GenOn Energy, Inc.
Form 10-K
March 01, 2011

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 1-16455

GenOn Energy, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**76-0655566**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
1000 Main Street, Houston, Texas	**77002**
(Address of Principal Executive Offices)	*(Zip Code)*

(832) 357-3000
(Registrant s telephone number, including area code)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, par value $0.001 per share, and associated rights to purchase Series A Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

Aggregate market value of voting stock held by non-affiliates of the registrant was approximately $1,334,952,151 on June 30, 2010 (based on $3.79 per share, the closing price in the daily composite list for transactions on the New York Stock Exchange that day). Aggregate market value of voting stock held by non-affiliates of the registrant was approximately $2,918,449,213 on December 31, 2010 (based on $3.81 per share, the closing price in the daily composite list for transactions on the New York Stock Exchange that day).

As of February 18, 2011, there were 770,915,236 shares of the registrant s Common Stock, $0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s proxy statement for the 2011 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K to the extent described herein.

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GLOSSARY OF CERTAIN DEFINED TERMS

AB 32	California s Global Warming Solutions Act.
ancillary services	Services that ensure reliability and support the transmission of electricity from generation sites to customer loads. Such services include regulation service, reserves and voltage support.
Bankruptcy Court	United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.
baseload generating units	Units designed to satisfy minimum baseload requirements of the system and produce electricity at an essentially constant rate and run continuously.
CAIR	Clean Air Interstate Rule.
CAISO	California Independent System Operator.
CAMR	Clean Air Mercury Rule.
capacity	Energy that could have been generated at continuous full-power operation during the period.
CARB	California Air Resources Board.
CenterPoint	CenterPoint Energy, Inc. and its subsidiaries, on and after August 31, 2002, and Reliant Energy, Incorporated and its subsidiaries, prior to August 31, 2002.
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980.
CFTC	Commodity Futures Trading Commission.
Clean Air Act	Federal Clean Air Act.
Clean Water Act	Federal Water Pollution Control Act.
Climate Protection Act	Massachusetts Global Warming Solutions Act.
CO_2	Carbon dioxide.
Company	GenOn Energy, Inc. (formerly known as RRI Energy, Inc.) and, except where the context indicates otherwise, its subsidiaries, after giving effect to the Merger.

D.C. Circuit	The United States Court of Appeals for the District of Columbia Circuit.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EPA	United States Environmental Protection Agency.
EPC	Engineering, procurement and construction.
EPS	Earnings per share.
Exchange Act	Securities Exchange Act of 1934, as amended.
Exchange Ratio	Right of Mirant Corporation stockholders to receive 2.835 shares of common stock of RRI Energy, Inc. in the Merger.
FASB	Financial Accounting Standards Board.

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GLOSSARY OF CERTAIN DEFINED TERMS
(Continued)

FCM	Forward Capacity Market administered by ISO-NE to procure capacity resources to meet forecasted demand and reserve requirements.
FERC	Federal Energy Regulatory Commission.
FRCC	Florida Reliability Coordinating Council.
GAAP	United States generally accepted accounting principles.
GenOn	GenOn Energy, Inc. (formerly known as RRI Energy, Inc.) and, except where the context indicates otherwise, its subsidiaries, after giving effect to the Merger.
GenOn Americas	GenOn Americas, Inc. (formerly known as Mirant Americas, Inc.).
GenOn Americas Generation	GenOn Americas Generation, LLC (formerly known as Mirant Americas Generation, LLC).
GenOn Bowline	GenOn Bowline, LLC (formerly known as Mirant Bowline, LLC).
GenOn California North	GenOn California North, LLC (formerly known as Mirant California, LLC).
GenOn Canal	GenOn Canal, LLC (formerly known as Mirant Canal, LLC).
GenOn Chalk Point	GenOn Chalk Point, LLC (formerly known as Mirant Chalk Point, LLC).
GenOn Delta	GenOn Delta, LLC (formerly known as Mirant Delta, LLC).
GenOn Energy Holdings	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries.
GenOn Energy Management	GenOn Energy Management, LLC (formerly known as Mirant Energy Trading, LLC).
GenOn Escrow	GenOn Escrow Corp.
GenOn Kendall	GenOn Kendall, LLC (formerly known as Mirant Kendall, LLC).
GenOn Lovett	GenOn Lovett, LLC, owner of the former Lovett generating facility, which was shut down on April 19, 2008, and has been demolished (formerly known as Mirant Lovett, LLC).
GenOn Marsh Landing	

	GenOn Marsh Landing, LLC (formerly known as Mirant Marsh Landing, LLC).
GenOn MD Ash Management	GenOn MD Ash Management, LLC (formerly known as Mirant MD Ash Management, LLC).
GenOn Mid-Atlantic	GenOn Mid-Atlantic, LLC (formerly known as Mirant Mid-Atlantic, LLC) and, except where the context indicates otherwise, its subsidiaries.
GenOn North America	GenOn North America, LLC (formerly known as Mirant North America, LLC).

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GLOSSARY OF CERTAIN DEFINED TERMS
(Continued)

GenOn Potomac River	GenOn Potomac River, LLC (formerly known as Mirant Potomac River, LLC).
GenOn Potrero	GenOn Potrero, LLC (formerly known as Mirant Potrero, LLC).
HAP	Hazardous Air Pollutant.
Hudson Valley Gas	Hudson Valley Gas Corporation.
IBEW	International Brotherhood of Electrical Workers.
intermediate generating units	Units designed to satisfy system requirements that are greater than baseload and less than peaking.
IRC	Internal Revenue Code of 1986, as amended.
ISO	Independent system operator.
ISO-NE	Independent System Operator-New England.
LIBOR	London InterBank Offered Rate.
LTSA	Long-term service agreement.
MACT	Maximum achievable control technology.
MADEP	Massachusetts Department of Environmental Protection.
MAEEA	Massachusetts Executive Office of Energy and Environmental Affairs.
Maryland Act	Greenhouse Gas Reduction Act of 2009.
MC Asset Recovery	MC Asset Recovery, LLC.
MDE	Maryland Department of the Environment.
Merger	The merger completed on December 3, 2010 pursuant to the Merger Agreement.
Merger Agreement	The agreement by and among Mirant Corporation, RRI Energy, Inc. and RRI Energy Holdings, Inc. dated as of April 11, 2010.
Mirant	GenOn Energy Holdings, Inc. (formerly known as Mirant Corporation) and, except where the context indicates otherwise, its subsidiaries.

MISO	Midwest Independent Transmission System Operator.
MW	Megawatt.
MWh	Megawatt hour.
NAAQS	National ambient air quality standard.
NERC	North American Electric Reliability Council.
net capacity factor	Actual net production of electricity as a percentage of net generating capacity to produce electricity.
net generating capacity	Net summer capacity.
NOL	Net operating loss.

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GLOSSARY OF CERTAIN DEFINED TERMS
(Continued)

NOV	Notice of violation.
NO_x	Nitrogen oxides.
NPCC	Northeast Power Coordinating Council.
NPDES	National pollutant discharge elimination system.
NYISO	New York Independent System Operator.
NYMEX	New York Mercantile Exchange.
NYSE	New York Stock Exchange.
OTC	Over-the-counter.
Ozone Season	The period between May 1 and September 30 of each year.
PADEP	Pennsylvania Department of Environmental Protection.
peaking generating units	Units designed to satisfy demand requirements during the periods of greatest or peak load on the system.
PEDFA	Pennsylvania Economic Development Financing Authority.
Pepco	Potomac Electric Power Company.
PG&E	Pacific Gas & Electric Company.
PJM	PJM Interconnection, LLC.
Plan	The plan of reorganization that was approved in conjunction with Mirant Corporation s emergence from bankruptcy protection on January 3, 2006.
PPA	Power purchase agreement.
PUHCA	Public Utility Holding Company Act of 2005.
REMA	GenOn REMA, LLC and its subsidiaries (formerly known as RRI Energy Mid-Atlantic Power Holdings, LLC).
reserve margin	Excess capacity over peak demand.
RFC	Reliability First Corporation.

RGGI	Regional Greenhouse Gas Initiative.
RMR	Reliability-must-run.
RPM	Model utilized by PJM to meet load serving entities forecasted capacity obligations through a forward-looking commitment of capacity resources.
RRI Energy	RRI Energy, Inc., which changed its name to GenOn Energy, Inc. in connection with the Merger.
RTO	Regional Transmission Organization.
SCR	Selective catalytic reduction emissions controls.
scrubbers	Flue gas desulfurization emissions controls.
SEC	United States Securities and Exchange Commission.

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GLOSSARY OF CERTAIN DEFINED TERMS
(Continued)

Securities Act	Securities Act of 1933, as amended.
SEMA	Southeastern Massachusetts zone within ISO-NE.
SERC	SERC Reliability Corporation.
Series A Warrants	Warrants issued by Mirant on January 3, 2006, with an exercise price of $21.87 and expiration date of January 3, 2011.
Series B Warrants	Warrants issued by Mirant on January 3, 2006, with an exercise price of $20.54 and expiration date of January 3, 2011.
SO_2	Sulfur dioxide.
spark spread	The difference between the price received for electricity generated compared to the market price of the natural gas required to produce the electricity.
SWD	Surface water discharge.
Transport Rule	The EPA s Proposed Federal Implementation Plan To Reduce Interstate Transport of Fine Particulate Matter and Ozone, which would replace the CAIR.
UWUA	Utility Workers Union of America.
VaR	Value at risk.
VIE	Variable interest entity.
Virginia DEQ	Virginia Department of Environmental Quality.
WCI	Western Climate Initiative.
WECC	Western Electric Coordinating Council.
Wrightsville	Wrightsville, Arkansas power generating facility, which was sold by Mirant in the third quarter of 2005.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In addition to historical information, the information presented in this Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. These statements involve known and unknown risks and uncertainties and relate to our revenues, income, capital structure and other financial items, future events, our future financial performance or our projected business results and our view of economic and market conditions. In some cases, one can identify forward-looking statements by terminology such as may, will, should, could, objective, projection, forecast, goal, guidance, outlook, expect think, anticipate, estimate, predict, target, potential or continue or the negative of these terms or other com terminology.

Forward-looking statements are only predictions. Actual events or results may differ materially from any forward-looking statement as a result of various factors, which include:

- our ability to integrate successfully the businesses following the Merger or realize cost savings and any other synergies as a result of the Merger;
- our ability to enter into intermediate and long-term contracts to sell power or to hedge economically our expected future generation of power, and to obtain adequate supply and delivery of fuel for our generating facilities, at our required specifications and on terms and prices acceptable to us;
- failure to obtain adequate fuel supply, including from curtailments of the transportation of natural gas;
- changes in market conditions, including developments in the supply, demand, volume and pricing of electricity and other commodities in the energy markets, including efforts to reduce demand for electricity and to encourage the development of renewable sources of electricity, and the extent and timing of the entry of additional competition in our markets;
- deterioration in the financial condition of our counterparties and the failure of such parties to pay amounts owed to us or to perform obligations or services due to us beyond collateral posted;
- the failure of our generating facilities to perform as expected, including outages for unscheduled maintenance or repair;
- hazards customary to the power generation industry and the possibility that we may not have adequate insurance to cover losses resulting from such hazards or the inability of our insurers to provide agreed upon coverage;
- our failure to utilize new, or advancements in, power generation technologies;
- strikes, union activity or labor unrest;
- our ability to develop or recruit capable leaders and our ability to retain or replace the services of key employees;
- weather and other natural phenomena, including hurricanes and earthquakes;

the cost and availability of emissions allowances;

the curtailment of operations and reduced prices for electricity resulting from transmission constraints;

our ability to execute our business plan in California, including entering into new tolling arrangements for our existing generating facilities;

our ability to execute our development plan in respect of our Marsh Landing generating facility, including obtaining and maintaining the governmental authorization necessary for construction and operation of the generating facility and completing the construction of the generating facility by mid-2013;

our relative lack of geographic diversification of revenue sources resulting in concentrated exposure to the PJM market;

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the potential of additional limitation or loss of our income tax NOLs as a result of an ownership change as defined in IRC Section 382;

war, terrorist activities, cyberterrorism and inadequate cybersecurity, or the occurrence of a catastrophic loss;

our failure to provide a safe working environment for our employees and visitors thereby increasing our exposure to additional liability, loss of productive time, other costs and a damaged reputation;

poor economic and financial market conditions, including impacts on financial institutions and other current and potential counterparties, and negative impacts on liquidity in the power and fuel markets in which we hedge economically and transact;

increased credit standards, margin requirements, market volatility or other market conditions that could increase our obligations to post collateral beyond amounts that are expected, including additional collateral costs associated with OTC hedging activities as a result of new or proposed laws, rules and regulations governing derivative financial instruments (such as the Dodd-Frank Act and related pending rulemaking proceedings);

our inability to access effectively the OTC and exchange-based commodity markets or changes in commodity market conditions and liquidity, including as a result of new or proposed laws, rules and regulations governing derivative financial instruments (such as the Dodd-Frank Act and related regulations), which may affect our ability to engage in asset management, proprietary trading and fuel oil management activities as expected, or may result in material gains or losses from open positions;

volatility in our gross margin as a result of our accounting for derivative financial instruments used in our asset management, proprietary trading and fuel oil management activities and volatility in our cash flow from operations resulting from working capital requirements, including collateral, to support our asset management, proprietary trading and fuel oil management activities;

legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the industry of generating, transmitting and distributing electricity (the electricity industry); changes in state, federal and other regulations affecting the electricity industry (including rate and other regulations); changes in tax laws and regulations to which we and our subsidiaries are subject; and changes in, or changes in the application of, environmental and other laws and regulations to which we and our subsidiaries and affiliates are or could become subject;

more stringent environmental laws and regulations (including the cumulative effect of many such regulations) and the disposition of environmental litigation that restrict our ability or render it uneconomic to operate our assets, including regulations and litigation related to air emissions;

increased regulation that limits our access to adequate water supplies and landfill options needed to support power generation or that increases the costs of cooling water and handling, transporting and disposing of ash and other byproducts;

price mitigation strategies employed by ISOs or RTOs that reduce our revenue and may result in a failure to compensate our generating units adequately for all of their costs;

legal and political challenges to or changes in the rules used to calculate payments for capacity, energy and ancillary services or the establishment of bifurcated markets, incentives or other market design changes that give preferential treatment to new generating facilities over exiting generating facilities;

the disposition of pending or threatened litigation, including environmental litigation;

the inability of our operating subsidiaries to generate sufficient cash to support our operations;

the ability of lenders under our revolving credit facility to perform their obligations;

our consolidated indebtedness and the possibility that we or our subsidiaries may incur additional indebtedness in the future;

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restrictions on the ability of our subsidiaries to pay dividends, make distributions or otherwise transfer funds to us, including restrictions on GenOn Mid-Atlantic and REMA contained in their respective operating lease documents, which may affect our ability to access the cash flows of those subsidiaries to make debt service and other payments;

our failure to comply with provisions of our operating leases, loan agreements and debt may lead to a breach and, if not remedied, result in an event of default thereunder, which could result in such lessors, lenders and debt holders exercising remedies, limit access to needed liquidity and damage our reputation and relationships with financial institutions;

covenants contained in our credit facilities, debt and leases that restrict our current and future operations, particularly our ability to respond to changes or take certain actions that may be in our long-term best interests; and

our ability to borrow additional funds and access capital markets.

Many of these risks, uncertainties and assumptions are beyond our ability to control or predict. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by cautionary statements contained throughout this report. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made.

Factors that Could Affect Future Performance

We undertake no obligation to update publicly or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Our filings and other important information are also available on our investor relations page at www.genon.com/investors.aspx.

In addition to the discussion of certain risks in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and the accompanying notes to GenOn s consolidated financial statements, other factors that could affect our future performance are set forth in Item 1A, Risk Factors.

Certain Terms

As used in this report, unless the context requires otherwise, we, us, our and GenOn refer to GenOn Energy, Inc. an its consolidated subsidiaries, after giving effect to the Merger.

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PART I

Item 1. *Business.*

On December 3, 2010, Mirant and RRI Energy completed their Merger. Mirant merged with a wholly-owned subsidiary of RRI Energy, with Mirant surviving the Merger as a wholly-owned subsidiary of RRI Energy. In connection with the all-stock, tax-free Merger, RRI Energy changed its name to GenOn Energy, Inc., Mirant stockholders received a fixed ratio of 2.835 shares of GenOn common stock for each share of Mirant common stock, and Mirant changed its name to GenOn Energy Holdings.

While RRI Energy was the legal acquirer, the Merger was accounted for as a reverse acquisition, and Mirant was deemed to have acquired RRI Energy for accounting purposes. As a consequence of the reverse acquisition accounting treatment, the historical financial statements and results of operations presented for periods prior to the Merger date are the historical statements of Mirant, except for stockholders equity which has been retroactively adjusted for the equivalent number of shares of the legal acquirer. The operations of the former RRI Energy businesses have been included in the financial statements from the date of the Merger. Specifically, the consolidated financial statements and financial and operational results of GenOn include the results of Mirant through December 2, 2010 and include the results of the combined entities from December 3, 2010, unless indicated otherwise.

Pursuant to the Plan for Mirant and certain of its subsidiaries, on January 3, 2006, Mirant emerged from bankruptcy and acquired substantially all of the assets of the old Mirant Corporation. The Plan provides that new Mirant (now named GenOn Energy Holdings) has no successor liability for any unassumed obligations of the old Mirant Corporation. The old corporation was then renamed and transferred to a trust, which is not affiliated with GenOn Energy Holdings. For further information about our corporate history, revenues, suppliers, business segments and Mirant s bankruptcy, see notes 1, 14 and 16 to our consolidated financial statements and Selected Financial Data in Item 6 of this Form 10-K.

Overview

We provide energy, capacity, ancillary and other energy services to wholesale customers in competitive energy markets in the United States through ownership and operation of, and contracting for, power generation capacity. We are a wholesale generator with approximately 24,200 MW of net electric generating capacity in the PJM, MISO, Northeast and Southeast regions and California. We also operate integrated asset management and energy marketing organizations, including proprietary trading operations. Our customers are principally ISOs, RTOs and investor-owned utilities. Our generating portfolio is diversified across fossil fuel and technology types, operating characteristics and several regional power markets and serves customers primarily located near major metropolitan load centers.

At December 31, 2010, our generating capacity was 50% in PJM, 23% in CAISO, 10% in the Southeast, 7% in MISO and 10% in NYISO and ISO-NE. The net generating capacity of these facilities consisted of approximately 34% baseload, 46% intermediate and 20% peaking capacity. Our coal facilities generally dispatch as baseload, although some dispatch as intermediate capacity, and our gas, oil and dual fuel plants primarily dispatch as intermediate and/or peaking capacity.

Strategy

Our goal is to create long-term stockholder value across a broad range of commodity price environments. We intend to achieve this goal by:

Successfully integrating the companies and achieving cost savings targets. We expect to achieve approximately $150 million in annual cost savings through reductions in corporate overhead and support costs. We expect cost savings to result from consolidations in several areas, including headquarters, IT systems and corporate functions such as accounting, human resources and finance. Starting in January 2012, we expect to achieve the full $150 million of annual cost savings. We have estimated the total merger-related costs at

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approximately $215 million. These costs include $87 million of advisory and legal fees and $128 million of other merger-related costs, including costs to achieve the savings. These amounts include $25 million incurred by RRI Energy prior to the Merger. During 2010, the Company incurred $114 million. We expect to incur approximately $63 million, $10 million and $3 million during 2011, 2012 and 2013 and beyond, respectively. See Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K and note 3 to our consolidated financial statements.

Continued operating and commercial expertise. We have substantial experience in the management, operation and optimization of a portfolio of diverse generating facilities. Drawing on the best practices of Mirant and RRI Energy, we intend to operate our generating facilities safely and efficiently and in an environmentally responsible manner to achieve optimal availability and performance to maximize cash flow.

Transacting to reduce variability in realized gross margin. We intend to develop and execute appropriate hedging strategies to manage risks associated with the volatility in the price at which we sell power and in the prices of fuel, emissions allowances and other inputs required to produce such power. This includes hedging over multiple years to reduce the variability in realized gross margin from our expected generation. In addition, we expect to continue to sell capacity either bilaterally or through periodic auction processes.

Investing capital prudently. Our capital investment decisions are focused on achieving an appropriate return for our stockholders. Capital investments include participating in the development or acquisition of new facilities, the maintenance of our existing facilities for long-term availability and improved commercial availability, and investments in our existing facilities to improve their competitive position.

Maintaining appropriate liquidity and capital structure. Through disciplined balance sheet management and maintaining adequate liquidity, we expect to be able to operate across a broad range of commodity price environments.

Business Segments

We have five operating segments: Eastern PJM, Western PJM/MISO, California, Energy Marketing and Other Operations.

The Eastern PJM segment consists of eight generating facilities located in Maryland, New Jersey and Virginia. The Maryland and Virginia generating facilities are located near Washington, D.C.

The Western PJM/MISO segment consists of 23 generating facilities located in Illinois, Ohio and Pennsylvania.

The California segment consists of eight generating facilities and includes other business development efforts, including the Marsh Landing project.

The Energy Marketing segment consists of our proprietary trading, fuel oil management and natural gas transportation and storage activities.

The Other Operations segment consists of three generating facilities located in Massachusetts, one generating facility located in New York, three generating facilities located in Florida, one generating facility located in Mississippi and one generating facility located in Texas. For 2008, the Other Operations segment included the Lovett generating facility in New York, which was shut down on April 19, 2008 and demolished in 2009.

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The table below summarizes selected financial information of our operations by business segment for 2010:

Business Segments	Revenues		Gross Margin[1] (dollars in millions)		Operating Income (Loss)	
Eastern PJM	$ 1,710[2]	75%	$ 1,012	77%	$ (775)	239%
Western PJM/MISO	118[2]	5%	43	3%	(11)	3%
California	149	7%	126	10%	17	(5)%
Energy Marketing	54	2%	26	2%	16	(5)%
Other Operations	239	11%	100	8%	(187)	58%
Eliminations		%		%	616	(190)%
Total	$ 2,270	100%	$ 1,307	100%	$ (324)	100%

(1) Gross margin excludes depreciation and amortization.

(2) For 2010, we recorded $1.5 billion in revenues from a single counterparty (PJM) which represented 64% of our consolidated revenues. The revenues generated from this counterparty are included in our Eastern PJM, Western PJM/MISO and Energy Marketing segments.

Eliminations for revenues and gross margin are primarily related to intercompany sales of emissions allowances. Eliminations for operating income/loss also include a $616 million impairment loss related to goodwill recorded at our GenOn Mid-Atlantic subsidiary on its standalone balance sheet. The goodwill impairment loss and related goodwill balance are eliminated upon consolidation at GenOn North America and are not reflected on the consolidated balance sheet of the Company. For selected financial information about our business segments, see note 16 to our consolidated financial statements.

Eastern PJM Segment

We own or lease eight generating facilities in the Eastern PJM segment with total net generating capacity of 6,336 MW. Our Eastern PJM segment had a combined 2010 net capacity factor of 33%. The following table presents the details of our Eastern PJM generating facilities:

Facility	Net Generating Capacity (MW)[1]	Holding	Primary Fuel Type	Dispatch Type	Location	NERC Region
Chalk Point	2,401	Own	Coal/Dual/Oil	Baseload/Intermediate/Peaking	Maryland	RFC
Dickerson	844	Own/Lease[2]	Coal/Dual/Oil	Baseload/Peaking	Maryland	RFC
Gilbert	536	Own	Dual	Intermediate/Peaking	New Jersey	RFC
Glen Gardner	160	Own	Dual	Peaking	New Jersey	RFC
Morgantown	1,477	Own/Lease[2]	Coal/Oil	Baseload/Peaking	Maryland	RFC
Potomac River	482	Own	Coal	Baseload/Intermediate	Virginia	RFC

Sayreville	224	Own	Dual	Peaking	New Jersey	RFC
Werner	212	Own	Oil	Peaking	New Jersey	RFC
Total Eastern PJM	6,336					

(1) Total MW amounts reflect net summer capacity.

(2) We lease a 100% interest in the Dickerson and Morgantown baseload units through facility lease agreements expiring in 2029 and 2034, respectively. We own 307 MW and 248 MW of peaking capacity at the Dickerson and Morgantown generating facilities, respectively.

We completed the installation of scrubbers at our Chalk Point, Dickerson and Morgantown coal-fired units in the fourth quarter of 2009. We previously installed SCR systems at the Morgantown coal-fired units and one of the Chalk Point coal-fired units and a selective auto catalytic reduction system at the other Chalk

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Point coal-fired unit. In addition, we installed selective non-catalytic reduction systems at the three Dickerson coal-fired units. These controls are capable of reducing emissions of SO_2, NO_x and mercury by approximately 98%, 90% and 80%, respectively, for three of our largest coal-fired units in Maryland.

We reviewed our Chalk Point, Dickerson, Morgantown and Potomac River generating facilities for impairment as a result of our annual assessment of the goodwill recorded at our GenOn Mid-Atlantic registrant on its standalone balance sheet, which is eliminated upon consolidation at GenOn North America. Upon completion of the assessment, we determined that none of the GenOn Mid-Atlantic generating facilities was impaired at October 31, 2010.

In December 2010, PJM published an updated load forecast, which depicted a decrease in the expected demand from prior projections because of lower economic growth expectations. As a result of the load forecast, our current expectation is that there will be a decrease in the clearing prices for future capacity auctions in certain years. The decrease in projected capacity revenue caused us to update our October 2010 impairment review of GenOn Mid-Atlantic s long-lived assets. Upon completion of our assessment, which was based on the accounting guidance related to the impairment of long-lived assets, we determined that the Dickerson and Potomac River generating facilities were impaired at December 31, 2010, as the carrying value exceeded the updated December 2010 undiscounted cash flows. We recorded fourth quarter impairment losses of $523 million and $42 million on our consolidated statement of operations to reduce the carrying values of the Dickerson and Potomac River generating facilities, respectively, to their estimated fair values. In addition, as a result of the full impairment of the Potomac River generating facility, we recorded $32 million in operations and maintenance expense and corresponding liabilities associated with our commitment to reduce particulate emissions at our Potomac River generating facility as part of the agreement with the City of Alexandria, Virginia. The planned capital investment would not be recovered in future periods based on the current projected cash flows of the Potomac River generating facility. We also have $32 million included in funds on deposit and other noncurrent assets in the consolidated balance sheets, which represents the remaining balance placed in escrow as a result of the agreement with the City of Alexandria. See note 5(c) to our consolidated financial statements for further information related to our GenOn Mid-Atlantic impairment analyses.

Our generating facilities located in New Jersey may require further investment in environmental controls. See Environmental Regulation below for further information.

Western PJM/MISO Segment

We own or lease 23 generating facilities in the Western PJM/MISO segment with total net generating capacity of 7,483 MW. Our Western PJM/MISO segment had a combined 2010 net capacity factor of 36%. The following table presents the details of our Western PJM/MISO generating facilities:

Facility	Net Generating Capacity (MW)[1]	Holding	Primary Fuel Type	Dispatch Type	Location	NERC Region
Aurora	878	Own	Natural gas	Peaking	Illinois	RFC
Avon Lake	753	Own	Coal/Oil	Baseload/Peaking	Ohio	RFC
Blossburg	19	Own	Natural gas	Peaking	Pennsylvania	RFC
Brunot Island	289	Own	Natural gas/Oil	Intermediate/Peaking	Pennsylvania	RFC
Cheswick	565	Own	Coal	Baseload	Pennsylvania	RFC
Conemaugh	281	Lease[2]	Coal/Oil	Baseload/Peaking	Pennsylvania	RFC

Elrama	460	Own	Coal	Baseload	Pennsylvania	RFC
Hamilton	20	Own	Oil	Peaking	Pennsylvania	RFC
Hunterstown	60	Own	Dual	Peaking	Pennsylvania	RFC
Hunterstown CCGT	810	Own	Natural gas	Intermediate	Pennsylvania	RFC
Keystone	284	Lease[(2)]	Coal/Oil	Baseload/Peaking	Pennsylvania	RFC
Mountain	40	Own	Dual	Peaking	Pennsylvania	RFC

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Facility	Net Generating Capacity (MW)[1]	Holding	Primary Fuel Type	Dispatch Type	Location	NERC Region
New Castle	330	Own	Coal/Oil	Baseload/Peaking	Pennsylvania	RFC
Niles	242	Own	Coal/Oil	Baseload/Peaking	Ohio	RFC
Orrtanna	20	Own	Oil	Peaking	Pennsylvania	RFC
Portland	570	Own	Coal/Dual	Baseload/Intermediate/Peaking	Pennsylvania	RFC
Seward	525	Own	Coal	Baseload	Pennsylvania	RFC
Shawnee	20	Own	Oil	Peaking	Pennsylvania	RFC
Shawville	603	Lease[2]	Coal/Oil	Baseload/Peaking	Pennsylvania	RFC
Shelby	344	Own	Natural gas	Peaking	Illinois	SERC
Titus	274	Own	Coal/Dual	Baseload/Peaking	Pennsylvania	RFC
Tolna	39	Own	Oil	Peaking	Pennsylvania	RFC
Warren	57	Own	Dual	Peaking	Pennsylvania	RFC
Total Western PJM/MISO	7,483					

(1) Total MW amounts reflect net summer capacity.

(2) We lease 100%, 16.67% and 16.45% interests in three Pennsylvania facilities, Shawville, Keystone and Conemaugh, respectively, through facility lease agreements expiring in 2026, 2034 and 2034, respectively. We operate the Shawville, Keystone and Conemaugh facilities. The table includes our net share of the capacity of these facilities.

We expect the Avon Lake, New Castle and Niles generating facilities to move from the MISO region to the PJM region in June 2011 as a result of the FERC s approval of the transfer.

In 2009 and 2010, we installed scrubbers at the Keystone and Cheswick generating facilities to reduce the SO_2 emissions from these facilities. As a result, the number of SO_2 allowances we will need to purchase in the market to comply with current regulations is reduced. These scrubbers are capable of removing up to 98% of the SO_2 from the exhaust as well as reducing mercury emissions by up to 80%. The units had previously been retrofitted with SCRs to reduce NO_x emissions.

California Segment

We own eight generating facilities in California with total net generating capacity of 5,725 MW. Our California segment generating facilities had a combined 2010 net capacity factor of 2%. The following table presents the details of our California generating facilities:

	Net Generating Capacity	Primary Fuel	NERC

Facility	(MW)[1]	Holding	Type	Dispatch Type	Location	Region
Contra Costa	674	Own	Natural gas	Intermediate	California	WECC
Coolwater	608	Own	Natural gas	Intermediate	California	WECC
Ellwood	54	Own	Natural gas	Peaking	California	WECC
Etiwanda	640	Own	Natural gas	Intermediate	California	WECC
Mandalay	560	Own	Natural gas	Intermediate/Peaking	California	WECC
Ormond Beach	1,516	Own	Natural gas	Intermediate	California	WECC
Pittsburg	1,311	Own	Natural gas	Intermediate	California	WECC
Potrero[2]	362	Own	Natural gas/Oil	Intermediate/Peaking	California	WECC
Total California	5,363[2]					

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(1) Total MW amounts reflect net summer capacity.

(2) We shut down the Potrero facility on February 28, 2011. The total net generating capacity for the California segment per the table excludes Potrero. See below for further discussion.

In the third quarter of 2009, GenOn Potrero executed a settlement agreement with the City and County of San Francisco in which it agreed to shut down the Potrero generating facility when it is no longer needed for reliability, as determined by the CAISO. That settlement agreement became effective in November 2009. In December 2010, the CAISO provided GenOn Potrero with the requisite notice of termination of the RMR agreement. On January 19, 2011, at the request of GenOn Potrero, the FERC approved changes to GenOn Potrero s RMR agreement to allow the CAISO to terminate the RMR agreement effective February 28, 2011. On February 28, 2011, the Potrero facility was shut down.

Our existing generating facilities in California depend almost entirely on payments they receive to operate in support of system and local reliability through the sale of resource adequacy capacity to load serving entities. The energy, capacity and ancillary services markets, as currently constituted, will not support the capital expenditures necessary to repower or reconstruct our facilities. In order to obtain the necessary capital support for repowering or reconstructing our facilities, we would need to obtain contracts with creditworthy buyers. Absent that, our existing generating facilities in California will be commercially viable only as long as they have contracts for their capacity.

Energy Marketing Segment

Our Energy Marketing segment includes our proprietary trading, fuel oil management and natural gas transportation and storage activities. This activity includes the purchase and sale of electricity, fuel and emissions allowances, sometimes through financial derivatives.

Using our fundamental understanding of the markets in which we operate, we support our commercial asset management activities as well as engage in proprietary trading when we identify opportunities. We engage in fuel oil management activities to hedge economically the fair value of our physical fuel oil inventories, optimize the approximately three million barrels of storage capacity that we own or lease, as well as attempt to profit from market opportunities related to timing and/or differences in the pricing of various products. We engage in natural gas transportation and storage activities to optimize our physical natural gas and storage positions and manage the physical gas requirements for a portion of our assets.

Proprietary trading, fuel oil management and natural gas transportation and storage activities together will typically comprise less than 5% of our realized gross margin. All of our commercial activities are governed by a comprehensive risk management policy, which includes limits on the size of volumetric positions and VaR for our proprietary trading and fuel oil management activities and requires all incremental natural gas transportation and natural gas storage activities to be risk reducing. For 2010, our combined average daily VaR for proprietary trading and fuel oil management activities was $2 million.

Other Operations Segment

We own or lease four generating facilities in the Northeast region and five generating facilities in the Southeast region with total net generating capacity of 5,055 MW. Other Operations had a combined 2010 net capacity factor of 8%. Other Operations is comprised of our generating facilities located in Massachusetts,

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New York, Florida, Mississippi and Texas. The following table presents the details of our Other Operations generating facilities:

Facility	Net Generating Capacity (MW)[1]	Holding	Primary Fuel Type	Dispatch Type	Location	NERC Region
Bowline	1,139	Own	Dual	Intermediate	New York	NPCC
Canal	1,126	Own	Dual/Oil	Intermediate	Massachusetts	NPCC
Choctaw	800	Own	Natural gas	Baseload	Mississippi	SERC
Indian River[2]	586	Own	Dual	Intermediate	Florida	FRCC
Kendall	256	Own	Natural gas/Oil/Dual	Baseload/Peaking	Massachusetts	NPCC
Martha s Vineyard	14	Own	Oil	Peaking	Massachusetts	NPCC
Osceola	450	Own	Dual	Peaking	Florida	FRCC
Sabine[3]	54	Own	Natural gas	Baseload	Texas	SERC
Vandolah	630	Lease[4]	Dual	Peaking	Florida	FRCC
Total Other Operations	5,055					

(1) Total MW amounts reflect net summer capacity.

(2) The Indian River generating facility was mothballed in January 2010, other than during the third quarter of 2010 when one unit operated under a PPA.

(3) We own a 50% equity interest in the Sabine facility located in east Texas having a net generating capacity of 108 MW. An unaffiliated party owns the other 50% and an affiliated party to the other owner operates the facility. The table includes our net share of the capacity of this facility.

(4) We are party to a tolling agreement that expires in May 2012 and entitles us to purchase and dispatch 100% of this facility s electric generating capacity. The tolling agreement is treated as an operating lease for accounting purposes.

During the second quarter of 2010, the NYISO issued its annual peak load and energy forecast in its Load and Capacity Data report (the Gold Book). The Gold Book reports projected electricity supply and demand for the New York control area for the next ten years. The most recent Gold Book projects a significant decrease in future electricity demand as a result of current economic conditions and the expected future effects of demand-side management programs in New York. The expected reduction in future demand as a result of demand-side management programs is being driven primarily by an energy efficiency program being instituted within the State of New York that will seek to achieve a 15% reduction from 2007 energy volumes by 2015. As a result of the projections in the Gold Book, we evaluated the Bowline generating facility for impairment in the second quarter of 2010. The sum of the probability weighted undiscounted cash flows for the Bowline generating facility exceeded the carrying value. As a result, we did not record an impairment loss for the Bowline generating facility during the second quarter of 2010.

GenOn Bowline has challenged its property tax assessment for the 2009 and 2010 tax years. Although the assessment for the 2010 tax year was reduced significantly from the assessment received in 2009, the assessment continues to exceed significantly the estimated fair value of the generating facility.

In the fourth quarter of 2010, we identified certain operational issues that reduced the available capacity of the Bowline generating facility. We are in the process of evaluating long-term solutions for the generating facility, but our current expectation is that the reduction in available capacity could extend through 2012. In the fourth quarter of 2010, we again evaluated the Bowline generating facility for impairment because of the expected extended reduction in available capacity together with the pending property tax litigation and the effect of supply and demand assumptions in the NYISO s Gold Book. The sum of the probability weighted undiscounted cash flows for the Bowline generating facility exceeded the carrying value. As a result, we did not record an impairment loss for the Bowline generating facility during 2010. See note 5(c) to our

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consolidated financial statements for further information related to our impairment analysis of the Bowline generating facility.

ISO-NE previously had determined that, at times, it was necessary for the Canal generating facility to operate to meet local reliability criteria for SEMA when it is not economic for the Canal generating facility to operate based upon prevailing market prices. When the Canal generating facility operates to meet local reliability criteria, we are compensated at the price we bid into the ISO-NE, pursuant to ISO-NE market rules, rather than at the market price. During 2009, NSTAR Electric Company completed planned upgrades to the SEMA transmission system. These upgrades have reduced the need for the Canal generating facility to operate and caused a reduction in energy gross margin compared to historical levels. The final phase of these transmission upgrades was completed in the third quarter of 2009 and as a result, the capacity factor for the Canal generating facility dropped as compared to 2008. With the completion of the transmission upgrades and because of the Canal generating facility s high fuel costs relative to other generation in the northeast market, we expect that the future revenues of the Canal generating facility will be principally capacity revenue from the ISO-NE forward capacity market.

The Kendall generating facility, which is a cogeneration facility, has long-term agreements under which it sells steam.

Pursuant to a consent decree, we discontinued operation of units 4 and 5 at our Lovett generating facility in New York in May 2007 and April 2008, respectively. In addition, we discontinued operation of unit 3 at the Lovett generating facility in May 2007 because it was uneconomic to operate the unit. We completed the demolition of the Lovett generating facility in 2009.

Asset Management

We provide energy, capacity, ancillary and other energy services to wholesale customers in competitive energy markets in the United States, including ISOs and RTOs, power aggregators, retail providers, electric-cooperative utilities, other power generating companies and load serving entities. Our commercial operations consist primarily of dispatching electricity, hedging the generation and sale of electricity, selling capacity, procuring and managing fuel and providing logistical support for the operation of our facilities (for example, by procuring transportation for coal and natural gas).

Our strategy is to enter into economic hedges forward sales of electricity and forward purchases of fuel and emissions allowances to manage the risks associated with volatility in prices for electricity, fuel and emissions allowances and to achieve more predictable financial results. In addition, given the high correlation between natural gas prices and electricity prices in many of the markets in which we operate, we enter into forward sales of natural gas to hedge economically our exposure to changes in the price of electricity. We procure our hedges in OTC transactions or on exchanges where electricity, fuel and emissions allowances are broadly traded, or through specific transactions with buyers and sellers, using futures, forwards, swaps and options. Our hedges cover various periods, including several years. See Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K for our aggregate hedge levels based on expected generation for 2011 to 2015. In addition, see Item 1A, Risk Factors Risks Related to Economic and Financial Market Conditions Greater regulation of energy contracts for a discussion of the risks of implementation of the Dodd-Frank Act on our ability to hedge economically our generation, including potentially reducing liquidity in the energy and commodity markets and, if we are required to clear such transactions on exchanges or meet other requirements, by significantly increasing the collateral costs associated with such activities.

We sell capacity either bilaterally or through periodic auction processes in each ISO and RTO market in which we participate. Our capacity sales primarily occur through the PJM RPM and ISO-NE FCM auctions, but also in CAISO, MISO, NYISO and other markets where we enter into agreements with counterparties. We expect that a substantial

portion of our PJM capacity will continue to be sold in PJM up to three years in advance. Revenue from these capacity sales is determined by market rules designed to ensure regional reliability, encourage competition and reduce energy price volatility. These capacity sales provide an important

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source of predictable revenues for us over the contracted periods. At January 31, 2011, total projected contracted capacity and PPA revenues for which prices have been set for 2011 through 2014 are $3.1 billion.

Power

We hedge economically a substantial portion of our Eastern PJM coal-fired baseload generation and certain of our other generation. We generally do not hedge our intermediate and peaking units for tenors greater than 12 months. A significant portion of our hedges are financial swap transactions between GenOn Mid-Atlantic and financial counterparties that are senior unsecured obligations of such parties and do not require either party to post cash collateral either for initial margin or for securing exposure as a result of changes in power or natural gas prices.

Although standard industry OTC transactions make up a substantial portion of our economic hedge portfolio, at times we sell non-standard, structured products to customers.

Several of our California, Florida and Mississippi generating facilities typically operate under contracts for their capacity or energy. In California, GenOn Delta has entered into agreements with PG&E to provide electricity from our natural gas-fired units in service at Contra Costa and Pittsburg. With respect to Contra Costa units 6 and 7, GenOn Delta is providing 674 MW of capacity to PG&E for 2011 under a multi-year tolling agreement into which we entered in 2006. GenOn Delta entered into a new agreement with PG&E on September 2, 2009 for the 674 MW at Contra Costa units 6 and 7 for the period from November 2011 through April 2013. At the end of the agreement, and subject to any necessary regulatory approval, GenOn Delta has agreed to retire Contra Costa units 6 and 7, which began operations in 1964, in furtherance of state and federal policies to retire aging power plants that utilize once-through cooling technology. In addition, GenOn Delta entered into an agreement with PG&E on October 28, 2010 for 1,159 MW of capacity from Pittsburg units 5, 6 and 7 for three years commencing January 1, 2011, with options for PG&E to extend the agreement for each of 2014 and 2015. Under the respective agreements, GenOn Delta will receive monthly capacity payments with bonuses and/or penalties based on heat rate and availability. On September 2, 2009, GenOn Marsh Landing entered into a ten-year PPA with PG&E for 760 MW of natural gas-fired peaking generation to be constructed adjacent to our Contra Costa generating facility near Antioch, California. Construction of the Marsh Landing generating facility is expected to be completed by mid-2013.

Fuel

We enter into contracts of varying terms to secure appropriate quantities of fuel that meet the varying specifications of our generating facilities. For our coal-fired generating facilities, we purchase most of our coal from a small number of suppliers under contracts with terms of varying lengths, some of which extend to 2013 and one that extends to 2020. See Quantitative and Qualitative Disclosures About Market Risk in Item 7A of this Form 10-K for discussion of our coal agreement risk. For our oil-fired units, we typically purchase fuel from a small number of suppliers either in the spot market or under contracts with terms of varying lengths. For our natural gas-fired facilities, in addition to purchasing natural gas, we arrange for and schedule its transportation through pipelines. To perform a portion of these functions, we lease natural gas transportation and storage capacity. We sell excess fuel supplies to third parties.

We receive coal at our generating facilities primarily by rail and truck. In addition, we can receive coal by barge at three of our plants: our Morgantown generating facility completed construction of a barge unloader in 2008 that enables us to receive coal from domestic and international sources; and our Cheswick and Elrama generating facilities also have barge unloading facilities, which are typically used to receive domestic coal. We have coal blending facilities at our Cheswick, Morgantown and Titus generating facilities that allow for greater flexibility of coal supply by allowing various coal qualities to be blended while also meeting emissions targets. We monitor coal supply and delivery logistics carefully and, despite occasional interruptions of planned deliveries, to date we have managed to avoid any significant detrimental effects on our operations. Because of the risk of disruptions in our coal supply, we

strive to maintain adequate targeted levels of coal inventories at our coal-fired facilities. Interruptions to planned or contracted deliveries can result from a variety of factors,

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including operational issues of coal suppliers, lack of, or constraints in, coal transportation (including rail system and river system disruptions) and adverse weather conditions.

Emissions

Our commercial operations manage the acquisition and use of emissions allowances for our generating facilities. Our generating facilities in Maryland, Massachusetts, New Jersey and New York are subject to the RGGI, a multi-state cap-and-trade program to reduce CO_2 emissions from units of 25 MW or greater. The RGGI became effective on January 1, 2009. To comply, we are required to purchase allowances, either through periodic auctions or open market transactions, to offset our CO_2 emissions. In 2010 and 2009, we recognized approximately $34 million and $45 million, respectively, in cost of fuel, electricity and other products as a result of our compliance with the RGGI.

In May 2010, the Montgomery County Council imposed a levy on major emitters of CO_2 in Montgomery County, Maryland which we estimate will impose on the Dickerson generating facility of GenOn Mid-Atlantic an additional $10 million to $15 million per year in levies owed to Montgomery County. During 2010, we recognized $8 million in levies in operations and maintenance expense. See note 18 to our consolidated financial statements for further discussion of the action filed against Montgomery County in the United States District Court for the District of Maryland by GenOn Mid-Atlantic.

Coal Combustion Byproducts

Existing state and federal rules require the proper management and disposal of wastes and other materials. We produce byproducts from our coal-fired generating units, including ash and gypsum. We actively manage the current and planned disposition of each of these byproducts. All of our ash disposal facilities are dry landfills (although we do use ponds to dewater ash at some facilities). Our disposal plan for ash includes land filling at our existing ash management facilities, purchasing and permitting additional disposal sites, using third parties to handle and dispose of the ash, and constructing an ash beneficiation facility at our Morgantown site to make the ash more suitable for sale to third parties for the production of concrete as well as other beneficial uses. We commenced construction of the ash beneficiation facility in February 2011 and expect to complete it in 2012. Our disposal plan for gypsum includes disposing of it in approved landfills and selling it to third parties for use in the production of drywall. Currently, we expect to spend approximately $130 million over the next five years for ash landfill expansions, closures and for building an ash beneficiation facility.

There is increased focus on the regulation of coal combustion products and, if the manner in which they are regulated changes, we may be required to change our management practices for these byproducts and/or incur additional costs.

Competitive Environment

The power generating industry is capital intensive and highly competitive. Our competitors include regulated utilities, merchant energy companies, financial institutions and other companies. For a discussion of competitive factors see Item 1A, Risk Factors. Coal-fired, natural gas-fired, nuclear and hydroelectric generation currently account for approximately 45%, 24%, 20% and 6%, respectively, of the electricity produced in the United States. Other energy sources account for the remaining 5% of electricity produced.

Wholesale power generation is highly fragmented compared to other commodity industries. There is wide variation in terms of the capabilities, resources, nature and identity of the companies with which we compete. Our competitive advantages include the following:

Reliability of our future cash flows. Our large coal generating fleet is exposed to the relationship between the cost of production and the price of the power produced. This relationship, commonly referred to as the dark spread, fluctuates with the cost of coal and the price of power. We hedge economically a substantial portion of our Eastern PJM coal-fired baseload generation and certain of our other generation. We hedge our output at varying levels several years in advance because the price of electricity is volatile. In addition, we enter into contracts to hedge economically our future needs of coal, which is our primary fuel.

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Locational advantages. Many of our generating facilities are located in or near metropolitan areas, including Boston, New York City, Pittsburgh, San Francisco, Southern California/Los Angeles and Washington, D.C. The supply-demand balance in some of these markets is forecasted to become constrained, though at a slower rate than forecasted before the economic downturn, and increasingly dependent on power imported from other regions to sustain reliability. Although transmission projects are planned in these markets to bring capacity from neighboring regions, the timing of these projects is subject to delays and uncertainty.

Room to expand at our existing sites. We have sufficient room and infrastructure at many of our existing sites to increase significantly our generating capacity when market rules and conditions warrant. In addition to reduced costs for developing new generation at existing sites because of our ownership of the land and our ownership of and/or access to infrastructure, regulators frequently prefer that new generation be added at existing sites (brownfield development) rather than at new sites (greenfield development). We continue to consider these and other investment opportunities.

Given the substantial time required to permit and construct new power plants, the process to add generating capacity must begin years in advance of anticipated growth in demand. A number of ISOs and RTOs, including those in markets in which we operate, have implemented capacity markets as a way to encourage construction of additional generation when market conditions warrant. Over the last several years, very little new generation has been constructed as a result of the economic downturn in recent years and programs to reduce the demand for electricity which have resulted in a decrease in the rate at which the long-term demand for electricity is forecasted to grow. Also, the costs to construct new generating facilities have been rising, and there is substantial environmental opposition to building either coal-fired or nuclear plants.

In some markets, state regulators have proposed initiatives to provide long-term contracts for new generating capacity. In December 2010, the Maryland Public Service Commission sought comments on a possible request for proposals for new generating facilities. The draft request for proposals would require any such new generation to bid into the capacity markets in a manner that would ensure clearing in the market. The draft request provides for project submittals on July 29, 2011. We filed comments on the draft request for proposals on January 28, 2011, noting there is no need for additional capacity at this time. If the request for proposals is issued as currently drafted, it could have a negative effect on capacity prices in PJM in future years.

On January 28, 2011, New Jersey enacted legislation which requires the Board of Public Utilities to implement a Long-Term Capacity Agreement Pilot Program providing for new generating capacity in the state. The new generating capacity would be required to participate and be accepted as a capacity resource in the PJM capacity market. If the New Jersey agreement for new capacity is implemented as required by the statute, it could have a negative effect on capacity prices in PJM in future years. On February 1, 2011, a group of which we are a member initiated a proceeding at the FERC seeking changes in the PJM tariff to prevent interference with the capacity markets from efforts such as the New Jersey legislation and the Maryland request for proposals. On February 9, 2011, we joined a group of companies that filed suit in the U.S. District Court for New Jersey asking the court to declare the New Jersey legislation unconstitutional.

In addition, as a result of initiatives at both the federal and state level, new construction of renewable resources, including solar and wind, has occurred or is planned.

There are proposed upgrades to the transmission systems in some of the markets in which we operate that could mitigate the need for existing marginal generating capacity and for additional generating capacity. To the extent that these upgrades are completed, prices for electricity and capacity could be lower in some of our markets than they might otherwise be.

The prices for power and natural gas remain low compared to several years ago. The energy gross margin from our generating facilities is negatively affected by these price levels. For that portion of the volumes of generation that we have hedged, we are generally economically neutral to subsequent changes in commodity prices because our realized gross margin will reflect the contractual prices of our power and fuel contracts. We continue to add economic hedges, including to maintain projected levels of cash flows from operations for

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future periods to help support continued compliance with the covenants in our debt and lease agreements. We have implemented seasonal operating models at some of our facilities to address the effect of depressed power and commodity prices on the margins earned at these facilities.

Concern over climate change and air emissions have led to significant legislative and regulatory efforts at the state and federal level. The costs of compliance with such efforts could affect our ability to compete in the markets in which we operate, especially with our coal-fired generating facilities. See Environmental Regulation later in the section for further discussion.

Seasonality

For information on the effect of seasonality on our business, see Risk Factors in Item 1A of this Form 10-K and note 17 to our consolidated financial statements.

Regulatory Environment

The electricity industry is regulated extensively at the federal, state and local levels. At the federal level, the FERC has exclusive jurisdiction under the Federal Power Act over sales of electricity at wholesale and the transmission of electricity in interstate commerce. Each of our subsidiaries that owns or leases a generating facility selling at wholesale or that markets electricity at wholesale is a public utility subject to the FERC s jurisdiction under the Federal Power Act. These subsidiaries must comply with certain FERC reporting requirements and FERC-approved market rules and they are subject to FERC oversight of mergers and acquisitions, the disposition of facilities under the FERC s jurisdiction and the issuance of securities.

The FERC has authorized our subsidiaries that are public utilities under the Federal Power Act to sell wholesale energy, capacity and certain ancillary services at market-based rates. The majority of the output of the generating facilities owned by our subsidiaries is sold pursuant to this market-based rate authorization, although our Potrero station sold its output under a cost-based RMR agreement through February 2011 for which separate rate authorization was granted by the FERC. The FERC could revoke or limit our market-based rate authority if it determined that we possess insufficiently mitigated market power in a regional electricity market. Under the Natural Gas Act, our subsidiaries that sell natural gas for resale are deemed by the FERC to have blanket certificate authority to undertake these sales at market-based rates.

The FERC requires that our public utility subsidiaries with market-based rate authority and our subsidiaries with blanket certificate authority adhere to general rules against market manipulation as well as certain market behavior rules and codes of conduct. If any of our subsidiaries were found to have engaged in market manipulation, the FERC has the authority to impose a civil penalty of up to $1 million per day per violation. In addition to the civil penalties, if any of our subsidiaries were to engage in market manipulation or violate the market behavior rules or codes of conduct, the FERC could require a disgorgement of profits or revoke the subsidiary s market-based rate authority or blanket certificate authority. If the FERC were to revoke market-based rate authority, our affected public utility subsidiary would have to file a cost-based rate schedule for all or some of its sales of electricity at wholesale.

In 2006, the FERC certified the NERC as the national energy reliability organization. The NERC is now responsible for the development and enforcement of mandatory reliability standards for the electric power system. Each of our subsidiaries selling electricity at wholesale is responsible for complying with the reliability standards in the region in which it operates. The NERC has the ability to assess financial penalties for non-compliance with the reliability standards, which penalties can, depending on the nature of the non-compliance, be significant. In addition to complying with the NERC standards, each of our entities selling electricity at wholesale must comply with the reliability standards of the regional reliability council for the NERC region in which its sales occur.

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The vast majority of our facilities operate in markets administered by ISOs and RTOs. In areas where ISOs or RTOs control the regional transmission systems, market participants have access to broader geographic markets than in regions without ISOs and RTOs. ISOs and RTOs operate day-ahead and real-time energy and ancillary services markets, typically governed by FERC-approved tariffs and market rules. Some ISOs and RTOs also operate capacity markets. Changes to the applicable tariffs and market rules may be requested by the ISO or RTO, or by other interested persons, including market participants and state regulatory agencies, and such proposed changes, if approved by the FERC, could have a significant effect on our operations and financial results. Although participation in ISOs and RTOs by public utilities that own transmission has been, and is expected to continue to be, voluntary, the majority of such public utilities in California, Illinois, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania and Virginia have joined the applicable ISO and RTO.

Our subsidiaries owning generating facilities have made such filings, and received such orders, as are necessary to obtain exempt wholesale generator status under the PUHCA and the FERC s regulations thereunder. Provided all of our subsidiaries owning or leasing generating facilities continue to be exempt wholesale generators, or are qualifying facilities under the Public Utility Regulatory Policies Act of 1978, we and our intermediate holding companies owning direct or indirect interests in those subsidiaries will remain exempt from the accounting, record retention or reporting requirements that PUHCA imposes on holding companies.

State and local regulatory authorities historically have overseen the distribution and sale of electricity at retail to the ultimate end user, as well as the siting, permitting and construction of generating and transmission facilities. Our existing generating facilities are subject to a variety of state and local regulations, including regulations regarding the environment, health and safety and maintenance and expansion of the facilities.

We hedge economically a substantial portion of our Eastern PJM coal-fired baseload generation and certain of our other generation. A significant portion of such hedges are financial swap transactions between GenOn Mid-Atlantic and financial counterparties that are senior unsecured obligations of such parties and do not require either party to post cash collateral either for initial margin or for securing exposure as a result of changes in power or natural gas prices. The Dodd-Frank Act, which was enacted in July 2010 in response to the global financial crisis, increases the regulation of transactions involving OTC derivative financial instruments. The statute provides that standardized swap transactions between dealers and large market participants will have to be cleared and traded on an exchange or electronic platform. Although the provisions and legislative history of the Dodd-Frank Act provide strong evidence that market participants, such as GenOn, which utilize OTC derivative financial instruments to hedge economically commercial risks are not to be subject to these clearing and exchange-trading requirements, it is uncertain what the final implementing regulations to be issued by the CFTC and SEC will provide. The effect of the Dodd-Frank Act on our business depends in large measure on pending CFTC and SEC rulemaking proceedings and, in particular, the final definitions for the key terms Swap Dealer and Major Swap Participant in the Dodd-Frank Act. The CFTC and SEC issued a proposed rulemaking to set final definitions for the terms Swap Dealer and Major Swap Participant, among others. Entities defined as Swap Dealers and Major Swap Participants will face costly requirements for clearing and posting margin, as well as additional requirements for r