is comprised of a senior first priority secured term loan, or the Term Loan Facility, a $1.0 billion senior first priority secured revolving credit facility, or the Revolving Credit Facility, and a $1.3 billion senior first priority secured synthetic letter of credit facility, or the Synthetic Letter of Credit Facility. The Senior Credit Facility was last amended on June 8, 2007 which resulted in a charge of $35 million which was recorded to the Company's results of operations for the year ended December 31, 2007, primarily related to the write-off of previously deferred financing costs. The pricing on the Company's Term Loan Facility and Synthetic Letter of Credit Facility is also subject to further reductions upon the achievement of certain financial ratios.

As of December 31, 2009, NRG had issued $717 million of letters of credit under the Synthetic Letter of Credit Facility, leaving $583 million available for future issuances. Under the Company's Revolving Credit Facility as of December 31, 2009, NRG had issued letters of credit totaling $95 million, leaving $905 million available for borrowings, of which approximately $805 million could be used to issue additional letters of credit.

The Term Loan Facility matures on February 1, 2013, and amortizes in twenty-seven consecutive equal quarterly installments of 0.25% term loan commitments, beginning June 30, 2006, with the balance payable on the seventh anniversary thereof. The full amount of the Revolving Credit Facility will mature on February 2, 2011. The Synthetic Letter of Credit Facility will mature on February 1, 2013, and no amortization will be required in respect thereof. NRG has the option to prepay the Senior Credit Facility in whole or in part at any time.

NRG must annually offer a portion of its excess cash flow (as defined in the Senior Credit Facility) to its first lien lenders under the Term Loan Facility. The percentage of the excess cash flow offered to these lenders is dependent upon the Company's consolidated leverage ratio (as defined in the Senior Credit Facility) at the end of the preceding year. Of the amount offered, the first lien lenders must accept 50%, while the remaining 50% may either be accepted or rejected at the lenders' option. The 2010 mandatory offer related to 2009 is expected to be $430 million, against which the Company made a prepayment of $200 million in December 2009. Based on current credit market conditions, the Company expects that its lenders will accept in full the 2010 mandatory offer related to 2009, and, as such, the Company has reclassified approximately $230 million of Term Loan Facility maturity from a non-current to a current liability as of December 31, 2009. The 2009 mandatory offer and prepayment related to 2008 paid in March 2009 was $197 million.

The Senior Credit Facility is guaranteed by substantially all of NRG's existing and future direct and indirect subsidiaries, with certain customary or agreed-upon exceptions for unrestricted foreign subsidiaries, project subsidiaries, and certain other subsidiaries. The capital stock of substantially all of NRG's subsidiaries, with certain exceptions for unrestricted subsidiaries, foreign subsidiaries, and project subsidiaries, has been pledged for the benefit of the Senior Credit Facility's lenders.

The Senior Credit Facility is also secured by first-priority perfected security interests in substantially all of the property and assets owned or acquired by NRG and its subsidiaries, other than certain limited exceptions. These exceptions include assets of certain unrestricted subsidiaries, equity interests in certain of NRG's project affiliates that have non-recourse debt financing, and voting equity interests in excess of 66% of the total outstanding voting equity interest of certain of NRG's foreign subsidiaries.

The Senior Credit Facility contains customary covenants, which, among other things, require NRG to meet certain financial tests, including minimum interest coverage ratio and a maximum leverage ratio on a consolidated basis, and limit NRG's ability to:

- incur indebtedness and liens and enter into sale and lease-back transactions;
- make investments, loans and advances; and
- return capital to shareholders.

Interest Rate Swaps — In May 2009, NRG entered into a series of forward-starting interest rate swaps. These interest rate swaps become effective on April 1, 2011, and are intended to hedge the risks associated with floating interest rates. For each of the interest rate swaps, the Company will pay its counterparty the equivalent of a fixed interest payment on a predetermined notional value, and NRG receives the monthly equivalent of a floating interest payment based on a 1-month LIBOR calculated on the same notional value. All interest rate swap payments by NRG and its counterparties are made monthly and the LIBOR is determined in advance of each interest period. The total notional amount of these swaps, which mature on February 1, 2013, is $900 million.

In 2006 in connection with the Senior Credit Facility, NRG entered into another series of forward-setting interest rate swaps which are intended to hedge the risks associated with floating interest rates. For each of the interest rate swaps, the Company pays its counterparty the equivalent of a fixed interest payment on a predetermined notional value, and NRG receives quarterly the equivalent of a floating interest payment based on a 3-month LIBOR calculated on the same notional value. All interest rate swap payments by NRG and its counterparties are made quarterly, and the LIBOR is determined in advance of each interest period. While the notional value of each of the swaps does not vary over time, the swaps are designed to mature sequentially. The notional amounts and maturities of each tranche of these swaps as of December 31, 2009, are as follows:

Maturity	Notional Value
March 31, 2010	$190 million
March 31, 2011	$1.55 billion

Dunkirk Power LLC Tax-Exempt Bonds

On April 15, 2009, NRG executed a $59 million tax-exempt bond financing, or the Dunkirk bonds, through its wholly-owned subsidiary, Dunkirk Power LLC. The bonds were issued by the County of Chautauqua Industrial Development Agency and will be used for construction of emission control equipment on the Dunkirk Generating Station in Dunkirk, NY. The bonds initially bear weekly interest based on the Securities Industry and Financial Markets Association, or SIFMA, rate, have a maturity date of April 1, 2042, and are enhanced by a letter of credit under the Company's Revolving Credit Facility covering amounts drawn on the facility. The proceeds received through December 31, 2009 were $52 million, with the remaining balance being released over time as construction costs are paid. On February 1, 2010, the Company fixed the rate on the Dunkirk bonds at 5.875%. Interest will be payable semiannually. In addition, the $59 million letter of credit issued by NRG in support of the bonds was cancelled and replaced with a parent guarantee.

NRG Non-Recourse Debt

Debt Related to Capital Allocation Program

In 2006, the Company formed CSF I and II, two wholly-owned unrestricted subsidiaries that are both consolidated by NRG. Their purpose was to repurchase an aggregate of $500 million in shares of NRG's common stock in the public markets or in privately negotiated transactions in connection with the Company's Capital Allocation Program. These subsidiaries were funded with a combination of cash from NRG, and a mix of notes and preferred interests issued to CS, or the CSF Debt. Both the notes and the preferred interests are non-recourse debt to NRG or any of its restricted subsidiaries, with the debt collateralized by the NRG common stock held by CSF I and II. In addition, the assets of CSF I and II are not available to the creditors of NRG or the Company's other subsidiaries.

From inception through July 2008, the notes and preferred interests of CSF I contained a feature considered an embedded derivative, which required NRG to pay to CS at maturity, either in cash or stock at NRG's option, the excess of NRG's then current stock price over a Threshold Price. From inception through November 24, 2009, the notes and preferred interests of CSF II also contained a feature considered an embedded derivative with terms similar to the CSF I embedded derivative. The Threshold Price is the price of NRG's stock in excess of a compound annual growth rate, or CAGR, of 20% beyond the volume-weighted average share price of the stock at the time of repurchase. Although this feature was considered a derivative, it was exempt from derivative accounting under the guidance of ASC 815, and was only recognized upon settlement. As a result of the early settlement in August 2008 by the CSF I extension and the unwinding of the CSF II debt in November 2009, both described below, there were no notes or preferred interests containing an embedded derivative feature as of December 31, 2009.

CSF I Extension — In March 2008, the Company executed an arrangement with CS to extend the notes and preferred interest maturities of the CSF I Debt from October 2008 to June 2010. In addition, the settlement date of the embedded derivative, or CSF I CAGR, was extended 30 days to early December 2008. As part of this extension arrangement, the Company contributed 795,503 treasury shares to CSF I as additional collateral to maintain a blended interest rate in the CSF I facility of approximately 7.5%. The amount due at maturity in June 2010, including accrued interest, for the CSF I Debt will be $249 million. In August 2008, the Company amended the CSF I Debt to early settle the CSF I CAGR. Accordingly, NRG made a cash payment of $45 million to CS for the benefit of CSF I, which was recorded to additional paid in capital on the Company's consolidated balance sheet as of December 31, 2008. See further discussion below regarding the adoption of FSP APB 14-1.

Share Lending Agreements — On February 20, 2009, CSF I and II entered into Share Lending Agreements, or SLAs, with affiliates of CS relating to the shares of NRG common stock currently held by CSF I and II in connection with the CSF Debt. The Company entered into the SLAs due to a lack of liquidity in the stock borrow market for NRG shares that existed at that time and in order to maintain the intended economic benefits of the CSF Debt agreements. The SLAs permitted affiliates of CS to borrow up to the total number of shares of NRG common stock held by CSF I and II. CSF I and II loaned affiliates of CS 6,600,000 and 5,400,000 shares, respectively, of NRG common stock under the SLAs.

Shares borrowed by affiliates of CS under the SLAs were used to replace shares borrowed by affiliates of CS from third parties in connection with CS hedging activities related to the financing agreements. The shares are expected to be returned upon the termination of the financing agreements. Until the shares are returned, the shares will be treated as outstanding for corporate law purposes, and accordingly, the holders of the borrowed shares will have all of the rights of a holder of the Company's outstanding shares, including the right to vote the shares on all matters submitted to a vote of the Company's stockholders. However, because the CS affiliates must return all borrowed shares (or identical shares), the borrowed shares are not considered outstanding for the purpose of computing and reporting the Company's basic or diluted earnings per share.

CSF II Debt Maturity — On November 24, 2009, the Company completed the unwinding of the CSF II Debt, remitting a cash payment to CS of the $181 million outstanding principal and interest, while CS returned 5,400,000 shares of NRG common stock borrowed under the SLAs, and then released all 9,528,930 common shares held as collateral for the CSF II Debt. The CSF II Debt contained an embedded derivative feature, or CFS II CAGR, which could have required NRG to pay CS at maturity, either in cash or stock at NRG's option, the excess of NRG's then current stock price over a Threshold Price of $40.80 per share. On November 24, 2009, it was determined that no payment was required on the CSF II CAGR at which point the CSF II CAGR expired.

At December 31, 2009, CSF I held 12,441,973 shares of NRG common stock of which 6,600,000 shares lent to affiliates of CS under the SLAs, with a fair value of $156 million, are considered outstanding and 5,841,973 shares are reflected within treasury stock on the Company's consolidated balance sheet.

Notes — As of December 31, 2009, CSF I had a total of $137 million in notes in connection with Phase I of the Capital Allocation Program which mature in June 2010, plus accrued interest at an annual rate of 5.45%. As of December 31, 2008, CSF I and II had a total of $249 million in notes outstanding in connection with Phase I.

Preferred Interests — As of December 31, 2009, CSF I had a total of $53 million in preferred interests issued and outstanding which mature in June 2010, plus accrued interest at an annual rate of 12.65%. As of December 31, 2008, CSF I and II had a total of $84 million in preferred interests issued and outstanding. The preferred interests are classified as a liability per ASC 480, *Distinguishing Liabilities from Equity*, or ASC 480, because they embody a fixed unconditional obligation that the unrestricted subsidiaries must settle.

Adoption of FSP APB 14-1 — As discussed in Note 2, *Summary of Significant Accounting Policies*, the Company adopted FSP APB 14-1 on January 1, 2009, which has been incorporated in ASC 470 and ASC 825. The following table summarizes certain information related to the CSF Debt in accordance with ASC 470:

	December 31, 2009	December 31, 2008
	(In millions)	
Equity Component		
Additional Paid-in Capital	$ —	$ 14
Liability Component		
Principal amount	$ 190	$ 333
Unamortized discount	(2)	(8)
Net carrying amount	$ 188	$ 325

The unamortized discount will be amortized through the maturity of the CSF Debt. The CSF II debt matured in November 2009 and the CSF I debt has a maturity date of June 2010. Interest expense for the CSF Debt, including the debt discount amortization for the years ended December 31, 2009, 2008, and 2007 was $33 million, $37 million, and $40 million, respectively. The effective interest rate as of December 31, 2009, was 11.4% for the CSF I debt. The effective interest rate as of December 31, 2008, was 11.4% for the CSF I debt and 12.1% for the CSF II debt.

Project Financings

The following are descriptions of certain indebtedness of NRG's project subsidiaries that remain outstanding as of December 31, 2009. The indebtedness described below is non-recourse to NRG, unless otherwise noted.

TANE Facility

On February 24, 2009, Nuclear Innovation North America LLC, or NINA, executed an EPC agreement with Toshiba American Nuclear Energy Corporation, or TANE, which specifies the terms under which STP Units 3 and 4 will be constructed. Concurrent with the execution of the EPC agreement, NINA and TANE entered into a credit facility, or the TANE Facility, wherein TANE has committed up to $500 million to finance purchases of long-lead materials and equipment for the construction of STP Units 3 and 4. The TANE Facility matures on February 24, 2012, subject to two renewal periods, and provides for customary events of default, which include, among others: nonpayment of principal or interest; default under other indebtedness; the rendering of judgments; and certain events of bankruptcy or insolvency. Outstanding borrowings will accrue interest at LIBOR plus 3%, subject to a ratings grid, and are secured by substantially all of the assets of and membership interests in NINA and its subsidiaries. As of December 31, 2009, no amounts have been borrowed under the TANE Facility.

GenConn Energy LLC related financings

On April 27, 2009, NRG Connecticut Peaking LLC, a wholly-owned subsidiary of NRG, closed on an equity bridge loan facility, or EBL, in the amount of $121.5 million from a syndicate of banks. The purpose of the EBL is to fund the Company's proportionate share of the project construction costs required to be contributed into GenConn Energy LLC, or GenConn, a 50% equity method investment of the Company. The EBL, which is fully collateralized with a letter of credit issued under the Company's Synthetic Letter of Credit Facility covering amounts drawn on the facility, will bear interest at a rate of LIBOR plus 2% on drawn amounts. The EBL will mature on the earlier of Middletown's commercial operations date or July 26, 2011. The EBL also requires mandatory prepayment of the portion of the loan utilized to pay costs of the Devon project, of approximately $54 million, on the earlier of Devon's commercial operations date, currently anticipated to be June 2010, or January 27, 2011. The proceeds of the EBL received through December 31, 2009, were $108 million and the remaining amounts will be drawn as necessary.

Borrowings of an equity method investment — In April 2009, GenConn, a variable interest entity, secured financing for 50% of the Devon and Middletown project construction costs through a 7-year term loan facility, and also entered into a 5-year revolving working capital loan and letter of credit facility, which collectively with the term loan is referred to as the GenConn Facility. The aggregate credit amount secured under the GenConn Facility, which is non-recourse to NRG, is $291 million, including $48 million for the revolving facility. In August 2009, GenConn began to draw under the GenConn Facility to cover costs related to the Devon project and as of December 31, 2009, has drawn $48 million.

Other

In 2008, NINA and NRG Repowering Holdings LLC, or NRG Repowering, each obtained a $20 million revolving credit facility to provide working capital which permits NINA and NRG Repowering to make cash draws or issue letters of credit. The facilities mature on April 30, 2010, for NINA and August 12, 2011, for NRG Repowering. The facilities provide for customary events of default, which include, among others: nonpayment of principal or interest; breach of other agreements in the facility; the rendering of judgments to pay certain amounts of money against NINA or NRG Repowering and their subsidiaries; and certain events of bankruptcy or insolvency. Borrowings under the facilities accrue interest at LIBOR or a base rate, plus a spread and are supported by a letter of credit issued by NRG. As of December 31, 2009, and 2008, NINA had borrowed approximately $20 million and $10 million, respectively. As of December 31, 2009, and 2008, NRG Repowering had borrowed approximately $19 million and $10 million, respectively. As of December 31, 2009, NRG Repowering also had outstanding approximately $1 million in letters of credit.

Peakers

In June 2002, NRG Peaker Finance Company LLC, or Peakers, an indirect wholly-owned subsidiary, issued \$325 million in floating rate bonds due June 2019. Peakers subsequently swapped such floating rate debt for fixed rate debt at an all-in cost of 6.67% per annum. Principal, interest, and swap payments were originally guaranteed by Syncora Guarantee Inc., successor in interest to XL Capital Assurance, through a financial guaranty insurance policy. In 2009, Assured Guaranty Mutual Corp assumed the responsibility as the bond insurer and controlling party. Syncora Guarantee Inc. continues to be the swap insurer. These notes are also secured by, among other things, substantially all of the assets of and membership interests in Bayou Cove Peaking Power LLC, Big Cajun I Peaking Power LLC, NRG Sterlington Power LLC, NRG Rockford LLC, NRG Rockford II LLC, and NRG Rockford Equipment LLC. As of December 31, 2009, approximately \$251 million in principal remained outstanding on these bonds. Upon emergence from bankruptcy, NRG issued a \$36 million letter of credit to the Peakers' collateral agent. The letter of credit may be drawn if the project is unable to meet principal or interest payments. There are no provisions requiring NRG to replenish the letter of credit if it is drawn. On December 10, 2009, the collateral agent drew approximately \$0.6 million on the letter of credit to meet the debt service requirements.

NRG Thermal

NRG owns and operates its thermal business through a wholly-owned subsidiary holding company, NRG Thermal LLC, or NRG Thermal. In 1993, the predecessor entity to NRG Thermal's largest subsidiary, NRG Energy Center Minneapolis LLC, or NRG Thermal Minneapolis, issued \$84 million of 7.31% senior secured notes due June 2013, of which approximately \$25 million remained outstanding as of December 31, 2009. In 2002, NRG Thermal Minneapolis issued an additional \$55 million of 7.25% Series A notes due August 2017, of which approximately \$37 million remained outstanding as of December 31, 2009, and \$20 million of 7.12% Series B notes due August 2017, of which approximately \$13 million remained outstanding as of December 31, 2009. This indebtedness is secured by substantially all of the assets of NRG Thermal Minneapolis. NRG Thermal has guaranteed the indebtedness, and its guarantee is secured by a pledge of the equity interests in all of NRG Thermal's subsidiaries.

Capital Leases

Saale Energie GmbH

Saale Energie GmbH, or SEG, an NRG wholly-owned subsidiary, has a 41.9% participation in Schkopau through NRG's interest in the Kraftwerke Schkopau GbR, or KSGbR, partnership. Under the terms of a Use and Benefit Fee Agreement, SEG and the other partner to the project, E.ON Kraftwerke GmbH, are required to fund debt service and certain other costs resulting from the construction and financing of Schkopau. The Use and Benefit Fee Agreement is treated as a capital lease under U.S. GAAP. Calls for funds are made to the partners based on their participation interest as cash is needed. As of December 31, 2009, the capital lease obligation at SEG was approximately \$123 million.

The KSGbR issued debt to fund Schkopau pursuant to multiple facilities totaling approximately €785 million. As of December 31, 2009, approximately €141 million (approximately \$202 million) remained outstanding at Schkopau. Interests on the individual loans accrue at fixed rates averaging 4.26% per annum, with maturities occurring between 2010 and 2015. SEG remains liable to the lenders as a partner in KSGbR, but there is no recourse to NRG.

Consolidated Annual Maturities and Future Minimum Lease Payments

Annual payments based on the maturities of NRG's long-term debt and capital leases for the years ending after December 31, 2009 are as follows:

	(In millions)
2010	$ 571
2011	143
2012	70
2013	1,926
2014	1,250
Thereafter	4,458
Total	$ 8,418

NRG's future minimum lease payments for capital leases included above as of December 31, 2009, are as follows:

	(In millions)
2010	$ 28
2011	16
2012	14
2013	13
2014	14
Thereafter	107
Total minimum obligations	192
Interest	69
Present value of minimum obligations	123
Current portion	22
Long-term obligations	$ 101

Note 13 — Asset Retirement Obligations

NRG's AROs are primarily related to the future dismantlement of equipment on leased property and environmental obligations related to nuclear decommissioning, ash disposal, site closures, and fuel storage facilities. In addition, NRG has also identified conditional AROs for asbestos removal and disposal, which are specific to certain power generation operations.

See Note 7, *Nuclear Decommissioning Trust Fund,* for a further discussion of NRG's nuclear decommissioning obligations. Consequently, accretion for the nuclear decommissioning ARO and amortization of the related ARO asset are recorded to the Nuclear Decommissioning Trust Liability to the ratepayers and are not included in net income, consistent with regulatory treatment.

The following table represents the balance of ARO obligations as of December 31, 2009, and 2008, along with the additions, reductions and accretion related to the Company's ARO obligations for the year ended December 31, 2009:

	Total (In millions)
Balance as of December 31, 2008	$ 393
Additions	3
Revisions in estimated cashflows	(5)
Accretion — Expense	8
Accretion — Nuclear decommissioning	16
Balance as of December 31, 2009	$ 415

Note 14 — Benefit Plans and Other Postretirement Benefits

NRG sponsors and operates three defined benefit pension and other postretirement plans. The NRG Plan for Bargained Employees and the NRG Plan for Non-bargained Employees are maintained solely for eligible legacy NRG participants. A third plan, the Texas Genco Retirement Plan, is maintained for participation by eligible Texas based employees. NRG expects to contribute approximately $18 million to the Company's three pension plans in 2010.

NRG Plans for Bargained and Non-bargained Employees — Substantially all employees hired prior to December 5, 2003, were eligible to participate in NRG's legacy defined benefit pension plans. The Company initiated a noncontributory, defined benefit pension plan effective January 1, 2004, with credit for service from December 5, 2003. In addition, the Company provides postretirement health and welfare benefits for certain groups of employees. Generally, these are groups that were acquired prior to 2004 and for whom prior benefits are being continued (at least for a certain period of time or as required by union contracts). Cost sharing provisions vary by acquisition group and terms of any applicable collective bargaining agreements.

Texas Genco Retirement Plan — The Texas region's pension plan is a noncontributory defined benefit pension plan that provides a final average pay benefit or cash balance benefit, where the participant receives the more favorable of the two formulas, based on all years of service. In addition, employees who were hired prior to 1999 are also eligible for grandfathered benefits under a final average pay formula. In most cases, the benefits under the grandfathered formula were frozen on December 31, 2008. NRG's Texas region employees are also covered under an unfunded postretirement health and welfare plan. Each year, employees receive a fixed credit of $750 to their account plus interest. Certain grandfathered employees will receive additional credits through 2008. At retirement, the employees may use their accounts to purchase retiree medical and dental benefits from NRG. NRG's costs are limited to the amounts earned in the employee's account; all other costs are paid by the participant.

NRG Defined Benefit Plans

The net annual periodic pension cost related to NRG domestic pension and other postretirement benefit plans include the following components:

	Year Ended December 31, Pension Benefits		
	2009	2008	2007
		(In millions)	
Service cost benefits earned	$ 12	$ 14	$ 15
Interest cost on benefit obligation	20	18	17
Expected return on plan assets	(16)	(14)	(11)
Amortization of unrecognized net gain	1	(1)	—
Net periodic benefit cost	$ 17	$ 17	$ 21

	Year Ended December 31, Other Postretirement Benefits		
	2009	2008	2007
		(In millions)	
Service cost benefits earned	$ 2	$ 2	$ 2
Interest cost on benefit obligation	6	6	5
Amortization of unrecognized prior service cost	1	1	—
Net periodic benefit cost	$ 9	$ 9	$ 7

A comparison of the pension benefit obligation, other post retirement benefit obligations, and related plan assets as of December 31, 2009 and 2008 for NRG's plans on a combined basis is as follows:

	As of December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(In millions)			
Benefit obligation at January 1	$ 291	$ 290	$ 91	$ 83
Service cost	12	14	2	2
Interest cost	20	18	6	6
Plan amendments	1	—	—	5
Actuarial gain	45	(19)	6	(4)
Employee and retiree contributions	—	—	1	—
Benefit payments	(12)	(12)	(2)	(1)
Benefit obligation at December 31	357	291	104	91
Fair value of plan assets at January 1	195	168	—	—
Actual return on plan assets	53	(60)	—	—
Employee contributions	—	—	1	—
Employer contributions	27	99	1	1
Benefit payments	(12)	(12)	(2)	(1)
Fair value of plan assets at December 31	263	195	—	—
Funded status at December 31 — excess of obligation over assets	$ (94)	$ (96)	$(104)	$ (91)

Amounts recognized in NRG's balance sheets were as follows:

	As of December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(In millions)			
Current liabilities	$ —	$ —	$ 2	$ 2
Non-current liabilities	94	96	102	89

Amounts recognized in NRG's accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost were as follows:

	As of December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(In millions)			
Unrecognized loss/(gain)	$ 29	$ 21	$ 1	$ (6)
Prior service (credit)/cost	(3)	(3)	4	5

Other changes in plan assets and benefit obligations recognized in other comprehensive income were as follows:

	Year Ended December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
	(In millions)			
Net loss/(gain)	$ 7	$ 55	$ 7	$ (4)
Amortization of net actuarial loss	—	1	—	—
Prior service cost	1	—	—	5
Amortization for prior service cost	—	—	(1)	(1)
Total recognized in other comprehensive loss	$ 8	$ 56	$ 6	$ —
Total recognized in net periodic pension cost and other comprehensive income	$ 25	$ 73	$ 15	$ 9

The Company's estimated net gain for NRG's domestic pension plan that will be amortized from the accumulated other comprehensive income to net periodic cost over the next fiscal year is minimal.

The following table presents the balances of significant components of NRG's domestic pension plan:

	As of December 31,	
	Pension Benefits	
	2009	2008
	(In millions)	
Projected benefit obligation	$ 357	$ 291
Accumulated benefit obligation	309	251
Fair value of plan assets	263	195

NRG's market-related value of its plan assets is the fair value of the assets. The fair values of the Company's pension plan assets at December 31, 2009 by asset category are as follows:

	Fair Value Measurements at December 31, 2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In millions)			
U.S. equity investment	$ 44	$ —	$ —	$ 44
International equity investment	12	—	—	12
Corporate bond investment-fixed income	23	—	—	23
Common/collective trust investment – U.S. equity	—	107	—	107
Common/collective trust investment – international equity	—	29	—	29
Common/collective trust investment – fixed income	—	48	—	48
Total	$ 79	$ 184	$ —	$ 263

The fair value of the U.S. and international equity investments and the corporate bond investment are based on quoted prices in active markets and are categorized in Level 1. All equity investments are valued at the net asset value of shares held at year end. The fair value of the corporate bond investment is based on the closing price reported on the active market on which the individual securities are traded. The fair value of the common /collective trusts are valued at fair value which is equal to the sum of the market value of all of the fund's underlying investments and is categorized as Level 2.

The following table presents the significant assumptions used to calculate NRG's benefit obligations:

Weighted-Average Assumptions	As of December 31, Pension Benefits 2009	2008	Other Postretirement Benefits 2009	2008
Discount rate	5.93%	6.88%	6.14%	6.88%
Rate of compensation increase	4.00-4.50%	4.00-4.50%	N/A	N/A
Health care trend rate	—	—	9.5% grading to 5.5% in 2016	9.5% grading to 5.5% in 2016

The following table presents the significant assumptions used to calculate NRG's benefit expense:

Weighted-Average Assumptions	As of December 31, Pension Benefits 2009	2008	2007	Other Postretirement Benefits 2009	2008	2007
Discount rate	6.88%	6.56%	5.92%	6.88%	6.56%	5.92%
Expected return on plan assets	7.50%	7.50%	8.00%	—	—	—
Rate of compensation increase	4.00-4.50%	4.00-4.50%	4.00-4.50%	—	—	—
Health care trend rate	—	—	—	9.5% grading to 5.5% in 2016	9.5% grading to 5.5% in 2016	10.5% grading to 5.5% in 2012

NRG uses December 31 of each respective year as the measurement date for the Company's pension and other postretirement benefit plans. The Company sets the discount rate assumptions on an annual basis for each of NRG's retirement related benefit plans at their respective measurement date. This rate is determined by NRG's Investment Committee based on information provided by the Company's actuary. The discount rate assumptions reflect the current rate at which the associated liabilities could be effectively settled at the end of the year. The discount rate assumptions used to determine future pension obligations as of December 31, 2009, and 2008 were based on the Hewitt Yield Curve, or HYC, which was designed by Hewitt Associates to provide a means for plan sponsors to value the liabilities of their postretirement benefit plans. The HYC is a hypothetical yield curve represented by a series of annualized individual discount rates. Each bond issue underlying the HYC is required to have a rating of Aa or better by Moody's Investor Service, Inc. or a rating of AA or better by Standard & Poor's.

NRG employs a total return investment approach, whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The target allocation of plan assets is 63% to 77% invested in equity securities of which 50% to 60% invested in U.S. equity securities, with the remainder invested in fixed income securities. The Investment Committee reviews the asset mix periodically and as the plan assets increase in future years, the Investment Committee may examine other asset classes such as real estate or private equity. NRG employs a building block approach to determining the long-term rate of return for plan assets, with proper consideration given to diversification and rebalancing. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved, consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

Plan assets are currently invested in a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. equities, as well as among growth, value, small and large capitalization stocks.

NRG's pension plan assets weighted average allocation as of December 31, 2009, and 2008 were as follows:

	As of December 31, 2009	2008
U.S. Equity	50-60%	50-55%
International Equity	13-17%	15%
U.S. Fixed Income	25-35%	30-35%

NRG's expected future benefit payments for each of the next five years, and in the aggregate for the five years thereafter, are as follows:

	Pension Benefit Payments	Other Postretirement Benefit: Benefit Payments	Other Postretirement Benefit: Medicare Prescription Drug Reimbursements
		(In millions)	
2010	$ 16	$ 2	$ —
2011	17	3	—
2012	19	3	—
2013	21	4	—
2014	23	4	—
2015-2019	149	30	1

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
	(In millions)	
Effect on total service and interest cost components	$ 1	$ (1)
Effect on postretirement benefit obligation	9	(7)

STP Defined Benefit Plans

NRG has a 44% undivided ownership interest in STP, as discussed further in Note 27, *Jointly Owned Plants.* STPNOC, who operates and maintains STP, provides its employees a defined benefit pension plan as well as postretirement health and welfare benefits. Although NRG does not sponsor the STP plan, it reimburses STPNOC for 44% of the contributions made towards its retirement plan obligations. For the years ending December 31, 2009, and 2008, NRG reimbursed STPNOC approximately $5 million and $6 million, respectively, towards its defined benefit plans. In 2010, NRG expects to reimburse STPNOC approximately $4 million for its contributions towards the plans.

The Company has recognized the following in its statement of financial position and accumulated other comprehensive income related to its 44% interest in STP:

	As of December 31,			
	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
		(In millions)		
Funded status — STPNOC benefit plans	$ (43)	$ (48)	$ (30)	$ (27)
Net periodic benefit costs	10	5	4	3
Other changes in plan assets and benefit obligations recognized in other comprehensive income	(10)	27	5	6

Defined Contribution Plans

NRG's employees have also been eligible to participate in defined contribution 401(K) plans. The Company's contributions to these plans were approximately $22 million, $17 million, and $16 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Note 15 — Capital Structure

The following table reflects the changes in NRG's common stock issued and outstanding for the year ended December 31, 2009, 2008, and 2007:

	Authorized	Issued	Treasury	Outstanding
Balance as of December 31, 2006	500,000,000	274,248,264	(29,601,162)	244,647,102
Retirement of shares	—	(14,094,962)	14,094,962	—
Additional Share Repurchase	—	—	(2,037,700)	(2,037,700)
Capital Allocation Plans	—	—	(7,006,700)	(7,006,700)
Shares issued from LTIP	—	1,132,227	—	1,132,227
Balance as of December 31, 2007	500,000,000	261,285,529	(24,550,600)	236,734,929
Capital Allocation Plans	—	—	(4,691,883)	(4,691,883)
Shares issued from LTIP	—	1,004,176	—	1,004,176
5.75% Preferred Stock conversion	—	1,309,495	—	1,309,495
Balance as of December 31, 2008	500,000,000	263,599,200	(29,242,483)	234,356,717
Shares issued under NRG Employee Stock Purchase Plan, or ESPP	—	—	81,532	81,532
Shares loaned to affiliates of CS	—	—	12,000,000	12,000,000
Shares returned by affiliate of CS	—	—	(5,400,000)	(5,400,000)
Capital Allocation Plans	—	—	(19,305,500)	(19,305,500)
Shares issued from LTIP	—	367,858	—	367,858
4.00% Preferred Stock conversion	—	13,293,500	—	13,293,500
5.75% Preferred Stock conversion	—	18,601,201	—	18,601,201
Balance as of December 31, 2009	500,000,000	295,861,759	(41,866,451)	253,995,308

The following table summarizes NRG's common stock reserved for the maximum number of shares potentially issuable based on the conversion and redemption features of outstanding equity instruments and the long-term incentive plan as of December 31, 2009:

Equity Instrument	Common Stock Reserve Balance
4% Convertible perpetual preferred	12,858,472
3.625% Convertible perpetual preferred	16,000,000
Long term incentive plan	13,193,707
Total	42,052,179

Capital Allocation Plan — In December 2007, the Company initiated its 2008 Capital Allocation Plan, with the repurchase of 2,037,700 shares of NRG common stock during that month for approximately $85 million. In February 2008, the Company's Board of Directors authorized an additional $200 million in common share repurchases that raised the total 2008 Capital Allocation Plan to approximately $300 million. During 2008, the Company repurchased a total of 4,691,883 shares for approximately $185 million. As of December 31, 2008, NRG had repurchased a total of 6,729,583 shares of NRG common stock at a cost of approximately $270 million as part of its 2008 Capital Allocation Plan.

In the third quarter 2009, to complete its remaining $30 million planned share re-purchase under the 2008 Capital Allocation plan and to initiate its 2009 Capital Allocation Plan, the Company repurchased 8,919,100 shares of NRG common stock for approximately $250 million. In the fourth quarter 2009, the Company repurchased an additional 10,386,400 shares of NRG common stock for approximately $250 million. For 2009, NRG repurchased a total of 19,305,500 shares of NRG common stock at a cost of approximately $500 million under its share repurchase program.

Retirement of Treasury Stock — On May 22, 2007, NRG retired 14,094,962 shares of treasury stock. These retired shares are now included in the Company's pool of authorized but unissued shares. The retired stock had a carrying value of approximately $447 million. The Company's accounting policy upon the formal retirement of treasury stock is to deduct its par value from Common Stock and to reflect any excess of cost over par value as a deduction from Additional Paid-in Capital.

Employee Stock Purchase Plan — In May 2008, NRG shareholders approved the adoption of the NRG Energy, Inc. Employee Stock Purchase Plan, or ESPP, pursuant to which eligible employees may elect to withhold up to 10% of their eligible compensation to purchase shares of NRG common stock at 85% of its fair market value on the exercise date. An exercise date occurs each June 30 and December 31. The initial six month employee withholding period began July 1, 2008 and the first issuance of common stock under the ESPP occurred in 2009. As of December 31, 2009, there remained 418,468 shares of treasury stock reserved for issuance under the ESPP, and in January 2010, 54,845 shares of common stock were issued to employee accounts from treasury stock.

Share Lending Agreements — As discussed in Note 12, *Debt and Capital Leases*, under *Debt Related to Capital Allocation Program*, CSF I and CSF II loaned 12,000,000 shares of NRG common stock to affiliates of CS in the first quarter 2009, and in the fourth quarter 2009, CS returned 5,400,000 of these shares in connection with the maturity of the CSF II Debt.

Preferred Stock

As of December 31, 2009, and 2008, the Company had 10,000,000 shares of preferred stock authorized. As of December 31, 2009, the Company's preferred stock consisted of two series: the 4% Convertible Perpetual Preferred Stock, or 4% Preferred Stock; and the 3.625% Convertible Perpetual Preferred Stock, which is treated as Redeemable Preferred Stock, or 3.625% Preferred Stock.

5.75% Preferred Stock

On February 2, 2006, NRG completed the issuance of 2,000,000 shares of 5.75% Preferred Stock, for net proceeds of $486 million, reflecting an offering price of $250 per share and the deduction of offering expenses and discounts of approximately $14 million. Dividends on the 5.75% Preferred Stock were $14.375 per share per year, and were due and payable on a quarterly basis beginning on March 15, 2006.

Certain holders of the Company's 5.75% Preferred Stock elected to convert their preferred shares into NRG common shares prior to the mandatory conversion date of March 16, 2009 at the minimum conversion rate of 8.2712. As of March 16, 2009, each remaining outstanding share of the 5.75% Preferred Stock automatically converted into shares of common stock at a rate of 10.2564, based upon the applicable market value of NRG's common stock. These conversions resulted in a decrease in preferred stock of $447 million, and a corresponding increase in Additional Paid-in Capital. The following table summarizes the conversion of the 5.75% Preferred Stock into NRG Common Stock:

	Preferred Stock Shares	Conversion Rate (per share)	Common Stock Shares
Balance as of December 31, 2008	1,841,680		—
Preferred shares converted by the holders prior to March 16, 2009	144,975	8.2712	1,199,116
Preferred shares automatically converted as of March 16, 2009	1,696,705	10.2564	17,402,085
Balance at December 31, 2009	—		18,601,201

4% Preferred Stock

As of December 31, 2009, and 2008, 154,057 and 420,000 shares of the Company's 4% Preferred Stock were issued and outstanding at a liquidation value, net of issuance costs, of $149 million and $406 million, respectively. The 4% Preferred Stock has a liquidation preference of $1,000 per share. Holders of the 4% Preferred Stock are entitled to receive, when declared by NRG's Board of Directors, cash dividends at the rate of 4% per annum, or $40.00 per share per year, payable quarterly in arrears commencing on March 15, 2005. The 4% Preferred Stock is convertible, at the option of the holder, at any time into shares of NRG's common stock at an initial conversion price of $20.00 per share. In addition, NRG had the ability to redeem, on or after December 20, 2009, and subject to certain limitations, some or all of the 4% Preferred Stock with cash at a redemption price equal to 100% of the liquidation preference, plus accumulated but unpaid dividends, including liquidated damages, if any, to the redemption date.

During the first half of 2009, 413 shares of 4% Preferred Stock were converted, at the option of the holder, into 20,650 shares of common stock. In addition, in November 2009, NRG notified the holders of the Company's intention to redeem approximately 50% of the outstanding 4% Preferred Stock and 265,457 shares of the 4% Preferred Stock were converted, at the option of the holder, into 13,272,850 shares of common stock in December 2009 in response to this notification. These conversions resulted in a decrease in preferred stock of $257 million, and a corresponding increase in Additional Paid-in Capital. The following table summarizes all 4% Preferred Stock conversions and redemptions for the year ended December 31, 2009:

	Preferred Stock Shares	Conversion Rate (per share)	Common Stock Shares
Balance as of December 31, 2008	420,000		—
Preferred shares converted by the holders prior to November 20, 2009	413	50	20,650
First redemption:			
Preferred shares converted by the holders prior to December 22, 2009	256,486	50	12,824,300
Preferred shares redeemed for cash by the Company prior to December 22, 2009	73		
Second redemption:			
Preferred shares converted by the holders prior to December 31 , 2009	8,971	50	448,550
Balance at December 31, 2009	154,057		13,293,500

On December 22, 2009, NRG notified the holders of the 4% Preferred Stock of the Company's intention to call for redemption the remaining outstanding shares of 4% Preferred Stock on January 21, 2010. As of January 21, 2010, the Company completed the redemption of the remaining shares of 4% Preferred Stock, with holders converting 154,029 shares to 7,701,450 shares of common stock and the Company redeeming 28 shares for $28,000 cash.

Redeemable Preferred Stock

3.625% Preferred Stock

On August 11, 2005, NRG issued 250,000 shares of 3.625% Preferred Stock, which is treated as Redeemable Preferred Stock, to CS in a private placement. As of December 31, 2009 and 2008, 250,000 shares of the 3.625% Preferred Stock were issued and outstanding at a liquidation value, net of issuance costs, of $247 million. The 3.625% Preferred Stock amount is located after the liabilities but before the stockholders' equity section on the balance sheet, due to the fact that the preferred shares can be redeemed in cash by the shareholder. The 3.625% Preferred Stock has a liquidation preference of $1,000 per share. Holders of the 3.625% Preferred Stock are entitled to receive, out of legally available funds, cash dividends at the rate of 3.625% per annum, or $36.25 per share per year, payable in cash quarterly in arrears commencing on December 15, 2005.

Each share of the 3.625% Preferred Stock is convertible during the 90-day period beginning August 11, 2015 at the option of NRG or the holder. Holders tendering the 3.625% Preferred Stock for conversion shall be entitled to receive, for each share of 3.625% Preferred Stock converted, $1,000 in cash and a number of shares of NRG common stock equal to the product of (a) the greater of (i) the difference between the average closing share price of NRG common stock on each of the 20 consecutive scheduled trading days starting on the date 30 exchange business days immediately prior to the conversion date, or the Market Price, and $29.54 and (ii) zero, times (b) 50.77. The number of NRG common stock to be delivered under the conversion feature is limited to 16,000,000 shares. If upon conversion, the Market Price is less than $19.69, then the Holder will deliver to NRG cash or a number of shares of NRG common stock equal in value to the product of (i) $19.69 minus the Market Price, times (ii) 50.77. NRG may elect to make a cash payment in lieu of delivering shares of NRG common stock in connection with such conversion, and NRG may elect to receive cash in lieu of shares of common stock, if any, from the Holder in connection with such conversion. The conversion feature is considered an embedded derivative per ASC 815 that is exempt from derivative accounting as it is excluded from the scope pursuant to ASC 815.

If a fundamental change occurs, the holders will have the right to require NRG to repurchase all or a portion of the 3.625% Preferred Stock for a period of time after the fundamental change at a purchase price equal to 100% of the liquidation preference, plus accumulated and unpaid dividends. The 3.625% Preferred Stock is senior to all classes of common stock, on parity with the Company's 4% Preferred Stock, and junior to all of the Company's existing and future debt obligations and all of NRG subsidiaries' existing and future liabilities and capital stock held by persons other than NRG or its subsidiaries.

Note 16 — Investments Accounted for by the Equity Method

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 impairments, unrealized gains and losses on derivatives and movements in foreign currency exchange rates, as well as other adjustments.

The following table summarizes NRG's equity method investments, as of December 31, 2009:

Name	Geographic Area	Economic Interest
Sherbino I Wind Farm LLC	USA	50.0%
Saguaro Power Company	USA	50.0%
GenConn Energy LLC	USA	50.0%
Gladstone Power Station	Australia	37.5%

MIBRAG — On June 10, 2009, NRG completed the sale of its 50% ownership in Mibrag B.V. See further discussion in Note 4, *Discontinued Operations and Dispositions.*

Sherbino I Wind Farm LLC — NRG owns a 50% interest in Sherbino, a joint venture with BP Wind Energy North America Inc. Sherbino is a 150MW wind farm consisting of 50 Vestas 3MW wind turbine generators, which commenced commercial operations in October 2008. NRG contributed approximately $84 million to its equity investment in Sherbino in 2008. NRG's equity loss from Sherbino was insignificant for the year ended December 31, 2009, and for the year ended December 31, 2008, NRG posted equity earnings from Sherbino of $8 million.

Saguaro Power Company — NRG owns a 50% interest in the Saguaro plant, a cogeneration plant with dual-fuel capability, natural gas and oil. For the year ended December 31, 2009, NRG's equity income from Saguaro was $10 million. NRG posted equity losses in 2008 and 2007 of $2 million and $3 million, respectively.

GenConn Energy LLC — NRG owns a 50% interest in GenConn, a limited liability company formed in February 2008 by NRG and The United Illuminating Company, or UI, for the construction and operation of two 200 MW peaking facilities in Connecticut through GenConn's wholly-owned subsidiaries, GenConn Devon, LLC, or Devon, and GenConn Middletown LLC, or Middletown. Devon and Middletown have each entered into 30-year cost of service type contracts with CL&P as mandated by the DPUC, commencing when the facilities reach commercial operations, currently expected to be 2010 and 2011, respectively.

The project is expected to be funded through equity contributions from the owners and non-recourse, project level debt. As of December 31, 2009, NRG has made a nominal equity investment in GenConn. In addition, as discussed in Note 9, *Capital Leases and Notes Receivable*, in 2008 NRG entered into a short-term $45 million note receivable facility with GenConn to fund NRG's proportionate share of project liquidity needs which was repaid in 2009. NRG's maximum exposure to loss is limited to its equity investments and note receivable.

On April 27, 2009, a wholly-owned subsidiary of NRG, NRG Connecticut Peaking LLC, closed on an equity bridge loan facility, or EBL, in the amount of $121.5 million from a syndicate of banks. For a detailed discussion on the facility, see Note 12 — *Debt and Capital Leases.* GenConn had borrowed $108 million under this facility as of December 31, 2009.

As discussed in Note 21, *Related Party Transactions*, NRG has entered into construction management agreements with Devon and Middletown, and recognized approximately $7 million and $1 million of revenue for the years ended December 31, 2009 and 2008, respectively. In addition, NRG earned interest income of $2 million in 2009 from GenConn on an outstanding note receivable as discussed in Note 9, *Capital Leases and Notes Receivable*.

GenConn is considered a VIE under ASC 810, but NRG is not the primary beneficiary of GenConn and accounts for its 50% interest under the equity method. GenConn is a development stage entity, and is not expected to begin generating revenues until 2010; therefore NRG recognized no equity earnings from the joint venture for the years ended December 31, 2008 or 2009.

Gladstone — Through a joint venture, NRG owns a 37.5% interest in Gladstone, a 1,613 megawatt coal-fueled power generation facility in Queensland, Australia. The power generation facility is managed by the joint venture participants and the facility is operated by NRG. Operating expenses incurred in connection with the operation of the facility are funded by each of the participants in proportion to their ownership interests. Coal is sourced from local mines in Queensland. NRG and the joint venture participants receive their respective share of revenues directly from the off takers in proportion to the ownership interests in the joint venture. Power generated by the facility is primarily sold to an adjacent aluminum smelter, with excess power sold to the Queensland Government owned utility under long term supply contracts. For the years ended December 31, 2009, 2008 and 2007, NRG's equity earnings from Gladstone were approximately $17 million, $21 million and $21 million, respectively.

The undistributed earnings from equity investments as of December 31, 2009 and 2008, were $132 million and $116 million, respectively.

Note 17 — Earnings Per Share

Basic earnings per common share is computed by dividing net income less accumulated preferred stock dividends by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the year are weighted for the portion of the year that they were outstanding. Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during the period.

Dilutive effect for equity compensation — The outstanding non-qualified stock options, non-vested restricted stock units, deferred stock units and performance units are not considered outstanding for purposes of computing basic earnings per share. However, these instruments are included in the denominator for purposes of computing diluted earnings per share under the treasury stock method.

Dilutive effect for other equity instruments — NRG's outstanding 4% Preferred Stock and 5.75% Preferred Stock are not considered outstanding for purposes of computing basic earnings per share. However, these instruments are considered for inclusion in the denominator for purposes of computing diluted earnings per share under the if-converted method. The if-converted method is also used to determine the dilutive effect of embedded derivatives in the Company's 3.625% Preferred Stock, and CSF preferred interests and notes.

The reconciliation of NRG's basic earnings per common share to diluted earnings per share for the years ended December 31, 2009, 2008 and 2007 is shown in the following table:

	Year Ended December 31,		
	2009	2008	2007
	(In millions)		
Basic earnings per share attributable to NRG common stockholders			
Numerator:			
Income from continuing operations, net of income taxes	$ 942	$ 1,053	$ 556
Preferred stock dividends	(33)	(55)	(55)
Net income available to common stockholders from continuing operations	909	998	501
Income from discontinued operations, net of tax	—	172	17
Net income attributable to NRG Energy, Inc. available to common stockholders	$ 909	$ 1,170	$ 518
Denominator:			
Weighted average number of common shares outstanding	245.5	235.0	240.2
Basic earnings per share:			
Income from continuing operations	$ 3.70	$ 4.25	$ 2.09
Income from discontinued operations, net of tax	—	0.73	0.07
Net income attributable to NRG Energy, Inc.	$ 3.70	$ 4.98	$ 2.16
Diluted earnings per share attributable to NRG common stockholders			
Numerator:			
Net income available to common stockholders from continuing operations	$ 909	$ 998	$ 501
Add preferred stock dividends for dilutive preferred stock	23	46	46
Adjusted income from continuing operations available to common stockholders	932	1,044	547
Income from discontinued operations, net of tax	—	172	17
Net income attributable to NRG Energy, Inc. available to common stockholders	$ 932	$ 1,216	$ 564
Denominator:			
Weighted average number of common shares outstanding	245.5	235.0	240.2
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	1.2	2.3	3.8
Incremental shares attributable to embedded derivatives of certain financial instruments (if-converted method)	—	—	6.0
Incremental shares attributable to the assumed conversion features of outstanding preferred stock (if-converted method)	24.5	37.5	37.5
Total dilutive shares	271.2	274.8	287.5
Diluted earnings per share:			
Income from continuing operations available to common stockholders	$ 3.44	$ 3.80	$ 1.90
Income from discontinued operations, net of tax	—	0.63	0.06
Net income attributable to NRG Energy, Inc.	$ 3.44	$ 4.43	$ 1.96

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

	Year Ended December 31,		
	2009	2008	2007
	(In millions of shares)		
Equity compensation — NQSO's and PU's	5.7	1.9	0.1
Embedded derivative of 3.625% redeemable perpetual preferred stock	16.0	16.0	12.2
Embedded derivatives of CSF preferred interests and notes	—	7.6	16.1
Total	21.7	25.5	28.4

Note 18 — Segment Reporting

NRG's segment structure reflects core areas of operation which are primarily segregated based on the Company's wholesale power generation, retail, thermal and chilled water business, and corporate activities. In May 2009, NRG's segment structure changed to reflect the Company's acquisition of Reliant Energy and has been incorporated as a separate reporting segment as per ASC 280, *Segment Reporting*. Within NRG's wholesale power generation operations, there are distinct components with separate operating results and management structures for the following geographical regions: Texas, Northeast, South Central, West and International. The Company's corporate activities include wind, solar and nuclear development.

In the second quarter 2009, management changed its method for allocating corporate general and administrative expenses to the segments. Corporate general and administrative expenses had been allocated based on budgeted segment revenues. Beginning in the second quarter 2009, corporate general and administrative expenses have been allocated based on forecasted earnings/(losses) before interest expense, income taxes, depreciation and amortization expense.

As of December 31, 2009, there were no customers from whom the Company derived more than 10% of the Company's consolidated revenues. The following table summarizes customers from whom NRG derived more than 10% of the Company's consolidated revenues for the years ended December 31, 2008 and 2007:

	Year Ended December 31,	
	2008	2007
Customer A — Texas region	11%	—%
Customer B — Texas region	11	27
Total	22%	27%

						Year Ended December 31, 2009				
		Wholesale Power Generation								
	Reliant Energy	Texas[(a)]	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
						(In millions)				
Operating revenues	$4,182	$ 2,946	$1,201	$581	$150	$144	$135	$ 28	$ (415)	$ 8,952
Operating expenses	3,044	1,634	740	508	110	116	112	129	(418)	5,975
Depreciation and amortization	137	472	118	67	8	—	10	6	—	818
Operating income/(loss)	1,001	840	343	6	32	28	13	(107)	3	2,159
Equity in earnings of unconsolidated affiliates	—	—	—	—	10	31	—	—	—	41
Gains on sales of equity method investments	—	—	—	—	—	128	—	—	—	128
Other income/(loss), net	—	7	2	1	—	(20)	—	27	(22)	(5)
Refinancing expenses	(1)	—	—	—	—	—	—	(19)	—	(20)
Interest expense	(34)	(4)	(54)	(48)	(2)	(8)	(5)	(497)	18	(634)
Income/(loss) from continuing operations before income taxes	966	843	291	(41)	40	159	8	(596)	(1)	1,669
Income tax expense	—	171	—	—	—	9	—	548	—	728
Income/(loss) from continuing operations	966	672	291	(41)	40	150	8	(1,144)	(1)	941
Net income/(loss)	966	672	291	(41)	40	150	8	(1,144)	(1)	941
Less: Net loss attributable to noncontrolling interest	—	(1)	—	—	—	—	—	—	—	(1)
Net income/(loss) attributable to NRG Energy, Inc.	$ 966	$ 673	$ 291	$(41)	$ 40	$150	$ 8	$(1,144)	$ (1)	$ 942
Balance sheet										
Equity investments in affiliates	$ 2	$ 92	$ 6	$ —	$ 35	$273	$ —	$ 1	$ —	$ 409
Capital expenditures	7	189	207	9	8	—	10	353	—	783
Goodwill	—	1,713	—	—	—	—	—	5	—	1,718
Total assets	$2,007	$13,092	$1,866	$909	$329	$785	$206	$22,442	$(18,258)	$23,378

(a) Includes inter-segment sales of $411 million to Reliant Energy.

If the Company continued using the 2008 allocation method for corporate general and administrative expenses, the effect to net income/(loss) of each segment for the year ended December 31, 2009, would have been as follows:

	Reliant Energy	Texas	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
Net income/(loss) attributable to NRG Energy, Inc. as reported	$ 966	$ 673	$ 291	$(41)	$ 40	$150	$ 8	$(1,144)	$ (1)	$ 942
Increase/(decrease) in net income/(loss) attributable to NRG Energy, Inc.	(46)	33	13	(3)	2	1	—	—	—	—
Adjusted net income/(loss) attributable to NRG Energy, Inc.	$ 920	$ 706	$ 304	$(44)	$ 42	$151	$ 8	$(1,144)	$ (1)	$ 942

	Year Ended December 31, 2008								
	Wholesale Power Generation								
	Texas	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
	(In millions)								
Operating revenues	$ 4,026	$1,630	$746	$171	$158	$154	$ 3	$ (3)	$ 6,885
Operating expenses	1,890	1,087	579	105	133	122	52	(5)	3,963
Depreciation and amortization	451	109	67	8	—	10	4	—	649
Operating income/(loss)	1,685	434	100	58	25	22	(53)	2	2,273
Equity in earnings/(loss) of unconsolidated affiliates	9	—	—	(2)	52	—	—	—	59
Other income, net	9	12	1	1	5	—	20	(31)	17
Interest expense	(100)	(56)	(51)	(6)	—	(6)	(383)	19	(583)
Income/(loss) from continuing operations before income taxes	1,603	390	50	51	82	16	(416)	(10)	1,766
Income tax expense	692	—	—	—	19	—	2	—	713
Income/(loss) from continuing operations	911	390	50	51	63	16	(418)	(10)	1,053
Income from discontinued operations, net of income taxes	—	—	—	—	172	—	—	—	172
Net income/(loss)	911	390	50	51	235	16	(418)	(10)	1,225
Net income/(loss) attributable to NRG Energy, Inc.	$ 911	$ 390	$ 50	$ 51	$235	$ 16	$ (418)	$ (10)	$ 1,225
Balance sheet									
Equity investments in affiliates	$ 92	$ 1	$ —	$ 25	$372	$ —	$ —	$ —	$ 490
Capital expenditures	238	208	14	35	—	11	509	—	1,015
Goodwill	1,713	—	—	—	—	—	5	—	1,718
Total assets	$12,899	$1,667	$933	$264	$973	$208	$20,215	$(12,351)	$24,808

	Year Ended December 31, 2007								
	Wholesale Power Generation								
	Texas	Northeast	South Central	West	International	Thermal	Corporate	Elimination	Total
	(In millions)								
Operating revenues	$3,287	$1,605	$658	$127	$140	$159	$ 30	$(17)	$5,989
Operating expenses	1,849	1,045	533	85	112	125	47	(8)	3,788
Depreciation and amortization	469	102	68	3	—	11	5	—	658
Gain/(loss) on disposal/sale of assets	—	—	—	—	—	18	(1)	—	17
Operating income/(loss)	969	458	57	39	28	41	(23)	(9)	1,560
Equity in earnings/(loss) of unconsolidated affiliates	—	—	—	(3)	57	—	—	—	54
Gains on sales of equity method investments	—	—	—	—	—	—	1	—	1
Other income, net	7	—	—	—	8	1	58	(19)	55
Refinancing expenses	—	—	—	—	—	—	(35)	—	(35)
Interest expense	(164)	(57)	(53)	—	(5)	(6)	(436)	19	(702)
Income/(loss) from continuing operations before income taxes	812	401	4	36	88	36	(435)	(9)	933
Income tax expense/(benefit)	327	—	—	—	(12)	—	62	—	377
Income/(loss) from continuing operations	485	401	4	36	100	36	(497)	(9)	556
Income from discontinued operations, net of income taxes	—	—	—	—	17	—	—	—	17
Net income/(loss)	485	401	4	36	117	36	(497)	(9)	573
Net Income/(loss) attributable to NRG Energy, Inc.	$ 485	$ 401	$ 4	$ 36	$117	$ 36	$(497)	$ (9)	$ 573

Note 19 — Income Taxes

The income tax provision from continuing operations for the years ended December 31, 2009, 2008 and 2007 consisted of the following amounts:

	Year Ended December 31, 2009	2008	2007
		(In millions)	
Current			
U.S. Federal	$ 99	$ 89	$ (6)
State	20	31	(1)
Foreign	18	17	20
	137	137	13
Deferred			
U.S. Federal	599	539	347
State	1	35	47
Foreign	(9)	2	(30)
	591	576	364
Total income tax	$ 728	$ 713	$ 377
Effective tax rate	43.6%	40.4%	40.4%

The following represents the domestic and foreign components of income from continuing operations before income tax expense for the years ended December 31, 2009, 2008 and 2007:

	Year Ended December 31, 2009	2008	2007
		(In millions)	
U.S.	$ 1,508	$ 1,681	$ 847
Foreign	161	85	86
Total	$ 1,669	$ 1,766	$ 933

A reconciliation of the U.S. federal statutory rate of 35% to NRG's effective rate from continuing operations for the years ended December 31, 2009, 2008 and 2007 were as follows:

	Year Ended December 31, 2009	2008	2007
	(In millions, except percentages)		
Income from continuing operations before income taxes	$ 1,669	$ 1,766	$ 933
Tax at 35%	584	618	327
State taxes, net of federal benefit	23	74	46
Foreign operations	(53)	(10)	(13)
Subpart F taxable income	—	2	—
Valuation allowance	119	(12)	6
Expiration of capital losses	249	—	—
Reversal of valuation allowance on expired capital losses	(249)	—	—
Change in state effective tax rate	(5)	(11)	—
Change in local German effective tax rates	—	—	(29)
Foreign dividends and foreign earnings	33	32	26
Non-deductible interest	10	12	10
FIN 48 interest	9	8	—
Production tax credit	(10)	—	—
Other	18	—	4
Income tax expense	$ 728	$ 713	$ 377
Effective income tax rate	43.6%	40.4%	40.4%

The effective income tax rate for the year ended December 31, 2009, 2008 and 2007 differs from the U.S. statutory rate of 35% due to changes in the valuation allowance as a result of capital gain or losses generated during the period. In addition, the current earnings in foreign jurisdictions are taxed at rates lower than the U.S. statutory rate, including the sale of the MIBRAG in 2009 which resulted in minimal tax due to the local jurisdiction.

For the year ended December 31, 2009, NRG's state effective income tax rate has been reduced to 3%, which is lower than its 2008 rate of 6%, due to increased operational activities within the state of Texas in the current year. This decrease was primarily due to the acquisition of Reliant Energy which operates in the state of Texas.

The temporary differences, which gave rise to the Company's deferred tax assets and liabilities as of December 31, 2009 and 2008, consisted of the following:

	As of December 31,	
	2009	2008
	(In millions)	
Deferred tax liabilities:		
Discount/premium on notes	$ 12	$ 13
Emissions allowances	119	112
Difference between book and tax basis of property	1,604	1,477
Derivatives, net	434	440
Goodwill	93	73
Anticipated repatriation of foreign earnings	6	26
Cumulative translation adjustments	29	22
Development costs	16	—
Intangibles amortization (excluding goodwill)	242	—
Investment in projects	32	—
Total deferred tax liabilities	2,587	2,163
Deferred tax assets:		
Deferred compensation, pension, accrued vacation and other reserves	195	126
Differences between book and tax basis of contracts	270	377
Non-depreciable property	19	19
Intangibles amortization (excluding goodwill)	—	164
Equity compensation	26	22
Claimants reserve	—	10
U.S. capital loss carryforwards	135	274
Foreign net operating loss carryforwards	78	66
State net operating loss carryforwards	28	28
Foreign capital loss carryforwards	1	1
Investments in projects	—	10
Deferred financing costs	7	10
Alternative minimum tax	40	20
Federal benefit on state FIN 48 liabilities	30	—
Other	11	4
Total deferred tax assets	840	1,131
Valuation allowance	(233)	(359)
Net deferred tax assets	607	772
Net deferred tax liability	$ 1,980	$ 1,391

The following table summarizes NRG's net deferred tax position as of December 31, 2009 and 2008:

	As of December 31,	
	2009	2008
	(In millions)	
Current deferred tax liability	$ 197	$ 201
Non-current deferred tax liability	1,783	1,190
Net deferred tax liability	$ 1,980	$ 1,391

Tax Receivable and Payable

As of December 31, 2009, NRG recorded a current tax payable of approximately $32 million that represents a tax liability due for domestic state taxes of approximately $20 million, as well as foreign taxes payable of approximately $12 million. In addition, NRG has a domestic tax receivable of $153 million, of which $102 million is federal cash grant receivable on Blythe Solar and Langford plants.

Deferred tax assets and valuation allowance

Net deferred tax balance — As of December 31, 2009, and 2008, NRG recorded a net deferred tax liability of $1,747 million and $1,032 million, respectively. However, due to an assessment of positive and negative evidence, including projected capital gains and available tax planning strategies, NRG believes that it is more likely than not that a benefit will not be realized on $233 million and $359 million of tax assets, thus a valuation allowance has remained, resulting in a net deferred tax liability of $1,980 million and $1,391 million as of December 31, 2009 and 2008, respectively. NRG believes it is more likely than not that future earnings will be sufficient to utilize the Company's deferred tax assets, net of the existing valuation allowances at December 31, 2009.

NOL carryforwards — At December 31, 2009, and 2008, the Company had cumulative state net operating losses, or NOLs, of $28 million. These NOLs will expire starting 2010. In addition, as of December 31, 2009, NRG has cumulative foreign NOL carryforwards of $280 million of which $82 million will expire starting 2011 through 2017 and of which $198 million do not have an expiration date.

Valuation allowance — As of December 31, 2009, the Company's valuation allowance was reduced by $249 million as result of the expiration of unused capital loss carryforwards. The valuation allowance was increased by $123 million primarily for certain derivative contracts that are eligible for capital loss treatment for tax purposes resulting in a net reduction of $126 million.

Uncertain tax benefits

NRG has identified unrecognized tax benefits whose after-tax value was $643 million that if recognized, would impact the Company's income tax expense.

As of December 31, 2009, and 2008, NRG has recorded a non-current tax liability of $347 and $208 million, respectively, for unrecognized tax benefits resulting from taxable earnings for the period for which there are no NOLs available to offset for financial statement purposes. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2009, and 2008, the Company recognized approximately $9 million, and $8 million, respectively, in interest and penalties. For the year ended December 31, 2007, the Company incurred an immaterial amount of interest and penalties related to its unrecognized tax benefit. As of December 31, 2009, and 2008, NRG had accrued interest and penalties related to these unrecognized tax benefits of approximately $17 and $8 million, respectively.

Tax jurisdictions — 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 major operations located in Germany and Australia. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2002. With few exceptions, state and local income tax examinations are no longer open for years before 2003. The Company's significant foreign operations are also no longer subject to examination by local jurisdictions for years prior to 2000.

The Company continues to be under examination by the Internal Revenue Service, or IRS, for years 2004 through 2006. It is possible that the IRS examination may conclude during 2010 but because of a possible extension, an estimate of the range of reasonably possible changes in unrecognized tax benefits cannot be made.

Sale of ITISA — On April 28, 2008, NRG completed the sale of its 100% interest in Tosli Acquisition B.V., or Tosli, which held all NRG's interest in ITISA, to Brookfield Renewable Power Inc. (previously Brookfield Power Inc.), a wholly-owned subsidiary of Brookfield Asset Management Inc. In addition, the purchase price adjustment contingency under the sale agreement was resolved on August 7, 2008. In connection with the sale, NRG recorded a capital gain of $218 million which further reduced the Company's uncertain tax benefits.

The following table reconciles the total amounts of unrecognized tax benefits at the beginning and end of the respective periods:

	As of December 31, 2009	As of December 31, 2008
	(In millions)	
Balance as of January 1	$ 527	$ 683
Increase due to current year positions	80	18
Decrease due to current year positions	—	(183)
Increase due to prior year positions	40	9
Decrease due to prior year positions	(4)	—
Decrease due to settlements and payments	—	—
Decrease due to statute expirations	—	—
Unrecognized tax benefits as of December 31	$ 643	$ 527

Included in the balance at December 31, 2009, are $43 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash or use of net operating loss carryforwards to an earlier period.

German Tax Reform Act 2008

On July 6, 2007, the German government passed the Tax Reform Act of 2008, which reduces the German statutory and resulting effective tax rates on earnings from approximately 36% to approximately 27% effective January 1, 2008. Due to this reduction in the statutory and resulting effective tax rate in 2007, NRG recognized a $29 million tax benefit and as of December 31, 2007, NRG had a German net deferred tax liability of approximately $84 million which includes the impact of this tax rate change.

Note 20 — Stock-Based Compensation

Long-Term Incentive Plan, or LTIP

As of December 31, 2009, and 2008, a total of 16,000,000 shares of NRG common stock were authorized for issuance under the LTIP, subject to adjustments in the event of reorganization, recapitalization, stock split, reverse stock split, stock dividend, and a combination of shares, merger or similar change in NRG's structure or outstanding shares of common stock. There were 5,129,593 and 6,798,074 shares of common stock remaining available for grants under NRG's LTIP as of December 31, 2009, and 2008, respectively.

Non-Qualified Stock Options, or NQSO's

NQSO's granted under the LTIP typically have a three-year graded vesting schedule beginning on the grant date and become exercisable at the end of the requisite service period. NRG recognizes compensation costs for NQSO's on a straight-line basis over the requisite service period for the entire award. The maximum contractual term is ten years for approximately 1.1 million of NRG's outstanding NQSO's, and six years for the remaining 3.7 million NQSO's.

The following table summarizes the Company's NQSO activity as of December 31, 2009, and changes during the year then ended:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In millions)
	(In whole)			
Outstanding at December 31, 2008	4,008,188	$ 25.84	4	$ 14
Granted	1,406,500	23.62		
Forfeited	(506,103)	29.86		
Exercised	(115,000)	13.21		
Outstanding at December 31, 2009	4,793,585	25.07	4	13
Exercisable at December 31, 2009	2,766,165	22.21	3	13

The weighted average grant date fair value of options granted during the years ended December 31, 2009, 2008 and 2007 was $8.64, $10.33, and $8.28, respectively. The total intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was $1.4 million, $14 million and $11 million, respectively and cash received from the exercise of these options was $2 million, $9 million and $7 million, respectively.

The fair value of the Company's NQSO's is estimated on the date of grant using the Black-Scholes option-pricing model. Significant assumptions used in the fair value model for the years ended December 31, 2009, 2008, and 2007 with respect to the Company's NQSO's are summarized below:

	2009	2008	2007
Expected volatility	44.36%-48.29%	26.75%-44.00%	25.88%-27.28%
Expected term (in years)	4	4	4
Risk free rate	1.43%-1.93%	1.33%-3.09%	4.58%-4.68%

For 2009, 2008, and 2007, expected volatility is calculated based on NRG's historical stock price volatility data over the period commensurate with the expected term of the stock option. Typically, the expected term for the Company's NQSO's is based on the simple average of the contractual term and vesting term. The Company uses this simplified method as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

Restricted Stock Units, or RSU's

Typically, RSU's granted under the Company's LTIP fully vest three years from the date of issuance. Fair value of the RSU's is based on the closing price of NRG common stock on the date of grant. The following table summarizes the Company's non-vested RSU awards as of December 31, 2009, and changes during the year then ended:

	Units	Weighted Average Grant-Date Fair Value per Unit
	(In whole)	
Non-vested at December 31, 2008	1,061,996	$ 32.97
Granted	1,021,800	26.13
Forfeited	(119,955)	31.79
Vested	(349,072)	23.50
Non-vested at December 31, 2009	1,614,769	30.78

The total fair value of RSU's vested during the years ended December 31, 2009, 2008, and 2007, was $8 million, $22 million and $40 million, respectively. The weighted average grant date fair value of RSU's granted during the years ended December 31, 2009, 2008 and 2007 was $26.13, $39.84 and $38.61, respectively.

Deferred Stock Units, or DSU's

DSU's represent the right of a participant to be paid one share of NRG common stock at the end of a deferral period established under the terms of the award. DSU's granted under the Company's LTIP are fully vested at the date of issuance. Fair value of the DSU's, which is based on the closing price of NRG common stock on the date of grant, is recorded as compensation expense in the period of grant.

The following table summarizes the Company's outstanding DSU awards as of December 31, 2009, and changes during the year then ended:

	Units	Weighted Average Grant-Date Fair Value per Unit
	(In whole)	
Outstanding at December 31, 2008	260,768	$ 18.50
Granted	65,437	22.77
Conversions	(22,156)	23.69
Outstanding at December 31, 2009	304,049	19.34

The aggregate intrinsic values for DSU's outstanding as of December 31, 2009, 2008, and 2007 were approximately $7 million, $6 million, and $12 million respectively. The aggregate intrinsic values for DSU's converted to common stock for the years ended December 31, 2009, 2008 and 2007 were $0.5 million, $1.5 million and $1.2 million, respectively. The weighted average grant date fair value of DSU's granted during the years ended December 31, 2009, 2008 and 2007 was $22.77, $35.12 and $44.43, respectively.

Performance Units, or PU's

PU's granted under the Company's LTIP fully vest three years from the date of issuance. PU's granted prior to January 1, 2009, are paid out upon vesting if the closing price of NRG's common stock on the vesting date, or the Measurement Price, is equal to or greater than the Target Price. PU's granted after January 1, 2009, are paid out upon vesting if the Measurement Price is equal to or greater than Threshold Price. The Threshold Price, Target Price and Maximum Price are determined on the date of issuance. The payout for each PU will be equal to: (i) a pro-rata amount between 0.5 and 1 share of common stock, if the Measurement Price is equal to or greater than the target Threshold Price but less than the Target Price, for grants made after January 1, 2009; (ii) one share of common stock, if the Measurement Price equals the Target Price; (iii) a pro-rata amount between one and two shares of common stock, if the Measurement Price is greater than the Target Price but less than the Maximum Price; and (iv) two shares of common stock, if the Measurement Price is equal to, or greater than, the Maximum Price.

The following table summarizes the Company's non-vested PU awards as of December 31, 2009, and changes during the year then ended:

	Outstanding Units	Weighted Average Grant-Date Fair Value per Unit
	(In whole except weighted average data)	
Non-vested at December 31, 2008	659,564	$22.81
Granted	339,300	22.91
Forfeited	(381,564)	20.86
Non-vested at December 31, 2009	617,300	24.27

The weighted average grant date fair value of PU's granted during the years ended December 31, 2009, 2008 and 2007 was $22.91, $26.99 and $22.43, respectively.

The fair value of PU's is estimated on the date of grant using a Monte Carlo simulation model and expensed over the service period, which equals the vesting period. Significant assumptions used in the fair value model for the years ended December 31, 2009, 2008 and 2007 with respect to the Company's PU's are summarized below:

	2009	2008	2007
Expected volatility	48.48%-53.00%	27.81%-48.06%	25.91%-27.28%
Expected term (in years)	3	3	3
Risk free rate	1.14%-1.48%	1.13%-2.89%	4.54%-4.69%

For 2009, 2008, and 2007, expected volatility is calculated based on NRG's historical stock price volatility data over the period commensurate with the expected term of the PU, which equals the vesting period.

Supplemental Information

The following table summarizes NRG's total compensation expense recognized in accordance with ASC 718 for the years ended December 31, 2009, 2008, and 2007 for each of the four types of awards issued under the Company's LTIP, as well as total non-vested compensation costs not yet recognized and the period over which this expense is expected to be recognized as of December 31, 2009. Minimum tax withholdings of \$3 million, \$10 million, and \$17 million paid by the Company during 2009, 2008, and 2007, respectively, are reflected as a reduction to Additional Paid-in Capital on the Company's statement of financial position, and are reflected as operating activities on the Company's statement of cash flows.

	Compensation Expense			Non-vested Compensation Cost	
				Unrecognized Total Cost	Weighted Average Recognition Period Remaining (In years)
	Year Ended December 31			As of December 31	
Award	2009	2008	2007	2009	2009
	(In millions, except weighted average data)				
NQSO's	$ 9	$ 8	$ 5	$ 10	2.2
RSU's	11	12	10	31	1.8
DSU's	1	1	1	—	—
PU's	5	5	3	6	1.5
Total	$ 26	$ 26	$ 19	$ 47	
Tax benefit recognized	$ 10	$ 10	$ 8		

Other Compensation Arrangements

Beginning in 2008, NRG also sponsored certain cash-settled equity award programs, under which employees are eligible to receive future cash compensation upon fulfillment of the vesting criteria for the particular program. The aggregate compensation expense for these arrangements was approximately \$2 million and \$1 million for the years ended December 31, 2009, and 2008, respectively.

Note 21 — Related Party Transactions

The following table summarizes NRG's material related party transactions with affiliates that are included in the Company's operating revenues, operating costs and other income and expense:

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Revenues from Related Parties Included in Operating Revenues			
MIBRAG[(a)]	$ 2	$ 4	$ 4
Gladstone	2	2	1
GenConn	7	1	—
Sherbino	—	1	—
Total	$ 11	$ 8	$ 5
Expenses from Related Parties Included in Cost of Operations			
MIBRAG[(a)]			
Cost of purchased coal	$ 43	$ 57	$ 43
Interest income from Related Parties Included in Other Income and Expense			
GenConn[(b)]	2	—	—
Kraftwerke Schkopau GBR	4	4	4
Total	$ 6	$ 4	$ 4

(a) The period in 2009 is from January 1, 2009 to June 10, 2009.

(b) For the period April 1, 2009 to June 10, 2009.

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

GenConn and Sherbino - Under construction management, or CMA, agreements with GenConn and Sherbino, NRG has received fees for management, design and construction services. The construction at Sherbino was completed during 2008. In addition, NRG entered into a loan agreement with GenConn during 2009, pursuant to which it receives interest income. See further discussion in Note 16, *Investments Accounted for by the Equity Method.*

MIBRAG - Prior to NRG's sale of its 50% ownership in MIBRAG on June 10, 2009, NRG rendered technical consulting services to MIBRAG under a consulting agreement and had entered into long-term coal purchase agreements with MIBRAG to supply coal to Schkopau. See further discussion in Note 4, *Discontinued Operations and Dispositions.*

Kraftwerke Schkopau GBR - A subsidiary of NRG, Saale Energie GmbH has entered into a loan agreement with Kraftwerke Schkopau GBR, a partnership between Saale and E.ON Kraftwerke GmbH, pursuant to which NRG receives interest income. See further discussion in Note 9, *Capital Leases and Notes Receivable.*

Note 22 — Commitments and Contingencies

Operating Lease Commitments

NRG leases certain Company facilities and equipment under operating leases, some of which include escalation clauses, expiring on various dates through 2040. NRG also has certain tolling arrangements to purchase power which qualifies as operating leases. Certain operating lease agreements over their lease term include provisions such as scheduled rent increases, leasehold incentives, and rent concessions. The Company recognizes the effects of these scheduled rent increases, leasehold incentives, and rent concessions on a straight-line basis over the lease term unless another systematic and rational allocation basis is more representative of the time pattern in which the leased property is physically employed. Lease expense under operating leases was approximately $102 million, $54 million, and $40 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Future minimum lease commitments under operating leases for the years ending after December 31, 2009 are as follows:

Period	(In millions)
2010	$ 100
2011	66
2012	54
2013	50
2014	48
Thereafter	264
Total	$ 582

Coal, Gas and Transportation Commitments

NRG has entered into long-term contractual arrangements to procure fuel and transportation services for the Company's generation assets and for the years ended December 31, 2009, 2008, and 2007, the Company purchased approximately $1.4 billion, $2.0 billion, and $1.7 billion, respectively, under such arrangements.

As of December 31, 2009, the Company's commitments under such outstanding agreements are estimated as follows:

Period	(In millions)
2010	$ 1,011
2011	225
2012	180
2013	65
2014	75
Thereafter	600
Total[a]	$ 2,156

(a) Includes those coal transportation and lignite commitments for 2010 as no other nominations were made as of December 31, 2009. Natural gas nomination is through February 2011.

Purchased Power Commitment

NRG has purchased power contracts of various quantities and durations that are not classified as derivative assets and liabilities and do not qualify as operating leases. These contracts are not included in the consolidated balance sheet as of December 31, 2009. Minimum purchase commitment obligations under these agreements are as follows as of December 31, 2009:

Period	Fixed Pricing [a]	Variable Pricing [b]
	(In millions)	
2010	$ 53	$ 2
2011	30	4
2012	21	1
2013	10	—
Total[a]	$ 114	$ 7

(a) As of December 31, 2010, the maximum remaining term under any individual purchased power contract is four years.
(b) For contracts with variable pricing components, estimated prices are based on forward commodity curves as of December 31, 2009.

Other

As a result of the acquisition of Reliant Energy, the Company acquired the naming rights, including advertising and other benefits, for a football stadium and other convention and entertainment facilities included in the stadium complex in Houston, Texas. Pursuant to this agreement, the Company is required to pay $10 million per year through 2031.

Lignite Contract with Texas Westmoreland Coal Co.

The lignite used to fuel the Texas region's Limestone facility is obtained from a surface mine, or the Jewett mine, adjacent to the Limestone facility under a long-term contract with Texas Westmoreland Coal Co., or TWCC. The contract is based on a cost-plus arrangement with incentives and penalties to ensure proper management of the mine. NRG has the flexibility to increase or decrease lignite purchases from the mine within certain ranges, including the ability to suspend or terminate lignite purchases with adequate notice. The mining period was extended through 2018 with an option to extend the mining period by two five-year intervals.

TWCC is responsible for performing ongoing reclamation activities at the mine until all lignite reserves have been produced. When production is completed at the mine, NRG will be responsible for final mine reclamation obligations. The Railroad Commission of Texas has imposed a bond obligation of approximately $83 million on TWCC for the reclamation of this lignite mine. Pursuant to the contract with TWCC, an affiliate of CenterPoint Energy, Inc. has guaranteed $107 million of this obligation and approximately $32 million of such amount is supported by letters of credit posted by NRG. Under the terms of the cost plus agreement with TWCC, NRG is required to maintain a corporate guarantee of TWCC's bond obligation in the amount of $50 million when CenterPoint Energy, Inc.'s obligation lapses in April 2010, or pay the costs of obtaining replacement performance assurance. Additionally, NRG is required to provide additional performance assurance over TWCC's current bond obligations if required by the Commission. On January 14, 2010, NRG made a filing with the Railroad Commission of Texas to provide a corporate guaranty and indemnity in the amount of $50 million in support of TWCC's bond obligation. NRG's corporate guaranty and indemnity will become effective on April 14, 2010, upon acceptance by the Texas Railroad Commission.

First and Second Lien Structure

NRG has granted first and second liens to certain counterparties on substantially all of the Company's assets. NRG uses the first or second 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 MWh equivalents. To the extent that the underlying hedge positions for a counterparty are in-the-money to NRG, the counterparty would have no claim under the lien program. The lien program limits the volumes 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 and second lien structure, the Company can hedge up to 80% of its baseload capacity and 10% of its non-baseload 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 and second lien structure is not subject to unwind or termination upon a ratings downgrade of a counterparty and has no stated maturity date.

NRG's lien counterparties may have a claim on the Company's assets to the extent market prices exceed the hedged price. As of December 31, 2009, and February 9, 2010, all hedges under the first and second liens were in-the-money on a counterparty aggregate basis.

RepoweringNRG Initiatives

NRG has capitalized $33 million through December 31, 2009, for the repowering of its El Segundo generating facility in California. Air permitting litigation unrelated to the El Segundo project has delayed receipt of certain required permits and prevented, the El Segundo project from meeting its original completion date of June 1, 2011. The Company is working with the counterparty to consider certain PPA modifications including the commercial operations date currently expected to be the summer of 2013.

Contingencies

Set forth below is a description of the Company's material legal proceedings. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. Pursuant to the requirements of ASC 450 and related guidance, NRG records reserves 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. 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 reserves 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.

California Department of Water Resources

This matter concerns, among other contracts and other defendants, the CDWR and its wholesale power contract with subsidiaries of WCP (Generation) Holdings, Inc., or WCP. The case originated with a February 2002 complaint filed by the State of California alleging that many parties, including WCP subsidiaries, overcharged the State of California. For WCP, the alleged overcharges totaled approximately $940 million for 2001 and 2002. The complaint demanded that the or FERC abrogate the CDWR contract and sought refunds associated with revenues collected under the contract. In 2003, the FERC rejected this complaint, denied rehearing, and the case was appealed to the U.S. Court of Appeals for the Ninth Circuit where oral argument was held on December 8, 2004. On December 19, 2006, the Ninth Circuit decided that in the FERC's review of the contracts at issue, the FERC could not rely on the *Mobile-Sierra* standard presumption of just and reasonable rates, where such contracts were not reviewed by the FERC with full knowledge of the then existing market conditions. WCP and others sought review by the U.S. Supreme Court. WCP's appeal was not selected, but instead held by the Supreme Court. In the appeal that was selected by the Supreme Court, on June 26, 2008 the Supreme Court ruled: (i) that the *Mobile-Sierra* public interest standard of review applied to contracts made under a seller's market-based rate authority; (ii) that the public interest "bar" required to set aside a contract remains a very high one to overcome; and (iii) that the *Mobile-Sierra* presumption of contract reasonableness applies when a contract is formed during a period of market dysfunction unless (a) such market conditions were caused by the illegal actions of one of the parties or (b) the contract negotiations were tainted by fraud or duress. In this related case, the U.S. Supreme Court affirmed the Ninth Circuit's decision agreeing that the case should be remanded to the FERC to clarify the FERC's 2003 reasoning regarding its rejection of the original complaint relating to the financial burdens under the contracts at issue and to alleged market manipulation at the time these contracts were formed. As a result, the U.S. Supreme Court then reversed and remanded the WCP CDWR case to the Ninth Circuit for treatment consistent with its June 26, 2008 decision in the related case. On October 20, 2008, the Ninth Circuit asked the parties in the remanded CDWR case, including WCP and the FERC, whether that Court should answer a question the U.S. Supreme Court did not address in its June 26, 2008, decision; whether the *Mobile-Sierra* doctrine applies to a third-party that was not a signatory to any of the wholesale power contracts, including the CDWR contract, at issue in that case. Without answering that reserved question, on December 4, 2008, the Ninth Circuit vacated its prior opinion and remanded the WCP CDWR case back to the FERC for proceedings consistent with the U.S. Supreme Court's June 26, 2008 decision. On December 15, 2008, WCP and the other seller-defendants filed with the FERC a Motion for Order Governing Proceedings on Remand. On January 14, 2009, the Public Utilities Commission of the State of California filed an Answer and Cross Motion for an Order Governing Procedures on Remand, and on January 28, 2009, WCP and the other seller-defendants filed their reply.

At this time, while NRG cannot predict with certainty whether WCP will be required to make refunds for rates collected under the CDWR contract or estimate the range of any such possible refunds, a reconsideration of the CDWR contract by the FERC with a resulting order mandating significant refunds could have a material adverse impact on NRG's financial position, statement of operations, and statement of cash flows. As part of the 2006 acquisition of Dynegy's 50% ownership interest in WCP, WCP and NRG assumed responsibility for any risk of loss arising from this case, unless any such loss was deemed to have resulted from certain acts of gross negligence or willful misconduct on the part of Dynegy, in which case any such loss would be shared equally between WCP and Dynegy.

On January 14, 2010, the U.S. Supreme Court issued its decision in an unrelated proceeding involving the *Mobile-Sierra* doctrine that will affect the standard of review applied to the CDWR contract on remand before the FERC. In *NRG Power Marketing v. Maine Public Utilities Commission*, the Supreme Court held that the *Mobile-Sierra* presumption regarding the reasonableness of contract rates does not depend on the identity of the complainant who seeks a FERC investigation/refund. The Supreme Court proceeding arose following an appeal by the Attorneys General of the State of Connecticut and of the Commonwealth of Massachusetts regarding the settlement establishing the New England Forward Capacity Market. The settlement, filed with the FERC on March 7, 2006, provides for interim capacity transition payments for all generators in New England for the period from December 1, 2006 through May 31, 2010 and for the Forward Capacity Market auction rates thereafter. The Court of Appeals for the DC Circuit, or DC Circuit, had rejected all substantive challenges to the settlement, but had sustained one procedural argument relating to the applicability of the *Mobile-Sierra* doctrine to third parties. The Supreme Court reversed the DC Circuit on this point, and remanded the case for further consideration of whether the transition payments and auction rates qualify as contract rates.

Louisiana Generating, LLC

On February 11, 2009, the U.S. Department of Justice acting at the request of the U.S. Environmental Protection Agency, or U.S. EPA, commenced a lawsuit against Louisiana Generating, LLC in federal district court in the Middle District of Louisiana alleging violations of the Clean Air Act, or CAA, at the Big Cajun II power plant. This is the same matter for which Notices of Violation, or NOVs, were issued to Louisiana Generating, LLC on February 15, 2005, and on December 8, 2006. Specifically, it is alleged that in the late 1990's, several years prior to NRG's acquisition of the Big Cajun II power plant from the Cajun Electric bankruptcy and several years prior to the NRG bankruptcy, modifications were made to Big Cajun II Units 1 and 2 by the prior owners without appropriate or adequate permits and without installing and employing the best available control technology, or BACT, to control emissions of nitrogen oxides and/or sulfur dioxides. The relief sought in the complaint includes a request for an injunction to: (i) preclude the operation of Units 1 and 2 except in accordance with the CAA; (ii) order the installation of BACT on Units 1 and 2 for each pollutant subject to regulation under the CAA; (iii) obtain all necessary permits for Units 1 and 2; (iv) order the surrender of emission allowances or credits; (v) conduct audits to determine if any additional modifications have been made which would require compliance with the CAA's Prevention of Significant Deterioration program; (vi) award to the Department of Justice its costs in prosecuting this litigation; and (vii) assess civil penalties of up to $27,500 per day for each CAA violation found to have occurred between January 31, 1997, and March 15, 2004, up to $32,500 for each CAA violation found to have occurred between March 15, 2004, and January 12, 2009, and up to $37,500 for each CAA violation found to have occurred after January 12, 2009.

On April 27, 2009, Louisiana Generating, LLC made several filings. It filed an objection in the Cajun Electric Cooperative Power, Inc.'s bankruptcy proceeding in the U.S. Bankruptcy Court for the Middle District of Louisiana to seek to prevent the bankruptcy from closing. It also filed a complaint in the same bankruptcy proceeding in the same court seeking a judgment that: (i) it did not assume liability from Cajun Electric for any claims or other liabilities under environmental laws with respect to Big Cajun II that arose, or are based on activities that were undertaken, prior to the closing date of the acquisition; (ii) it is not otherwise the successor to Cajun Electric; and (iii) Cajun Electric and/or the Bankruptcy Trustee are exclusively liable for the violations alleged in the February 11, 2009, lawsuit to the extent that such claims are determined to have merit. On June 8, 2009, the parties filed a joint status report setting forth their views of the case and proposing a trial schedule. On June 18, 2009, Louisiana Generating, LLC filed a motion to bifurcate the Department of Justice lawsuit into separate liability and remedy phases, and on June 30, 2009, the Department of Justice filed its opposition. On August 24, 2009, Louisiana Generating, LLC filed a motion to dismiss this lawsuit, and on September 25, 2009, the Department of Justice filed its opposition to the motion to dismiss. A new federal bankruptcy judge was appointed on October 9, 2009.

On February 18, 2010, the LDEQ filed a motion to intervene in the above lawsuit and a complaint against Louisiana Generating LLC for alleged violations of Louisiana's PSD regulations and Louisiana's Title V operating permit program. LDEQ seeks similar relief to that requested by the Department of Justice. Specifically, LDEQ seeks injunctive relief to: (1) preclude the operation of Units 1 and 2 except in accordance with the CAA; (2) order the installation of BACT on Units 1 and 2 for each pollutant subject to regulation under the CAA; (3) obtain all necessary permits for Units 1 and 2 pursuant to the requirements of PSD and the Louisiana Title V operating permits program; (4) conduct audits to determine if any additional modifications have occurred which would require it to meet the requirements of PSD and report the results of the audit to the LDEQ and EPA; (5) order the surrender of emission allowances or credits; (6) take other appropriate actions to remedy, mitigate and offset the harm to public health and the environment caused by violations of the CAA; (7) assess civil penalties; and (8) award to the LDEQ its costs in prosecuting the litigation. On February 19, 2010, the district court granted LDEQ's motion to intervene.

Nuclear Innovation North America, LLC

On December 6, 2009, CPS commenced a lawsuit against two NINA entities asking the court to declare the rights, obligations, and remedies of the parties pursuant to the 1997 and 2007 agreements between the parties should CPS unilaterally withdraw from the proposed STP Units 3 and 4 Project. On December 23, 2009, CPS amended its original December 6 complaint adding NRG, Toshiba Corporation, and NINA LLC as defendants and not only continued to request that the Court declare the rights, obligations, and remedies of the parties under the two operative governing agreements, but also sought $32 billion in damages. CPS amended its complaint again on December 28, 2009.

On January 6, 2010, CPS amended its complaint for the third time. In addition to requesting immediate injunctive relief, the amended complaint alleges that NRG, Toshiba, and NINA have been involved in a conspiracy to defraud CPS, that they purposefully misled CPS in inducing it to be a partner in the STP Units 3 and 4 Project, that they maliciously interfered with CPS contracts and business relationships, and that they willfully disparaged CPS. It sought declarations that: (i) owner consensus is required for all development decisions; (ii) there is a right to voluntary withdrawal, after which no further obligations accrue but undiluted ownership continues; (iii) both the partition waiver and forfeiture provisions are unenforceable against CPS under Texas law if they did apply; and (iv) CPS is not currently in breach. In addition, CPS sought relief among the following alternatives: partition by sale; an order forcing NRG and NINA to buy CPS' undiluted share at an independent valuation; an order requiring NRG to compensate CPS $350 million investment and fair value for the site; an order granting CPS twelve months following withdrawal to sell its stake in the project; or an order that no further development take place without consensus of all project owners. This case was removed and remanded to and from federal court on three separate occasions. On January 19, 2010, CPS dismissed Toshiba from the lawsuit.

The parties agreed to a January 25, 2010, phased trial wherein all other claims would be reserved for an undetermined future phase II date and a trial would go forward in phase I only on CPS' request for declaratory relief to determine the respective rights, obligations, and remedies of the parties under the two operative governing agreements should CPS withdraw from the STP Units 3 and 4 Project. On January 25, 2010, the parties argued the NINA entities and NRG's Motion for Summary Judgment which was denied on January 26, 2010. After a two-day trial, the court issued its ruling on January 29, 2010, making a number of findings. It ruled that as of January 29, 2010, CPS and NINA were each 50% equity owners as tenants in common under Texas law in the STP Units 3 and 4 Project. The court found that while a withdrawing party does not forfeit its 50% interest upon a withdrawal, the governing agreements are silent as to whether that withdrawing party can recoup its sunk costs upon withdrawal. Finally, the court noted that for CPS to remain a 50% equity owner, it must pay all appropriate costs. Failure to do so, the court determined, would result in a complete loss of CPS' equity share. On February 17, 2010, an agreement in principle was reached with CPS for NINA to acquire a controlling interest in the STP Units 3 and 4 Project through a settlement of all pending litigation between the parties. As part of that agreement, all litigation would be dismissed with prejudice, including all phase II claims, thereby ending this matter. The parties continue to negotiate terms regarding final documentation of the agreement in principle.

Dunkirk Construction Litigation

In 2005, NRG entered into a Consent Decree with the New York State Department of Environmental Conservation whereby it agreed to reduce certain emissions generated by its Huntley and Dunkirk power plants. Pursuant to the Consent Decree, on November 21, 2007, Clyde Bergemann EEC, or CBEEC, and NRG entered into a firm fixed price contract for the supply of equipment, material and services for six fabric filters for NRG's Dunkirk Electric Power Generating Station. Subsequent to contracting with NRG, CBEEC subcontracted with Hohl Industrial Services, Inc., or Hohl, to perform steel erection and equipment installation at Dunkirk.

On August 28, 2009, Hohl filed its original complaint against NRG, its subsidiary Dunkirk Power LLC, or Dunkirk Power, and CBEEC among others for claims of breach of contract, quantum meruit, unjust enrichment and foreclosure of mechanics' liens. As part of CBEEC's contractual obligation to NRG, CBEEC agreed to defend, under a reservation of rights, NRG's interest in this lawsuit. CBEEC filed an answer to the above complaint on behalf of itself, NRG and Dunkirk Power on October 5, 2009. On December 16, 2009, CBEEC filed a Motion for Summary Judgment on behalf of itself, NRG, and Dunkirk Power, which has yet to be decided.

On February 1, 2010, NRG and Dunkirk Power filed a Motion for Leave to file an Amended Answer with Cross-Claims against CBEEC. NRG asserted breach of contract claims seeking liquidated damages for the delays caused by CBEEC. NRG also retained its own counsel to represent its interest in the cross-claims and reserved its rights to seek reimbursement from CBEEC. On February 17, 2010, CBEEC filed an Amended Answer with Affirmative Defenses, Counterclaims and Cross-Claims against NRG. CBEEC is seeking approximately $30 million alleging breach of contract, quantum meruit, unjust enrichment, and foreclosure of two mechanic's liens, as a result of alleged delays caused by NRG and Dunkirk Power. A court ordered hearing and settlement conference is scheduled for February 23, 2010.

Excess Mitigation Credits

From January 2002 to April 2005, CenterPoint Energy applied excess mitigation credits, or EMCs, to its monthly charges to retail electric providers as ordered by the PUCT. The PUCT imposed these credits to facilitate the transition to competition in Texas, which had the effect of lowering the retail electric providers' monthly charges payable to CenterPoint Energy. As indicated in its Petition for Review filed with the Supreme Court of Texas on June 2, 2008, CenterPoint Energy has claimed that the portion of those EMCs credited to Reliant Energy Retail Services, LLC, or RERS, a retail electric provider and NRG subsidiary acquired from RRI, totaled $385 million for RERS's "Price to Beat" Customers. It is unclear what the actual number may be. "Price to Beat" was the rate RERS was required by state law to charge residential and small commercial customers that were transitioned to RERS from the incumbent integrated utility company commencing in 2002. In its original stranded cost case brought before the PUCT on March 31, 2004, CenterPoint Energy sought recovery of all EMCs that were credited to all retail electric providers, including RERS, and the PUCT ordered that relief in its Order on Rehearing in Docket No. 29526, on December 17, 2004. After an appeal to state district court, the court entered a final judgment on August 26, 2005, affirming the PUCT's order with regard to EMCs credited to RERS. Various parties filed appeals of that judgment with the Court of Appeals for the Third District of Texas with the first such appeal filed on the same date as the state district court judgment and the last such appeal filed on October 10, 2005. On April 17, 2008, the Court of Appeals for the Third District reversed the lower court's decision ruling that CenterPoint Energy's stranded cost recovery should exclude only EMCs credited to RERS for its "Price to Beat" customers. On June 2, 2008, CenterPoint Energy filed a Petition for Review with the Supreme Court of Texas and on June 19, 2009, the Court agreed to consider the CenterPoint Energy appeal as well as two related petitions for review filed by other entities. Oral argument occurred on October 6, 2009.

In November 2008, CenterPoint Energy and RRI, on behalf of itself and affiliates including RERS, agreed to suspend unexpired deadlines, if any, related to limitations periods that might exist for possible claims against REI and its affiliates if CenterPoint Energy is ultimately not allowed to include in its stranded cost calculation those EMCs previously credited to RERS. Regardless of the outcome of the Texas Supreme Court proceeding, NRG believes that any possible future CenterPoint Energy claim against RERS for EMCs credited to RERS would lack legal merit. No such claim has been filed.

Note 23 — Regulatory 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 markets in which NRG participates. These power markets are subject to ongoing legislative and regulatory changes that may impact NRG's wholesale and retail businesses.

In addition to the regulatory proceedings noted below, NRG and its subsidiaries are a party 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.

PJM — On June 18, 2009, FERC denied rehearing of its order dated September 19, 2008, dismissing a complaint filed by the Maryland Public Service Commission, or MDPSC, together with other load interests, against PJM challenging the results of the RPM transition Base Residual Auctions for installed capacity, held between April 2007 and January 2008. The complaint had sought to replace the auction-determined results for installed capacity for the 2008/2009, 2009/2010, and 2010/2011 delivery years with administratively-determined prices. On August 14, 2009, the MDPSC and the New Jersey Board of Public Utilities filed an appeal of FERC's orders to the U.S. Court of Appeals for the Fourth Circuit, and a successful appeal could disrupt the auction-determined results and create a refund obligation for market participants. The case has been transferred to the U.S. Court of Appeals for the DC Circuit.

Retail (Replacement Reserve) — On November 14, 2006, Constellation Energy Commodities Group, or Constellation, filed a complaint with the PUCT alleging that ERCOT misapplied the Replacement Reserve Settlement, or RPRS, Formula contained in the ERCOT protocols from April 10, 2006, through September 27, 2006. Specifically, Constellation disputed approximately $4 million in under-scheduling charges for capacity insufficiency asserting that ERCOT applied the wrong protocol. Reliant Energy Power Supply, or REPS, other market participants, ERCOT, and PUCT staff opposed Constellation's complaint. On January 25, 2008, the PUCT entered an order finding that ERCOT correctly settled the capacity insufficiency charges for the disputed dates in accordance with ERCOT protocols and denied Constellation's complaint. On April 9, 2008, Constellation appealed the PUCT order to the Civil District Court of Travis County, Texas and on June 19, 2009, the court issued a judgment reversing the PUCT order, finding that the ERCOT protocols were in irreconcilable conflict with each other. On July 20, 2009, REPS filed an appeal to the Third Court of Appeals in Travis County, Texas, thereby staying the effect of the trial court's decision. If all appeals are unsuccessful, on remand to the PUCT, it would determine the appropriate methodology for giving effect to the trial court's decision. It is not known at this time whether only Constellation's under-scheduling charges, the under-scheduling charges of all other QSEs that disputed REPS charges for the same time frame, the entire market, or some other approach would be used for any resettlement.

Under the PUCT ordered formula, Qualified Scheduling Entities, or QSEs, who under-scheduled capacity within any of ERCOT's four congestion zones were assessed under-scheduling charges which defrayed the costs incurred by ERCOT for RPRS that would otherwise be spread among all load-serving QSEs. Under the Court's decision, all RPRS costs would be assigned to all load-serving QSEs based upon their load ratio share without assessing any separate charge to those QSEs who under-scheduled capacity. If under-scheduling charges for capacity insufficient QSEs were not used to defray RPRS costs, REPS's share of the total RPRS costs allocated to QSEs would increase.

Note 24 — Environmental Matters

The construction and operation of power projects are subject to stringent environmental and safety protection and land use laws and regulation in the U.S. If such laws and regulations become more stringent, or new laws, interpretations or compliance policies apply and NRG's facilities are not exempt from coverage, the Company could be required to make modifications to further reduce potential environmental impacts. New legislation and regulations to mitigate the effects of GHG including CO_2 from power plants, are under consideration at the federal and state levels. In general, the effect of such future laws or regulations is expected to require the addition of pollution control equipment or the imposition of restrictions or additional costs on the Company's operations.

Environmental Capital Expenditures

Based on current rules, technology and plans, NRG has estimated that environmental capital expenditures from 2010 through 2014 to meet NRG's environmental commitments will be approximately $0.9 billion and are primarily associated with controls on the Company's Big Cajun and Indian River facilities. These capital expenditures, in general, are related to installation of particulate, SO_2, NOx, and mercury controls to comply with federal and state air quality rules and consent orders, as well as installation of "Best Technology Available" under the Phase II 316(b) Rule. NRG continues to explore cost effective alternatives that can achieve desired results. This estimate reflects anticipated schedules and controls related to the CAIR, MACT for mercury, and the Phase II 316(b) Rule which are under remand to the U.S. EPA, and, as such, the full impact on the scope and timing of environmental retrofits from any new or revised regulations cannot be determined at this time.

Northeast Region

In January 2006, NRG's Indian River Operations, Inc. received a letter of informal notification from the DNREC stating that it may be a potentially responsible party with respect to Burton Island Old Ash Landfill, a historic captive landfill located at the Indian River facility. On October 1, 2007, NRG signed an agreement with the DNREC to investigate the site through the Voluntary Clean-up Program. On February 4, 2008, the DNREC issued findings that no further action is required in relation to surface water and that a previously planned shoreline stabilization project would adequately address shore line erosion. The landfill itself will require a further Remedial Investigation and Feasibility Study to determine the type and scope of any additional work required. Until the Remedial Investigation and Feasibility Study are completed, the Company is unable to predict the impact of any required remediation.

On May 29, 2008, the DNREC requested that NRG's Indian River Operations, Inc. participate in the development and performance of a Natural Resource Damage Assessment, or NRDA, at the Burton Island Old Ash Landfill. NRG is currently working with the DNREC and other trustees to close out the assessment phase.

South Central Region

On February 11, 2009, the U.S. Department of Justice acting at the request of the U.S. EPA commenced a lawsuit against Louisiana Generating, LLC in federal district court in the Middle District of Louisiana alleging violations of the CAA at the Big Cajun II power plant. This is the same matter for which NOVs were issued to Louisiana Generating, LLC on February 15, 2005, and on December 8, 2006. Further discussion on this matter can be found in Item 3 — Legal Proceedings, *United States of America v. Louisiana Generating, LLC.*

Note 25 — Cash Flow Information

Detail of supplemental disclosures of cash flow and non-cash investing and financing information was:

	Year Ended December 31, 2009	2008	2007
		(In millions)	
Interest paid, net of amount capitalized[a]	$ 587	$ 563	$ 598
Income taxes paid[b]	47	46	22
Non-cash investing and financing activities:			
(Reduction)/addition to fixed assets due to asset retirement obligations	(1)	(39)	7
Additions to fixed assets for accrued capital expenditures	44	116	—
Decrease to fixed assets for accrued grants and related tax impact	(132)	—	—
Decrease to 4.0% preferred stock from conversion to common stock	257	—	—
Decrease to 5.75% preferred stock from conversion to common stock	447	39	—
Decrease to treasury stock from the net impact of shares loaned to and returned by affiliates of CS	160	—	—

(a) 2008 interest paid includes $45 million payment to settle the CSF I CAGR.

(b) 2009, 2008 and 2007 income taxes paid is net of $3, $2 and $6 million, respectively, of income tax refunds received.

Note 26 — Guarantees

NRG and its subsidiaries enter into various contracts that include indemnification and guarantee provisions as a routine part of the Company's business activities. Examples of these contracts include asset purchases and sale agreements, commodity sale and purchase agreements, retail contracts, joint venture agreements, EPC agreements, operation and maintenance agreements, service agreements, settlement agreements, and other types of contractual agreements with vendors and other third parties, as well as affiliates. These contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in these agreements. The Company is also obligated with respect to customer deposits associated with Reliant Energy. In some cases, NRG's maximum potential liability cannot be estimated, since the underlying agreements contain no limits on potential liability. In accordance with ASC 460, NRG has estimated that the current fair value for issuing these guarantees was approximately $8.0 million as of December 31, 2009, and the liability in this amount is included in the Company's non-current liabilities.

The following table summarizes NRG's estimated guarantees, indemnity, and other contingent liability obligations by maturity:

Guarantees	By Remaining Maturity at December 31, 2009 Under 1 Year	1-3 Years	3-5 Years	Over 5 Years	Total	2008 Total
			(In millions)			
Synthetic letters of credit	$ 531	$ 186	$ —	$ —	$ 717	$ 440
Unfunded letters of credit and surety bonds	61	36	—	—	97	5
Asset sales guarantee obligations	—	118	—	8	126	129
Commercial sales arrangements	104	44	103	965	1,216	1,005
Other guarantees	—	—	—	117	117	80
Total guarantees	$ 696	$ 384	$103	$1,090	$ 2,273	$ 1,659

Letters of credit and surety bonds — As of December 31, 2009, NRG and its consolidated subsidiaries were contingently obligated for a total of approximately $814 million under letters of credit and surety bonds. Most of these letters of credit and surety bonds are issued in support of the Company's obligations to perform under commodity agreements, financing or other arrangements. A majority of these letters of credit and surety bonds expire within one year of issuance, and it is typical for the Company to renew them on similar terms.

Asset sale guarantees — NRG is typically requested to provide certain assurances to the counter-parties of the Company's asset sale agreements. Such assurances may take the form of a guarantee issued by the Company on behalf of a directly or indirectly held majority-owned subsidiary which include certain indemnifications to a third party, usually the buyer, as described below. Due to the inter-company nature of such arrangements, NRG is essentially guaranteeing its own performance, and the nature of the guarantee being provided. It is not the Company's policy to recognize the value of such an obligation in its consolidated financial statements. Most of these guarantees provide an explicit cap on the Company's maximum liability, as well as an expiration period, exclusive of breach of representations and warranties.

In connection with the agreement to sell its 50% ownership interest in Mibrag B.V., NRG executed an agreement guaranteeing the performance of its subsidiary Lambique Beheer under the purchase and sale agreement. This agreement indemnifies the buyer for tax, environmental liability and other matters, as well as breaches of representations and warranties and is limited to EUR 206 million.

Commercial sales arrangements — In connection with the purchase and sale of fuel, emission allowances and power generation products to and from third parties with respect to the operation of some of NRG's generation facilities in the U.S., the Company may be required to guarantee a portion of the obligations of certain of its subsidiaries. These obligations may include liquidated damages payments or other unscheduled payments.

Other guarantees — NRG has issued guarantees of obligations that its subsidiaries may incur as a provision for environmental site remediation, payment of debt obligations, rail car leases, performance under purchase, EPC and operating and maintenance agreements. NRG has executed guarantees with related parties for one of its subsidiary's obligations as construction manager under EPC contracts for the construction of the two peaking power plants at GenConn's Devon and Middletown sites. See Note 16, *Investments Accounted for by the Equity Method,* for more information on this equity investment. The Company does not believe that it will be required to perform under these guarantees.

NRG signed a guarantee agreement on behalf of its subsidiary NRG Retail, LLC guaranteeing the payment and performance of its obligations under the LLC Membership Interest Purchase Agreement and related agreements with RRI in connection with the purchase of its retail business, including purchase price and acquired net working capital. In accordance with the LLC Membership Interest Purchase Agreement, on May 1, 2009, NRG signed an agreement guaranteeing payments up to $85 million related to the Restated Power Purchase Agreement with FPL Energy Upton Wind II, LLC. NRG has no reason to believe that the Company currently has any material liability relating to such routine indemnification obligations.

In connection with the October 5, 2009, amendment of the CSRA, NRG signed guarantee agreements on behalf of its subsidiary NRG Retail, LLC guaranteeing performance under power purchase and sales contracts. See Note 3, Business Acquisitions, for more information on the amendment of the CSRA.

The material indemnities, within the scope of ASC 460, are as follows:

Asset purchases and divestitures — The purchase and sale agreements which govern NRG's asset or share investments and divestitures customarily contain indemnifications of the transaction to third parties. The contracts indemnify the parties for liabilities incurred as a result of a breach of a representation or warranty by the indemnifying party, or as a result of a change in tax laws. These obligations generally have a discrete term and are intended to protect the parties against risks that are difficult to predict or estimate at the time of the transaction. In several cases, the contract limits the liability of the indemnifier. For those indemnities in which liability is capped, the maximum exposures range from $1 million to $300 million. NRG has no reason to believe that the Company currently has any material liability relating to such routine indemnification obligations.

Other indemnities — Other indemnifications NRG has provided cover operational, tax, litigation and breaches of representations, warranties and covenants. NRG has also indemnified, on a routine basis in the ordinary course of business, consultants or other vendors who have provided services to the Company. NRG's maximum potential exposure under these indemnifications can range from a specified dollar amount to an indeterminate amount, depending on the nature of the transaction. Total maximum potential exposure under these indemnifications is not estimable due to uncertainty as to whether claims will be made or how they will be resolved. NRG does not have any reason to believe that the Company will be required to make any material payments under these indemnity provisions.

Because many of the guarantees and indemnities NRG issues to third parties and affiliates do not limit the amount or duration of its obligations to perform under them, there exists a risk that the Company may have obligations in excess of the amounts described above. For those guarantees and indemnities that do not limit the Company's liability exposure, it may not be able to estimate what the Company's liability would be, until a claim is made for payment or performance, due to the contingent nature of these contracts.

Note 27 — Jointly Owned Plants

Certain NRG subsidiaries own undivided interests in jointly-owned plants, described below. These plants are maintained and operated pursuant to their joint ownership participation and operating agreements. NRG is responsible for its subsidiaries' share of operating costs and direct expense and includes its proportionate share of the facilities and related revenues and direct expenses in these jointly-owned plants in the corresponding balance sheet and income statement captions of the Company's consolidated financial statements.

The following table summarizes NRG's proportionate ownership interest in the Company's jointly-owned facilities:

As of December 31, 2009	Ownership Interest	Property, Plant & Equipment	Accumulated Depreciation	Construction in Progress
		(In millions unless otherwise stated)		
South Texas Project Units 1 and 2, Bay City, TX	44.00%	$ 3,003	$ (663)	$ 32
Big Cajun II Unit 3, New Roads, LA	58.00	175	(58)	13
Cedar Bayou Unit 4, Baytown, TX	50.00	215	(5)	—
Keystone, Shelocta, PA	3.70	88	(19)	4
Conemaugh, New Florence, PA	3.72	74	(22)	2

Note 28 — Unaudited Quarterly Financial Data

Summarized unaudited quarterly financial data is as follows:

	Quarter Ended			
	2009			
	December 31	September 30	June 30	March 31
	(In millions, except per share data)			
Operating revenues	$ 2,141	$ 2,916	$ 2,237	$ 1,658
Operating income	314	611	619	615
Income from continuing operations, net of income taxes	33	278	433	198
Income from discontinued operations, net of income taxes	—	—	—	—
Net income attributable to NRG Energy, Inc.	$ 33	$ 278	$ 433	$ 198
Weighted average number of common shares outstanding — basic	242	249	253	237
Income from continuing operations per weighted average common share — basic	$ 0.11	$ 1.09	$ 1.68	$ 0.78
Net income per weighted average common share — basic	$ 0.11	$ 1.09	$ 1.68	$ 0.78
Weighted average number of common shares outstanding — diluted	244	272	275	275
Income from continuing operations per weighted average common share — diluted	$ 0.11	$ 1.02	$ 1.56	$ 0.70
Net income per weighted average common share — diluted	$ 0.11	$ 1.02	$ 1.56	$ 0.70

	Quarter Ended			
	2008			
	December 31	September 30	June 30	March 31
	(In millions, except per share data)			
Operating revenues	$ 1,655	$ 2,612	$ 1,316	$ 1,302
Operating income	595	1,371	57	250
Income/(loss) from continuing operations, net of income taxes	271	778	(41)	45
Income from discontinued operations, net of income taxes	—	—	168	4
Net income attributable to NRG Energy, Inc.	$ 271	$ 778	$ 127	$ 49
Weighted average number of common shares outstanding — basic	233	235	236	236
Income from continuing operations per weighted average common share — basic	$ 1.10	$ 3.26	$ (0.23)	$ 0.13
Income/(loss) from discontinued operations per weighted average common share — basic	—	—	0.71	0.02
Net income per weighted average common share — basic	$ 1.10	$ 3.26	$ 0.48	$ 0.15
Weighted average number of common shares outstanding — diluted	276	277	236	245
Income/(loss) from continuing operations per weighted average common share — diluted	$ 0.97	$ 2.81	$ (0.23)	$ 0.12
Income from discontinued operations per weighted average common share — diluted	—	—	0.71	0.02
Net income per weighted average common share — diluted	$ 0.97	$ 2.81	$ 0.48	$ 0.14

Note 29 — Condensed Consolidating Financial Information

As of December 31, 2009, the Company had $1.2 billion of 7.25% Senior Notes due 2014, $2.4 billion of 7.375% Senior Notes due 2016 and $1.1 billion of 7.375%. Senior Notes due 2017 and $700 million of 8.50% Senior Notes due 2019. These notes are guaranteed by certain of NRG's current and future wholly-owned domestic subsidiaries, or guarantor subsidiaries.

On October 5, 2009, RERH became a guarantor subsidiary as a result of the CSRA Amendment. The consolidating financial statements hereinafter have been recast to reflect RERH as a guarantor subsidiary for the period ended December 31, 2009. RERH's cash balance on the date it became a guarantor subsidiary was $734 million.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of December 31, 2009:

Arthur Kill Power LLC
Astoria Gas Turbine Power LLC
Berrians I Gas Turbine Power LLC
Big Cajun II Unit 4 LLC
Cabrillo Power I LLC
Cabrillo Power II LLC
Chickahominy River Energy Corp.
Commonwealth Atlantic Power LLC
Conemaugh Power LLC
Connecticut Jet Power LLC
Devon Power LLC
Dunkirk Power LLC
Eastern Sierra Energy Company
El Segundo Power, LLC
El Segundo Power II LLC
GCP Funding Company LLC
Hanover Energy Company
Hoffman Summit Wind Project LLC
Huntley IGCC LLC
Huntley Power LLC
Indian River IGCC LLC
Indian River Operations Inc.
Indian River Power LLC
James River Power LLC
Kaufman Cogen LP
Keystone Power LLC
Lake Erie Properties Inc.
Langford Wind Power, LLC
Louisiana Generating LLC
Middletown Power LLC
Montville IGCC LLC
Montville Power LLC
NEO Chester-Gen LLC
NEO Corporation
NEO Freehold-Gen LLC
NEO Power Services Inc.
New Genco GP LLC
Norwalk Power LLC
NRG Affiliate Services Inc.
NRG Arthur Kill Operations Inc.
NRG Asia-Pacific Ltd.
NRG Astoria Gas Turbine Operations Inc.
NRG Bayou Cove LLC
NRG Cabrillo Power Operations Inc.
NRG Generation Holdings, Inc.
NRG Huntley Operations Inc.
NRG International LLC
NRG Kaufman LLC
NRG Mesquite LLC
NRG MidAtlantic Affiliate Services Inc.
NRG Middletown Operations Inc.
NRG Montville Operations Inc.
NRG New Jersey Energy Sales LLC
NRG New Roads Holdings LLC
NRG North Central Operations, Inc.
NRG Northeast Affiliate Services Inc.
NRG Norwalk Harbor Operations Inc.
NRG Operating Services Inc.
NRG Oswego Harbor Power Operations Inc.
NRG Power Marketing LLC
NRG Retail LLC
NRG Rocky Road LLC
NRG Saguaro Operations Inc.
NRG South Central Affiliate Services Inc.
NRG South Central Generating LLC
NRG South Central Operations Inc.
NRG South Texas LP
NRG Texas LLC
NRG Texas C & I Supply LLC
NRG Texas Holding Inc.
NRG Texas Power LLC
NRG West Coast LLC
NRG Western Affiliate Services Inc.
Oswego Harbor Power LLC
Padoma Wind Power, LLC
Reliant Energy Power Supply, LLC
Reliant Energy Retail Holding, LLC
Reliant Energy Retail Services, LLC
RE Retail Receivables, LLC
RERH Holdings, LLC
Reliant Energy Services Texas LLC
Reliant Energy Texas Retail LLC
Saguaro Power LLC
San Juan Mesa Wind Project II, LLC
Somerset Operations Inc.
Somerset Power LLC
Texas Genco Financing Corp.
Texas Genco GP, LLC

NRG Cadillac Operations Inc.	Texas Genco Holdings, Inc.
NRG California Peaker Operations LLC	Texas Genco LP, LLC
NRG Cedar Bayou Development Company LLC	Texas Genco Operating Services, LLC
NRG Connecticut Affiliate Services Inc.	Texas Genco Services, LP
NRG Construction LLC	Vienna Operations, Inc.
NRG Devon Operations Inc.	Vienna Power LLC
NRG Dunkirk Operations, Inc.	WCP (Generation) Holdings LLC
NRG El Segundo Operations Inc.	West Coast Power LLC

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. Except for NRG Bayou Cove, LLC, which is subject to certain restrictions under the Company's Peaker financing agreements, there are no restrictions on the ability of any of the guarantor subsidiaries to transfer funds to NRG. In addition, 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 under the Securities and Exchange Commission's Regulation S-X. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor subsidiaries or non-guarantor subsidiaries operated as independent entities.

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2009

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc. (Note Issuer)	Eliminations (a)	Consolidated Balance
			(In millions)		
Operating Revenues					
Total operating revenues	$ 8,584	$ 357	$ 31	$ (20)	$ 8,952
Operating Costs and Expenses					
Cost of operations	5,110	236	1	(24)	5,323
Depreciation and amortization	772	40	6	—	818
Selling, general and administrative	266	11	273	—	550
Acquisition-related transaction and integration costs	—	—	54	—	54
Development costs	6	8	34	—	48
Total operating costs and expenses	6,154	295	368	(24)	6,793
Operating Income/(Loss)	2,430	62	(337)	4	2,159
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	166	—	1,503	(1,669)	—
Equity in earnings of unconsolidated affiliates	10	31	—	—	41
Gains on sales of equity method investments	—	128	—	—	128
Other income/(loss), net	9	(16)	6	(4)	(5)
Refinancing expense	(1)	—	(19)	—	(20)
Interest expense	(106)	(86)	(442)	—	(634)
Total other income/(expense)	78	57	1,048	(1,673)	(490)
Income/(Losses) Before Income Taxes	2,508	119	711	(1,669)	1,669
Income tax expense/(benefit)	964	(5)	(231)	—	728
Net Income/(Loss)	1,544	124	942	(1,669)	941
Less: Net loss attributable to noncontrolling interest	(1)	—	—	—	(1)
Net Income/(Loss) attributable to NRG Energy, Inc.	$ 1,545	$ 124	$ 942	$ (1,669)	$ 942

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS
December 31, 2009

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations[a]	Consolidated Balance
			(In millions)		
ASSETS					
Current Assets					
Cash and cash equivalents	$ 20	$ 120	$ 2,164	$ —	$ 2,304
Funds deposited by counterparties	177	—	—	—	177
Restricted cash	1	1	—	—	2
Accounts receivable-trade, net	837	39	—	—	876
Inventory	529	12	—	—	541
Derivative instruments valuation	1,636	—	—	—	1,636
Cash collateral paid in support of energy risk management activities	359	2	—	—	361
Prepayments and other current assets	194	61	157	(101)	311
Total current assets	3,753	235	2,321	(101)	6,208
Net Property, Plant and Equipment	10,494	1,009	61	—	11,564
Other Assets					
Investment in subsidiaries	613	222	16,862	(17,697)	—
Equity investments in affiliates	42	367	—	—	409
Capital leases and note receivable, less current portion	4,982	504	3,027	(8,009)	504
Goodwill	1,718	—	—	—	1,718
Intangible assets, net	1,755	20	33	(31)	1,777
Nuclear decommissioning trust fund	367	—	—	—	367
Derivative instruments valuation	718	—	8	(43)	683
Other non-current assets	29	8	111	—	148
Total other assets	10,224	1,121	20,041	(25,780)	5,606
Total Assets	$ 24,471	$ 2,365	$ 22,423	$ (25,881)	$ 23,378
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt and capital leases	$ 58	$ 310	$ 261	$ (58)	$ 571
Accounts payable	(852)	393	1,156	—	697
Derivative instruments valuation	1,469	2	2	—	1,473
Deferred income taxes	456	11	(270)	—	197
Cash collateral received in support of energy risk management activities	177	—	—	—	177
Accrued expenses and other current liabilities	261	82	347	(43)	647
Total current liabilities	1,569	798	1,496	(101)	3,762
Other Liabilities					
Long-term debt and capital leases	2,533	1,003	12,320	(8,009)	7,847
Nuclear decommissioning reserve	300	—	—	—	300
Nuclear decommissioning trust liability	255	—	—	—	255
Deferred income taxes	1,711	(165)	237	—	1,783
Derivative instruments valuation	323	28	79	(43)	387
Out-of-market contracts	318	7	—	(31)	294
Other non-current liabilities	431	16	359	—	806
Total non-current liabilities	5,871	889	12,995	(8,083)	11,672
Total liabilities	7,440	1,687	14,491	(8,184)	15,434
3.625% Preferred Stock	—	—	247	—	247
Stockholders' Equity	17,031	678	7,685	(17,697)	7,697
Total Liabilities and Stockholders' Equity	$ 24,471	$ 2,365	$ 22,423	$ (25,881)	$ 23,378

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2009

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations[a]	Consolidated Balance
			(In millions)		
Cash Flows from Operating Activities					
Net income	$ 1,544	$ 124	$ 942	$ (1,669)	$ 941
Adjustments to reconcile net income to net cash provided by operating activities:					
Distributions and equity (earnings)/losses of unconsolidated affiliates	154	(31)	(1,173)	1,009	(41)
Depreciation and amortization	772	40	6	—	818
Provision for bad debts	61	—	—	—	61
Amortization of nuclear fuel	36	—	—	—	36
Amortization of financing costs and debt discounts/premiums	—	13	31	—	44
Amortization of intangibles and out-of-market contracts	153	—	—	—	153
Changes in deferred income taxes and liability for unrecognized tax benefits	934	(16)	(229)	—	689
Changes in nuclear decommissioning liability	26	—	—	—	26
Changes in derivatives	(228)	3	—	—	(225)
Changes in collateral deposits supporting energy risk management activities	129	(2)	—	—	127
Loss on disposals and sales of assets	17	—	—	—	17
Gain on sales of equity method investments	—	(128)	—	—	(128)
Gain on sale of emission allowances	(4)	—	—	—	(4)
Gain recognized on settlement of pre-existing relationship	—	—	(31)	—	(31)
Amortization of unearned equity compensation	—	—	26	—	26
Changes in option premiums collected	(282)	—	—	—	(282)
Cash provided/(used) by changes in other working capital, net of acquisition/disposition affects	(487)	31	335		(121)
Net Cash Provided/(Used) by Operating Activities	2,825	34	(93)	(660)	2,106
Cash Flows from Investing Activities					
Intercompany (loans to)/receipts from subsidiaries	(1,755)	—	159	1,596	—
Investment in subsidiaries	200	60	(260)	—	—
Capital expenditures	(507)	(197)	(30)	—	(734)
Acquisition of businesses, net of cash acquired	(72)	(67)	(288)	—	(427)
Increase in restricted cash, net	6	8	—	—	14
(Increase)/decrease in notes receivable	—	(58)	36	—	(22)
Purchases of emission allowances	(78)	—	—	—	(78)
Proceeds from sale of emission allowances	40	—	—	—	40
Investments in nuclear decommissioning trust fund securities	(305)	—	—	—	(305)
Proceeds from sales of nuclear decommissioning trust fund securities	279	—	—	—	279
Proceeds from sale of assets, net	6	—	—	—	6
Proceeds from sale of equity method investment	—	284	—	—	284
Equity investment in unconsolidated affiliate	—	—	(6)	—	(6)
Other	—	—	(5)	—	(5)
Net Cash Provided/(Used) by Investing Activities	(2,186)	30	(394)	1,596	(954)
Cash Flows from Financing Activities					
(Payments)/proceeds from intercompany loans	(258)	99	1,755	(1,596)	—
Payment of intercompany dividends	(330)	(330)	—	660	—
Payment of dividends to preferred stockholders	—	—	(33)	—	(33)
Net payments to settle acquired derivatives that include financing elements	(79)	—	—	—	(79)
Payment for treasury stock	—	—	(500)	—	(500)
Installment proceeds from sale of noncontrolling interest in subsidiary	—	50	—	—	50
Proceeds from issuance of common stock, net of issuance costs	—	—	2	—	2
Proceeds from issuance of long-term debt	77	127	688	—	892
Payment of deferred debt issuance costs	(2)	(3)	(26)	—	(31)
Payments of short and long-term debt	(25)	(47)	(572)	—	(644)
Net Cash Provided/(Used) by Financing Activities	(617)	(104)	1,314	(936)	(343)
Effect of exchange rate changes on cash and cash equivalents	—	1	—	—	1
Net Increase/(Decrease) in Cash and Cash Equivalents	22	(39)	827	—	810
Cash and Cash Equivalents at Beginning of Period	(2)	159	1,337	—	1,494
Cash and Cash Equivalents at End of Period	$ 20	$ 120	$ 2,164	$ —	$ 2,304

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2008

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations[a]	Consolidated Balance
			(In millions)		
Operating Revenues					
Total operating revenues	$ 6,504	$ 405	$ —	$ (24)	$ 6,885
Operating Costs and Expenses					
Cost of operations	3,321	303	—	(26)	3,598
Depreciation and amortization	618	27	4	—	649
General and administrative	64	14	241	—	319
Development costs	(1)	7	40	—	46
Total operating costs and expenses	4,002	351	285	(26)	4,612
Operating Income/(Loss)	2,502	54	(285)	2	2,273
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	276	—	1,638	(1,914)	—
Equity in earnings of unconsolidated affiliates	(2)	61	—	—	59
Other income/(expense), net	23	11	(15)	(2)	17
Interest expense	(183)	(77)	(323)	—	(583)
Total other income/(expense)	114	(5)	1,300	(1,916)	(507)
Income From Continuing Operations Before Income Taxes	2,616	49	1,015	(1,914)	1,766
Income tax expense/(benefit)	1,001	19	(307)	—	713
Income From Continuing Operations	1,615	30	1,322	(1,914)	1,053
Income from discontinued operations, net of income taxes	—	269	(97)	—	172
Net Income/(Loss) attributable to NRG Energy, Inc.	$ 1,615	$ 299	$1,225	$(1,914)	$ 1,225

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2008

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations [(a)]	Consolidated Balance
			(In millions)		
ASSETS					
Current Assets					
Cash and cash equivalents	$ (2)	$ 159	$ 1,337	$ —	$ 1,494
Funds deposited by counterparties	—	—	754	—	754
Restricted cash	7	9	—	—	16
Accounts receivable-trade, net	422	42	—	—	464
Inventory	443	12	—	—	455
Derivative instruments valuation	4,600	—	—	—	4,600
Cash collateral paid in support of energy risk management activities	494	—	—	—	494
Prepayments and other current assets	130	37	278	(230)	215
Total current assets	6,094	259	2,369	(230)	8,492
Net Property, Plant and Equipment	10,725	791	29	—	11,545
Other Assets					
Investment in subsidiaries	651	—	11,949	(12,600)	—
Equity investments in affiliates	26	464	—	—	490
Capital leases and note receivable, less current portion	598	435	3,177	(3,775)	435
Goodwill	1,718	—	—	—	1,718
Intangible assets, net	797	16	2	—	815
Nuclear decommissioning trust fund	303	—	—	—	303
Derivative instruments valuation	870	—	15	—	885
Other non-current assets	9	4	112	—	125
Total other assets	4,972	919	15,255	(16,375)	4,771
Total Assets	$ 21,791	$ 1,969	$ 17,653	$ (16,605)	$ 24,808
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Current portion of long-term debt and capital leases	$ 67	$ 235	$ 229	$ (67)	$ 464
Accounts payable	(1,302)	429	1,324	—	451
Derivative instruments valuation	3,976	3	2	—	3,981
Deferred income taxes	503	31	(333)	—	201
Cash collateral received in support of energy risk management activities	760	—	—	—	760
Accrued expenses and other current liabilities	507	48	333	(164)	724
Total current liabilities	4,511	746	1,555	(231)	6,581
Other Liabilities					
Long-term debt and capital leases	2,730	1,014	7,729	(3,776)	7,697
Nuclear decommissioning reserve	284	—	—	—	284
Nuclear decommissioning trust liability	218	—	—	—	218
Deferred income taxes	705	(187)	672	—	1,190
Derivative instruments valuation	348	46	114	—	508
Out-of-market contracts	291	—	—	—	291
Other non-current liabilities	405	44	220	—	669
Total non-current liabilities	4,981	917	8,735	(3,776)	10,857
Total liabilities	9,492	1,663	10,290	(4,007)	17,438
3.625% Preferred Stock	—	—	247	—	247
Stockholders' Equity	12,299	306	7,116	(12,598)	7,123
Total Liabilities and Stockholders' Equity	$ 21,791	$ 1,969	$ 17,653	$ (16,605)	$ 24,808

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

NRG ENERGY, INC. AND
NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2008

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations (a)	Consolidated Balance
			(In millions)		
Cash Flows from Operating Activities					
Net income	$ 1,615	$ 299	$ 1,225	$ (1,914)	$ 1,225
Adjustments to reconcile net income to net cash provided/(used) by operating activities:					
Distributions and equity (earnings)/losses of unconsolidated affiliates	(274)	(46)	(1,638)	1,914	(44)
Depreciation and amortization	618	27	4	—	649
Amortization of nuclear fuel	39	—	—	—	39
Amortization of financing costs and debt discount/premiums	—	15	22	—	37
Amortization of intangibles and out-of-market contracts	(270)	—	—	—	(270)
Amortization of unearned equity compensation	—	—	26	—	26
Loss on disposals and sales of assets	25	—	—	—	25
Impairment charges and asset write downs	—	—	23	—	23
Changes in derivatives	(482)	(2)	—	—	(484)
Changes in deferred income taxes and liability for unrecognized tax benefits	312	(16)	466	—	762
Gain on sale of discontinued operations	—	(273)	—	—	(273)
Gain on sale of emission allowances	(51)	—	—	—	(51)
Change in nuclear decommissioning trust liability	34	—	—	—	34
Changes in collateral deposits supporting energy risk management activities	(417)	—	—	—	(417)
Cash provided/(used) by changes in other working capital, net of disposition affects	745	88	(635)	—	198
Net Cash Provided/(Used) by Operating Activities	1,894	92	(507)	—	1,479
Cash Flows from Investing Activities					
Intercompany (loans to)/receipts from subsidiaries	(238)	—	696	(458)	—
Capital expenditures	(597)	(294)	(8)	—	(899)
(Increase)/decrease in restricted cash	(6)	19	—	—	13
Decrease/(increase) in notes receivable	—	45	(35)	—	10
Purchases of emission allowances	(8)	—	—	—	(8)
Proceeds from sale of emission allowances	75	—	—	—	75
Investments in nuclear decommissioning trust fund securities	(616)	—	—	—	(616)
Proceeds from sales of nuclear decommissioning trust fund securities	582	—	—	—	582
Proceeds from sale of assets, net	14	—	—	—	14
Equity investment in unconsolidated affiliate	—	(84)	—	—	(84)
Proceeds from sale of discontinued operations, net of cash divested	—	(59)	300	—	241
Net Cash Provided/(Used) by Investing Activities	(794)	(373)	953	(458)	(672)
Cash Flows from Financing Activities					
(Payments)/proceeds from intercompany loans	(1,059)	315	286	458	—
Payment for dividends to preferred stockholders	—	—	(55)	—	(55)
Net payments to settle acquired derivatives that include financing elements	(43)	—	—	—	(43)
Payment for treasury stock	—	—	(185)	—	(185)
Installment proceeds from sale of noncontrolling interest of subsidiary	—	50	—	—	50
Payment to settle CSF I CAGR	—	(45)	—	—	(45)
Proceeds from issuance of common stock, net of issuance costs	—	—	9	—	9
Proceeds from issuance of long-term debt	—	20	—	—	20
Payment of deferred debt issuance costs	—	(2)	(2)	—	(4)
Payments of short and long-term debt	—	(60)	(174)	—	(234)
Net Cash Provided/(Used) by Financing Activities	(1,102)	278	(121)	458	(487)
Change in cash from discontinued operations	—	43	—	—	43
Effect of exchange rate changes on cash and cash equivalents	—	(1)	—	—	(1)
Net Increase/(Decrease) in Cash and Cash Equivalents	(2)	39	325	—	362
Cash and Cash Equivalents at Beginning of Period	—	120	1,012	—	1,132
Cash and Cash Equivalents at End of Period	$ (2)	$ 159	$ 1,337	$ —	$ 1,494

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

NRG ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2007

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations [a]	Consolidated Balance
			(In millions)		
Operating Revenues					
Total operating revenues	$ 5,614	$ 375	$ —	$ —	$ 5,989
Operating Costs and Expenses					
Cost of operations	3,130	248	—	—	3,378
Depreciation and amortization	630	24	4	—	658
General and administrative	102	18	189	—	309
Development costs	66	2	33	—	101
Total operating costs and expenses	3,928	292	226	—	4,446
Gain/(loss) on sale of assets	18	—	(1)	—	17
Operating Income/(Loss)	1,704	83	(227)	—	1,560
Other Income/(Expense)					
Equity in earnings of consolidated subsidiaries	204	—	973	(1,177)	—
Equity in earnings of unconsolidated affiliates	(3)	57	—	—	54
Gains on sales of equity method investments	—	1	—	—	1
Other income, net	9	13	33	—	55
Refinancing expenses	—	—	(35)	—	(35)
Interest expense	(250)	(77)	(375)	—	(702)
Total other income/(expense)	(40)	(6)	596	(1,177)	(627)
Income/(Loss) From Continuing Operations Before Income Taxes	1,664	77	369	(1,177)	933
Income tax expense/(benefit)	576	5	(204)	—	377
Income/(Loss) From Continuing Operations	1,088	72	573	(1,177)	556
Income from discontinued operations, net of income taxes	—	17	—	—	17
Net Income/(Loss)	$ 1,088	$ 89	$ 573	$ (1,177)	$ 573

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

NRG ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2007

	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Energy, Inc.	Eliminations[a]	Consolidated Balance
			(In millions)		
Cash Flows from Operating Activities					
Net income	$ 1,088	$ 89	$ 573	$(1,177)	$ 573
Adjustments to reconcile net income to net cash provided/(used) by operating activities:					
Distributions and equity (earnings)/losses of unconsolidated affiliates	101	(36)	(684)	586	(33)
Depreciation and amortization	630	27	4	—	661
Amortization of nuclear fuel	58	—	—	—	58
Amortization of financing costs and debt discount/premiums	—	19	60	—	79
Amortization of intangibles and out-of-market contracts	(160)	4	—	—	(156)
Amortization of unearned equity compensation	—	—	19	—	19
(Gain)/loss on sale of assets	(18)	—	1	—	(17)
Impairment charges and asset write downs	9	—	11	—	20
Changes in derivatives	77	—	—	—	77
Changes in deferred income taxes and liability for unearned tax benefits	112	(31)	278	—	359
Gains on sale of equity method investments	—	(1)	—	—	(1)
Gain on sale of emission allowances	(30)	(1)	—	—	(31)
Change in nuclear decommissioning trust liability	32	—	—	—	32
Changes in collateral deposits supporting energy risk management activities	(125)	—	—	—	(125)
Cash provided/(used) by changes in other working capital, net of disposition affects	218	96	(299)	(13)	2
Net Cash Provided/(Used) by Operating Activities	1,992	166	(37)	(604)	1,517
Cash Flows from Investing Activities					
Intercompany (loans to)/receipts from subsidiaries	655	—	2,109	(2,764)	—
Capital expenditures	(389)	(84)	(8)	—	(481)
Decrease in restricted cash, net	—	12	—	—	12
Decrease in notes receivable	—	34	—	—	34
Decrease in trust fund balances	19	—	—	—	19
Purchases of emission allowances	(161)	—	—	—	(161)
Proceeds from sale of emission allowances	271	1	—	—	272
Investments in nuclear decommissioning trust fund securities	(265)	—	—	—	(265)
Proceeds from sales of nuclear decommissioning trust fund securities	233	—	—	—	233
Proceeds from sale of assets	—	2	—	—	2
Purchase of securities	—	—	(49)	—	(49)
Proceeds from sale of discontinued operations and assets, net of cash divested	29	—	28	—	57
Net Cash Provided/(Used) by Investing Activities	392	(35)	2,080	(2,764)	(327)
Cash Flows from Financing Activities					
(Payments)/proceeds from intercompany loans	(2,101)	(38)	(625)	2,764	—
Payment from intercompany dividends	(302)	(302)	—	604	—
Payment for dividends to preferred stockholders	—	—	(55)	—	(55)
Payment for treasury stock	—	—	(353)	—	(353)
Proceeds from issuance of common stock, net of issuance costs	—	—	7	—	7
Proceeds from issuance of long-term debt	—	—	1,411	—	1,411
Payment of deferred debt issuance costs	—	—	(5)	—	(5)
Payments of short and long-term debt	(1)	(64)	(1,754)	—	(1,819)
Net Cash (Used)/Provided by Financing Activities	(2,404)	(404)	(1,374)	3,368	(814)
Change in cash from discontinued operations	—	(25)	—	—	(25)
Effect of exchange rate changes on cash and cash equivalents	—	4	—	—	4
Net Increase/(Decrease) in Cash and Cash Equivalents	(20)	(294)	669	—	355
Cash and Cash Equivalents at Beginning of Period	20	414	343	—	777
Cash and Cash Equivalents at End of Period	$ —	$ 120	$ 1,012	$ —	$ 1,132

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

NRG ENERGY, INC.

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2009, 2008, and 2007

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
			(In millions)		
Allowance for doubtful accounts, deducted from accounts receivable					
Year ended December 31, 2009	$ 3	$ 61[(a)]	$ —	$ (35)[(b)]	$ 29
Year ended December 31, 2008	$ 1	$ 2	$ —	$ —	$ 3
Year ended December 31, 2007	$ 1	$ —	$ —	$ —	$ 1
Income tax valuation allowance, deducted from deferred tax assets					
Year ended December 31, 2009	$ 359	$ (130)	$ 4	$ —	$ 233
Year ended December 31, 2008	$ 539	$ (12)	$ (6)	$ (162)	$ 359
Year ended December 31, 2007	$ 581	$ 6	$ 8	$ (56)	$ 539

(a) Significant increase reflects acquisition of Reliant Energy in May 2009.

(b) Represents principally net amounts charged as uncollectable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By:

/s/ DAVID W. CRANE

David W. Crane
Chief Executive Officer

Date: February 23, 2010

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints David W. Crane, Michael R. Bramnick, Tanuja M. Dehne and Brian Curci, each or any of them, such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as such person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant in the capacities indicated on February 23, 2010.

Signature	Title	Date
/s/ David W. Crane David W. Crane	President, Chief Executive Officer and Director (Principle Executive Officer)	February 23, 2010
/s/ Gerald Luterman Gerald Luterman	Chief Financial Officer and Director (Principle Financial Officer)	February 23, 2010
/s/ James J. Ingoldsby James J. Ingoldsby	Chief Accounting Officer (Principle Accounting Officer)	February 23, 2010
/s/ Howard E. Cosgrove Howard E. Cosgrove	Chairman of the Board	February 23, 2010
Kirbyjon H. Caldwell	Director	February 23, 2010
/s/ John F. Chlebowski John F. Chlebowski	Director	February 23, 2010
/s/ Lawrence S. Coben Lawrence S. Coben	Director	February 23, 2010
/s/ Stephen L. Cropper Stephen L. Cropper	Director	February 23, 2010
/s/ William E. Hantke William E. Hantke	Director	February 23, 2010
/s/ Paul W. Hobby Paul W. Hobby	Director	February 23, 2010
/s/ Kathleen A. McGinty Kathleen A. McGinty	Director	February 23, 2010
/s/ Anne C. Schaumburg Anne C. Schaumburg	Director	February 23, 2010

Signature	Title	Date
/s/ Herbert H. Tate Herbert H. Tate	Director	February 23, 2010
/s/ Thomas H. Weidemeyer Thomas H. Weidemeyer	Director	February 23, 2010
Walter R. Young	Director	February 23, 2010

EXHIBIT INDEX

2.1	Third Amended Joint Plan of Reorganization of NRG Energy, Inc., NRG Power Marketing, Inc., NRG Capital LLC, NRG Finance Company I LLC, and NRGenerating Holdings (No. 23) B.V.(5)
2.2	First Amended Joint Plan of Reorganization of NRG Northeast Generating LLC (and certain of its subsidiaries), NRG South Central Generating (and certain of its subsidiaries) and Berrians I Gas Turbine Power LLC.(5)
2.3	Acquisition Agreement, dated as of September 30, 2005, by and among NRG Energy, Inc., Texas Genco LLC and the Direct and Indirect Owners of Texas Genco LLC.(11)
3.1	Amended and Restated Certificate of Incorporation.(45)
3.2	Amended and Restated By-Laws.(47)
3.3	Certificate of Designations of 3.625% Convertible Perpetual Preferred Stock, as filed with the Secretary of State of the State of Delaware on August 11, 2005.(17)
3.4	Certificate of Designations relating to the Series 1 Exchangeable Limited Liability Company Preferred Interests of NRG Common Stock Finance I LLC, as filed with the Secretary of State of Delaware on August 14, 2006.(27)
3.5	Certificate of Amendment to Certificate of Designations relating to the Series 1 Exchangeable Limited Liability Company Preferred Interests of NRG Common Stock Finance I LLC, as filed with the Secretary of State of Delaware on February 27, 2008.(36)
3.6	Second Certificate of Amendment to Certificate of Designations relating to the Series 1 Exchangeable Limited Liability Company Preferred Interests of NRG Common Stock Finance I LLC, as filed with the Secretary of State of Delaware on August 8, 2008.(37)
4.1	Supplemental Indenture dated as of December 30, 2005, among NRG Energy, Inc., the subsidiary guarantors named on Schedule A thereto and Law Debenture Trust Company of New York, as trustee.(13)
4.2	Amended and Restated Common Agreement among XL Capital Assurance Inc., Goldman Sachs Mitsui Marine Derivative Products, L.P., Law Debenture Trust Company of New York, as Trustee, The Bank of New York, as Collateral Agent, NRG Peaker Finance Company LLC and each Project Company Party thereto dated as of January 6, 2004, together with Annex A to the Common Agreement.(2)
4.3	Amended and Restated Security Deposit Agreement among NRG Peaker Finance Company, LLC and each Project Company party thereto, and the Bank of New York, as Collateral Agent and Depositary Agent, dated as of January 6, 2004.(2)
4.4	NRG Parent Agreement by NRG Energy, Inc. in favor of the Bank of New York, as Collateral Agent, dated as of January 6, 2004.(2)
4.5	Indenture dated June 18, 2002, between NRG Peaker Finance Company LLC, as Issuer, Bayou Cove Peaking Power LLC, Big Cajun I Peaking Power LLC, NRG Rockford LLC, NRG Rockford II LLC and Sterlington Power LLC, as Guarantors, XL Capital Assurance Inc., as Insurer, and Law Debenture Trust Company, as Successor Trustee to the Bank of New York.(3)
4.6	Specimen of Certificate representing common stock of NRG Energy, Inc.(26)
4.7	Indenture, dated February 2, 2006, among NRG Energy, Inc. and Law Debenture Trust Company of New York.(19)
4.8	First Supplemental Indenture, dated February 2, 2006, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(20)
4.9	Second Supplemental Indenture, dated February 2, 2006, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(20)

4.10 Form of 7.250% Senior Note due 2014.(20)

4.11 Form of 7.375% Senior Note due 2016.(20)

4.12 Form of 7.375% Senior Note due 2017.(29)

4.13 Form of 8.5% Senior Note due 2019.(42)

4.14 Third Supplemental Indenture, dated March 14, 2006, among NRG, the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(22)

4.15 Fourth Supplemental Indenture, dated March 14, 2006, among NRG, the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(22)

4.16 Fifth Supplemental Indenture, dated April 28, 2006, among NRG, the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(23)

4.17 Sixth Supplemental Indenture, dated April 28, 2006, among NRG, the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(23)

4.18 Seventh Supplemental Indenture, dated November 13, 2006, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(28)

4.19 Eighth Supplemental Indenture, dated November 13, 2006, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(28)

4.20 Ninth Supplemental Indenture, dated November 13, 2006, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(29)

4.21 Tenth Supplemental Indenture, dated July 19, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(33)

4.22 Eleventh Supplemental Indenture, dated July 19, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(33)

4.23 Twelfth Supplemental Indenture, dated July 19, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(33)

4.24 Thirteenth Supplemental Indenture, dated August 28, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(34)

4.25 Fourteenth Supplemental Indenture, dated August 28, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(34)

4.26 Fifteenth Supplemental Indenture, dated August 28, 2007, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(34)

4.27 Sixteenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(40)

4.28 Seventeenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(40)

4.29 Eighteenth Supplemental Indenture, dated April 28, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiary named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(40)

4.30 Nineteenth Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(41)

4.31 Twentieth Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(41)

4.32 Twenty-First Supplemental Indenture, dated May 8, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(41)

4.33 Twenty-Second Supplemental Indenture, dated June 5, 2009, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 8.5% Senior Notes due 2019.(42)

4.34 Twenty-Third Supplemental Indenture, dated July 14, 2009, among NRG Energy, Inc., the guarantors named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 8.5% Senior Notes due 2019. (44).

4.35 Twenty-Fourth Supplemental Indenture, dated October 5, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.250% Senior Notes due 2014.(46)

4.36 Twenty-Fifth Supplemental Indenture, dated October 5, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2016.(46).

4.37 Twenty-Sixth Supplemental Indenture, dated October 5, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 7.375% Senior Notes due 2017.(46).

4.38 Twenty-Seventh Supplemental Indenture, dated October 5, 2009, among NRG Energy, Inc., the existing guarantors named therein, the guaranteeing subsidiaries named therein and Law Debenture Trust Company of New York as Trustee, re: NRG Energy, Inc.'s 8.5% Senior Notes due 2019. (46).

10.1 Note Agreement, dated August 20, 1993, between NRG Energy, Inc., Energy Center, Inc. and each of the purchasers named therein.(4)

10.2 Master Shelf and Revolving Credit Agreement, dated August 20, 1993, between NRG Energy, Inc., Energy Center, Inc., The Prudential Insurance Registrants of America and each Prudential Affiliate, which becomes party thereto.(4)

10.3* Form of NRG Energy Inc. Long-Term Incentive Plan Deferred Stock Unit Agreement for Officers and Key Management.(15)

10.4* Form of NRG Energy, Inc. Long-Term Incentive Plan Deferred Stock Unit Agreement for Directors.(15)

10.5* Form of NRG Energy, Inc. Long-Term Incentive Plan Non-Qualified Stock Option Agreement.(8)

10.6* Form of NRG Energy, Inc. Long-Term Incentive Plan Restricted Stock Unit Agreement.(8)

10.7* Form of NRG Energy, Inc. Long Term Incentive Plan Performance Unit Agreement.(1)

10.8* Annual Incentive Plan for Designated Corporate Officers.(43)

10.9	Railroad Car Full Service Master Leasing Agreement, dated as of February 18, 2005, between General Electric Railcar Services Corporation and NRG Power Marketing Inc.(15)
10.10	Purchase Agreement (West Coast Power) dated as of December 27, 2005, by and among NRG Energy, Inc., NRG West Coast LLC (Buyer), DPC II Inc. (Seller) and Dynegy, Inc.(14)
10.11	Purchase Agreement (Rocky Road Power), dated as of December 27, 2005, by and among Termo Santander Holding, L.L.C.(Buyer), Dynegy, Inc., NRG Rocky Road LLC (Seller) and NRG Energy, Inc.(14)
10.12	Stock Purchase Agreement, dated as of August 10, 2005, by and between NRG Energy, Inc. and Credit Suisse First Boston Capital LLC.(17)
10.13	Agreement with respect to the Stock Purchase Agreement, dated December 19, 2008, by and between NRG Energy, Inc. and Credit Suisse First Boston Capital LLC.(37)
10.14	Investor Rights Agreement, dated as of February 2, 2006, by and among NRG Energy, Inc. and Certain Stockholders of NRG Energy, Inc. set forth therein.(21)
10.15†	Terms and Conditions of Sale, dated as of October 5, 2005, between Texas Genco II LP and Freight Car America, Inc., (including the Proposal Letter and Amendment thereto).(25)
10.16*	Amended and Restated Employment Agreement, dated December 4, 2008, between NRG Energy, Inc. and David Crane.(37)
10.17*	CEO Compensation Table.(48)
10.18	Limited Liability Company Agreement of NRG Common Stock Finance I LLC.(27)
10.19	Note Purchase Agreement, dated August 4, 2006, between NRG Common Stock Finance I LLC, Credit Suisse International and Credit Suisse Securities (USA) LLC.(27)
10.20	Amendment Agreement, dated February 27, 2008, to the Note Purchase Agreement by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(36)
10.21	Amendment Agreement, dated August 8, 2008, to the Note Purchase Agreement by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)
10.22	Amendment Agreement, dated December 19, 2008, to the Note Purchase Agreement by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)
10.23	Agreement with respect to Note Purchase Agreement, dated December 19, 2008, by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)
10.24	Preferred Interest Purchase Agreement, dated August 4, 2006, between NRG Common Stock Finance I LLC, Credit Suisse Capital LLC and Credit Suisse Securities (USA) LLC, as agent.(27)
10.25	Preferred Interest Amendment Agreement, dated February 27, 2008, by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(36)
10.26	Preferred Interest Amendment Agreement, dated August 8, 2008, by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)
10.27	Preferred Interest Amendment Agreement, dated December 19, 2008, by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)
10.28	Agreement with respect to Preferred Interest Purchase Agreement, dated December 19, 2008, by and among NRG Common Stock Finance I LLC, Credit Suisse International, and Credit Suisse Securities (USA) LLC.(37)