

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

**FORM 10-Q**

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

**For the Quarterly**                      **March 31, 2024**  
**Period Ended:**

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

**Commission File Number: 001-15891**

**NRG Energy, Inc.**

(Exact name of registrant as specified in its charter)

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

**910 Louisiana**  
**Street Houston Texas**                      **77002**  
(Address of principal executive  
offices)                                      (Zip Code)

**(713) 537-3000**  
(Registrant's telephone number, including area code)

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

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

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

**Yes** ☒      **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

**Yes** ☒ **No** ☐

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

<b>Large</b>					
<b>Accelerated</b>	<b>Accelerated</b>	<b>Non-accelerated</b>	<b>Smaller reporting</b>	<b>Emerging growth</b>	
<b>Filer</b>	<b>filer</b>	<b>filer</b>	<b>company</b>	<b>company</b>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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

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

**Yes** ☐ **No** ☒

As of April 30, 2024, there were 208,475,647 shares of common stock outstanding, par value \$0.01 per share.

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## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Quarterly Report on Form 10-Q of NRG Energy, Inc., or NRG or the Company, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words "believes," "projects," "anticipates," "plans," "expects," "intends," "estimates," "should," "forecasts," and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond NRG's control, that may cause NRG's actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future results. These factors, risks and uncertainties include the factors described under Risk Factors, in Part II, Item 1A of this Form 10-Q and the following:

- Business uncertainties related to NRG's ability to integrate the operations of Vivint Smart Home;
- NRG's ability to obtain and maintain retail market share;
- General economic conditions, changes in the wholesale power and gas markets and fluctuations in the cost of fuel;
- Volatile power and gas supply costs and demand for power and gas, including the impacts of weather;
- Hazards customary to the power production industry and power generation operations, such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that NRG may not have adequate insurance to cover losses as a result of such hazards;
- The effectiveness of NRG's risk management policies and procedures and the ability of NRG's counterparties to satisfy their financial commitments;
- NRG's ability to enter into contracts to sell power or gas and procure fuel on acceptable terms and prices;
- NRG's ability to successfully integrate, realize cost savings and manage any acquired businesses;
- NRG's ability to engage in successful acquisitions and divestitures, as well as other mergers and acquisitions activity;
- Cyber terrorism and cybersecurity risks, data breaches or the occurrence of a catastrophic loss and the possibility that NRG may not have sufficient insurance to cover losses resulting from such hazards or the inability of NRG's insurers to provide coverage;
- Counterparties' collateral demands and other factors affecting NRG's liquidity position and financial condition;
- NRG's ability to operate its businesses efficiently and generate earnings and cash flows from its asset-based businesses in relation to its debt and other obligations;
- The liquidity and competitiveness of wholesale markets for energy commodities;
- Changes in law, including judicial and regulatory decisions;

- Government regulation, including changes in market rules, rates, tariffs and environmental laws;
- NRG's ability to develop and innovate new products, as retail and wholesale markets continue to change and evolve;
- Price mitigation strategies and other market structures employed by ISOs or RTOs that result in a failure to adequately and fairly compensate NRG's generation units;
- NRG's ability to mitigate forced outage risk;
- NRG's ability to borrow funds and access capital markets, as well as NRG's substantial indebtedness and the possibility that NRG may incur additional indebtedness in the future;
- Operating and financial restrictions placed on NRG and its subsidiaries that are contained in NRG's corporate credit agreements, and in debt and other agreements of certain of NRG subsidiaries and project affiliates generally;
- The ability of NRG and its counterparties to develop and build new power generation facilities;
- NRG's ability to implement its strategy of finding ways to meet the challenges of climate change, clean air and protecting natural resources, while taking advantage of business opportunities;
- NRG's ability to increase cash from operations through operational and market initiatives, corporate efficiencies, asset strategy, and a range of other programs throughout NRG to reduce costs or generate revenues;
- NRG's ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives; and
- NRG's ability to develop and maintain successful partnering relationships as needed.

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

## **GLOSSARY OF TERMS**

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



2023 Form 10-K	NRG's Annual Report on Form 10-K for the year ended December 31, 2023
ACE	Affordable Clean Energy
Adjusted EBITDA	Adjusted earnings before interest, taxes, depreciation and amortization
AESO	Alberta Electric System Operator
ASC	The FASB Accounting Standards Codification, which the FASB established as the source of authoritative GAAP
ASR	Accelerated Share Repurchase
ASU	Accounting Standards Updates - updates to the ASC
BTU	British Thermal Unit
Business	NRG Business, which serves business customers
CAA	Clean Air Act
CAISO	California Independent System Operator
CAMT	15% Corporate Alternative Minimum Tax enacted by the IRA on August 16, 2022
CDD	Cooling Degree Day
CFTC	U.S. Commodity Futures Trading Commission
CO <sub>2</sub>	Carbon Dioxide
Company	NRG Energy, Inc.
Convertible Senior Notes	As of March 31, 2024, consists of NRG's \$483 million unsecured 2.75% Convertible Senior Notes due 2048
Constellation	Constellation Energy Generation
Cottonwood	Cottonwood Generating Station, a natural gas-fueled plant located in Deweyville, Texas, which NRG is leasing through May 2025
CPP	Clean Power Plan
CWA	Clean Water Act
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
Dth	Dekatherms
Economic gross margin	Sum of retail revenue, energy revenue, capacity revenue and other revenue, less cost of fuels and purchased energy and other cost of sales
EGU	Electric Generating Unit
EIA	U.S. Energy Information Administration
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas, the Independent System Operator and the regional reliability coordinator of the various electricity systems within Texas
ESPP	NRG Energy, Inc. Amended and Restated Employee Stock Purchase Plan
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue gas desulfurization
FTRs	Financial Transmission Rights
GAAP	Generally accepted accounting principles in the U.S.
GHG	Greenhouse Gas





Home	NRG Home, which serves residential customers
ICE	Intercontinental Exchange
IESO	Independent Electricity System Operator
ISO	Independent System Operator, also referred to as RTOs
ISO-NE	ISO New England Inc.
Ivanpah	Ivanpah Solar Electric Generation Station, a solar thermal power plant located in California's Mojave Desert in which NRG owns 54.5% interest
kWh	Kilowatt-hour
LTIPs	Collectively, the NRG long-term incentive plan ("LTIP") and the Vivint LTIP
MDth	Thousand Dekatherms
Midwest Generation	Midwest Generation, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MW	Megawatts
MWh	Saleable megawatt hour net of internal/parasitic load megawatt-hour
NAAQS	National Ambient Air Quality Standards
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Corporation
Net Exposure	Counterparty credit exposure to NRG, net of collateral
Net Revenue Rate	Sum of retail revenues less TDSP transportation charges
Nodal	Nodal Exchange is a derivatives exchange
NOL	Net Operating Loss
NOx	Nitrogen Oxides
NPNS	Normal Purchase Normal Sale
NRC	U.S. Nuclear Regulatory Commission
NRG	NRG Energy, Inc.
Nuclear Decommissioning Trust Fund	Prior to the sale of STP on November 1, 2023, nuclear decommissioning trust fund assets, for NRG's portion of the decommissioning of the STP units 1 & 2
NYISO	New York Independent System Operator
NYMEX	New York Mercantile Exchange
OCI/OCL	Other Comprehensive Income/(Loss)
OECD	Organization for Economic Cooperation and Development
PJM	PJM Interconnection, LLC
PM2.5	Particulate Matter that has a diameter of less than 2.5 micrometers
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
RCRA	Resource Conservation and Recovery Act of 1976
Receivables Facility	NRG Receivables LLC, a bankruptcy remote, special purpose, wholly-owned indirect subsidiary of the Company's \$1.4 billion accounts receivables securitization facility due 2024, which was last amended on October 6, 2023
Receivables Securitization Facilities	Collectively, the Receivables Facility and the Repurchase Facility
RECs	Renewable Energy Certificates



RGGI	Regional Greenhouse Gas Initiative
RMR	Reliability Must-Run
RTO	Regional Transmission Organization, also referred to as ISOs
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933, as amended
Senior Credit Facility	NRG's senior secured credit facility, comprised of the Revolving Credit Facility and the Term Loan B Facility
Senior Notes	As of March 31, 2024, NRG's \$4.0 billion outstanding unsecured senior notes consisting of \$375 million of the 6.625% senior notes due 2027, \$821 million of 5.75% senior notes due 2028, \$733 million of the 5.25% senior notes due 2029, \$500 million of the 3.375% senior notes due 2029, \$1.0 billion of the 3.625% senior notes due 2031 and \$480 million of the 3.875% senior notes due 2032
Senior Secured First Lien Notes	As of March 31, 2024, NRG's \$3.2 billion outstanding Senior Secured First Lien Notes consists of \$600 million of the 3.75% Senior Secured First Lien Notes due 2024, \$500 million of the 2.0% Senior Secured First Lien Notes due 2025, \$900 million of the 2.45% Senior Secured First Lien Notes due 2027, \$500 million of the 4.45% Senior Secured First Lien Notes due 2029 and \$740 million of the 7.000% Senior Secured First Lien Notes due 2033
Series A Preferred Stock	As of March 31, 2024, NRG's Series A Preferred Stock consists of 650,000 outstanding shares of the 10.25% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, with a \$1,000 liquidation preference per share
Services	NRG Services, which primarily includes the services businesses acquired in the Direct Energy acquisition and the Goal Zero business
SO <sub>2</sub>	Sulfur Dioxide
SOFR	Secured overnight financing rate
STP	South Texas Project — a nuclear generating facility located near Bay City, Texas in which NRG owned a 44% interest. NRG closed on the sale of its interest in STP on November 1, 2023
TDSP	Transmission/distribution service provider
TWh	Terawatt Hour
U.S.	United States of America
VaR	Value at Risk
VIE	Variable Interest Entity
Winter Storm Uri	A major winter and ice storm that had widespread impacts across North America occurring in February 2021

**PART I — FINANCIAL INFORMATION**

**ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

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

	Three months ended March 31,	
(In millions, except for per share amounts)	2024	2023
<b>Revenue</b>		
Revenue	\$ 7,429	\$ 7,722
<b>Operating Costs and Expenses</b>		
Cost of operations (excluding depreciation and amortization shown below)	5,685	8,778
Depreciation and amortization	268	190
Selling, general and administrative costs	591	426
Acquisition-related transaction and integration costs	9	71
Total operating costs and expenses	6,553	9,465
(Loss)/gain on sale of assets	(4)	199
<b>Operating Income/(Loss)</b>	872	(1,544)
<b>Other Income/(Expense)</b>		
Equity in earnings of unconsolidated affiliates	3	5
Other income, net	30	16
Loss on debt extinguishment	(58)	—
Interest expense	(152)	(148)
Total other expense	(177)	(127)
<b>Income/(Loss) Before Income Taxes</b>	695	(1,671)
Income tax expense/(benefit)	184	(336)
<b>Net Income/(Loss)</b>	\$ 511	\$ (1,335)
Less: Cumulative dividends attributable to Series A Preferred Stock	17	4
<b>Net Income/(Loss) Available for Common Stockholders</b>	\$ 494	\$ (1,339)
<b>Income/(Loss) per Share</b>		
Weighted average number of common shares outstanding — basic	209	230
<b>Income/(Loss) per Weighted Average Common Share — Basic</b>	\$ 2.36	\$ (5.82)
Weighted average number of common shares outstanding — diluted	214	230
<b>Income/(Loss) per Weighted Average Common Share — Diluted</b>	\$ 2.31	\$ (5.82)

See accompanying notes to condensed consolidated financial statements.



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

(In millions)	Three months ended March 31,	
	2024	2023
<b>Net Income/(Loss)</b>	\$ 511	\$ (1,335)
<b>Other Comprehensive (Loss)/Income</b>		
Foreign currency translation adjustments	(8)	1
Defined benefit plans	(1)	—
Other comprehensive (loss)/income	(9)	1
<b>Comprehensive Income/(Loss)</b>	<u>\$ 502</u>	<u>\$ (1,334)</u>

See accompanying notes to condensed consolidated financial statements.

**NRG ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2024	December 31, 2023
(In millions, except share data)	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 278	\$ 541
Funds deposited by counterparties	241	84
Restricted cash	15	24
Accounts receivable, net	3,325	3,542
Inventory	581	607
Derivative instruments	3,807	3,862
Cash collateral paid in support of energy risk management activities	309	441
Prepayments and other current assets	712	626
Total current assets	9,268	9,727
<b>Property, plant and equipment, net</b>	1,768	1,763
<b>Other Assets</b>		
Equity investments in affiliates	43	42
Operating lease right-of-use assets, net	179	179
Goodwill	5,076	5,079
Customer relationships, net	2,064	2,164
Other intangible assets, net	1,662	1,763
Derivative instruments	2,399	2,293
Deferred income taxes	2,100	2,251
Other non-current assets	842	777
Total other assets	14,365	14,548
<b>Total Assets</b>	<b>\$ 25,401</b>	<b>\$ 26,038</b>

	March 31, 2024	December 31, 2023
(In millions, except share data)	(Unaudited)	(Audited)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt and finance leases	\$ 1,101	\$ 620
Current portion of operating lease liabilities	94	90
Accounts payable	2,027	2,325
Derivative instruments	3,591	4,019
Cash collateral received in support of energy risk management activities	241	84
Deferred revenue current	710	720
Accrued expenses and other current liabilities	1,412	1,642
Total current liabilities	9,176	9,500
<b>Other Liabilities</b>		
Long-term debt and finance leases	9,559	10,133
Non-current operating lease liabilities	124	128
Derivative instruments	1,439	1,488
Deferred income taxes	8	22
Deferred revenue non-current	859	914
Other non-current liabilities	939	947
Total other liabilities	12,928	13,632
<b>Total Liabilities</b>	<b>22,104</b>	<b>23,132</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock; 10,000,000 shares authorized; 650,000 Series A shares issued and outstanding at March 31, 2024 and December 31, 2023, aggregate liquidation preference of \$650 at March 31, 2024 and December 31, 2023	650	650
Common stock; \$0.01 par value; 500,000,000 shares authorized; 267,365,782 and 267,330,470 shares issued and 208,166,262 and 208,130,950 shares outstanding at March 31, 2024 and December 31, 2023, respectively	3	3
Additional paid-in-capital	3,503	3,416
Retained earnings	1,212	820
Treasury stock, at cost; 59,199,520 shares at March 31, 2024 and December 31, 2023	(1,971)	(1,892)
Accumulated other comprehensive loss	(100)	(91)
<b>Total Stockholders' Equity</b>	<b>3,297</b>	<b>2,906</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 25,401</b>	<b>\$ 26,038</b>

See accompanying notes to condensed consolidated financial statements.



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

(In millions)	Three months ended March 31,	
	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net Income/(Loss)	\$ 511	\$ (1,335)
Adjustments to reconcile net income/(loss) to cash provided/(used) by operating activities:		
Equity in and distributions from earnings of unconsolidated affiliates	(2)	(5)
Depreciation and amortization	268	190
Accretion of asset retirement obligations	4	6
Provision for credit losses	75	35
Amortization of nuclear fuel	—	13
Amortization of financing costs and debt discounts	11	20
Loss on debt extinguishment	58	—
Amortization of in-the-money contracts and emissions allowances	78	119
Amortization of unearned equity compensation	30	30
Net loss/(gain) on sale of assets and disposal of assets	9	(187)
Changes in derivative instruments	(535)	1,599
Changes in current and deferred income taxes and liability for uncertain tax benefits	139	(338)
Changes in collateral deposits in support of risk management activities	289	(1,412)
Changes in nuclear decommissioning trust liability	—	(16)
Changes in other working capital	(668)	(317)
<b>Cash provided/(used) by operating activities</b>	<b>\$ 267</b>	<b>\$ (1,598)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for acquisitions of businesses and assets, net of cash acquired	\$ (22)	\$ (2,492)
Capital expenditures	(69)	(142)
Net purchases of emissions allowances	(7)	(18)
Investments in nuclear decommissioning trust fund securities	—	(87)
Proceeds from the sale of nuclear decommissioning trust fund securities	—	99
Proceeds from sales of assets, net of cash disposed	3	219
Proceeds from insurance recoveries for property, plant and equipment, net	3	71
<b>Cash used by investing activities</b>	<b>\$ (92)</b>	<b>\$ (2,350)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of preferred stock, net of fees	\$ —	\$ 636
Payments of dividends to preferred and common stockholders	(118)	(87)
Equivalent shares purchased in lieu of tax withholdings	(23)	(8)
Net receipts from settlement of acquired derivatives that include financing elements	8	336
Net proceeds of Revolving Credit Facility and Receivable Securitization Facilities	—	725
Proceeds from issuance of long-term debt	—	731
Payments of debt issuance costs	—	(18)
Repayments of long-term debt and finance leases	(97)	(4)

See accompanying notes to condensed consolidated financial statements.

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

	Preferred	Common	Additional	Retained	Treasury	Accumulated	Total
(In millions)	Stock	Stock	Paid-In Capital	Earnings	Stock	Other Comprehensive Loss	Stock- holders' Equity
<b>Balance at December 31, 2023</b>	\$ 650	\$ 3	\$ 3,416	\$ 820	\$(1,892)	\$ (91)	\$ 2,906
Net income				511			511
Other comprehensive loss						(9)	(9)
Share repurchases <sup>(a)</sup>			117		(117)		—
Retirement of treasury stock <sup>(b)</sup>			(38)		38		—
Equity-based awards activity, net <sup>(c)</sup>			8				8
Common stock dividends and dividend equivalents declared <sup>(d)</sup>				(86)			(86)
Series A Preferred Stock dividends <sup>(e)</sup>				(33)			(33)
<b>Balance at March 31, 2024</b>	<u>\$ 650</u>	<u>\$ 3</u>	<u>\$ 3,503</u>	<u>\$ 1,212</u>	<u>\$(1,971)</u>	<u>\$ (100)</u>	<u>\$ 3,297</u>

	Preferred	Common	Additional	Retained	Treasury	Accumulated	Total
(In millions)	Stock	Stock	Paid-In Capital	Earnings/ (Accumulated Deficit)	Stock	Other Comprehensive Loss	Stock- holders' Equity
<b>Balance at December 31, 2022</b>	\$ —	\$ 4	\$ 8,457	\$ 1,408	\$(5,864)	\$ (177)	\$ 3,828
Net loss				(1,335)			(1,335)
Issuance of Series A Preferred Stock	650		(14)				636
Other comprehensive income						1	1
Equity-based awards activity, net <sup>(c)</sup>			38				38
Common stock dividends and dividend equivalents declared <sup>(d)</sup>				(88)			(88)
<b>Balance at March 31, 2023</b>	<u>\$ 650</u>	<u>\$ 4</u>	<u>\$ 8,481</u>	<u>\$ (15)</u>	<u>\$(5,864)</u>	<u>\$ (176)</u>	<u>\$ 3,080</u>

(a) Represents the final settlements of the November 6, 2023 ASR agreements. See Note 9, Changes in Capital Structure for additional information



- (b) Treasury stock retired had an average price per share of \$32.67
- (c) Includes \$(23) million and \$(8) million of equivalent shares purchased in lieu of tax withholding on equity compensation issuances for the quarters ended March 31, 2024 and 2023, respectively
- (d) Dividends per common share were \$0.4075 and \$0.3775 for the quarters ended March 31, 2024 and 2023, respectively
- (e) Dividend per Series A Preferred Stock was \$51.25

See accompanying notes to condensed consolidated financial statements.

**NRG ENERGY, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 — Nature of Business and Basis of Presentation**

**General**

NRG Energy, Inc., or NRG or the Company, sits at the intersection of energy and home services. NRG is a leading energy and home services company fueled by market-leading brands, proprietary technologies, and complementary sales channels. Across the United States and Canada, NRG delivers innovative, sustainable solutions, predominately under brand names such as NRG, Reliant, Direct Energy, Green Mountain Energy and Vivint, while also advocating for competitive energy markets and customer choice. The Company has a customer base that includes approximately 8.0 million residential consumers in addition to commercial, industrial, and wholesale customers, supported by approximately 13 GW of generation as of March 31, 2024.

The Company's business is segmented as follows:

- Texas, which includes all activity related to customer, plant and market operations in Texas, other than Cottonwood;
- East, which includes all activity related to customer, plant and market operations in the East;
- West/Services/Other, which includes the following assets and activities: (i) all activity related to customer, plant and market operations in the West and Canada, (ii) the Services businesses (iii) activity related to the Cottonwood facility and other investments;
- Vivint Smart Home; and
- Corporate activities.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the SEC's regulations for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the consolidated financial statements in the Company's 2023 Form 10-K. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Company's consolidated financial position as of March 31, 2024, and the results of operations, comprehensive income/(loss), cash flows and stockholders' equity for the three months ended March 31, 2024 and 2023.

The Company identified an error in the previously issued condensed consolidated financial statements for the period ended March 31, 2023 related to the presentation of cash flows associated with certain borrowings and repayments related to certain credit facilities. The statement of cash flows for the period ended March 31, 2023 has been adjusted to present on a gross basis the certain borrowings from credit facilities of \$1.1 billion and the related repayments of \$825 million. The change had no impact to the total cash used by

financing activities for the period ended March 31, 2023. The Company evaluated the materiality of this error both qualitatively and quantitatively and has concluded it is immaterial to the impacted period.

### **Use of Estimates**

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

### **Reclassifications**

Certain prior period amounts have been reclassified for comparative purposes. The reclassifications did not affect consolidated results of operations, net assets or consolidated cash flows.

## Note 2 — Summary of Significant Accounting Policies

### Other Balance Sheet Information

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

(In millions)	December 31,	
	March 31, 2024	2023
Property, plant and equipment accumulated depreciation	\$ 1,352	\$ 1,295
Customer relationships and other intangible assets accumulated amortization	3,113	2,994

### Credit Losses

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

The following table represents the activity in the allowance for credit losses for the three months ended March 31, 2024 and 2023:

(In millions)	Three months ended March 31,	
	2024	2023
<b>Beginning balance</b>	\$ 145	\$ 133
Acquired balance from Vivint Smart Home	—	22
Provision for credit losses	75	35
Write-offs	(92)	(78)
Recoveries collected	10	9
Other	2	—
<b>Ending balance</b>	<u>\$ 140</u>	<u>\$ 121</u>

### Cash and Cash Equivalents, Funds Deposited by Counterparties and Restricted Cash

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

(In millions)	December 31,	
	March 31, 2024	2023
Cash and cash equivalents	\$ 278	\$ 541
Funds deposited by counterparties	241	84
Restricted cash	15	24
Cash and cash equivalents, funds deposited by counterparties and restricted cash shown in the statement of cash flows	<u>\$ 534</u>	<u>\$ 649</u>

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

Restricted cash consists primarily of funds held to satisfy the requirements of certain financing agreements and funds held within the Company's projects that are restricted in their uses.

#### **Recent Accounting Developments — Guidance Not Yet Adopted**

ASU 2023-07 – In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures, or ASU 2023-07. The guidance in ASU 2023-07 enhances reportable segment disclosure

requirements by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit and loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. The Company plans to adopt the amendments for the annual period ending December 31, 2024 and subsequent interim periods thereafter. The amendments will be applied retrospectively for all prior periods presented in the financial statements.

ASU 2023-09 – In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740) – Improvements to Income Tax Disclosures, or ASU 2023-09. The guidance in ASU 2023-09 enhances income tax disclosures by requiring disclosure of specific categories in the effective tax rate reconciliation and additional information for reconciling items that meet a quantitative threshold. Further the amendments of ASU 2023-09 require certain disclosures on income tax expense and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments of ASU 2023-09 may be applied on a prospective or retrospective basis. The Company is currently evaluating the impact of adopting ASU 2023-09 on its disclosures.

### **Note 3 — Revenue Recognition**

#### **Performance Obligations**

As of March 31, 2024, estimated future fixed fee performance obligations are \$1.0 billion for the remaining nine months of fiscal year 2024, and \$1.1 billion, \$766 million, \$484 million, \$210 million and \$4 million for the fiscal years 2025, 2026, 2027, 2028 and 2029, respectively. These performance obligations include Vivint Smart Home products and services, as well as cleared auction MWs in the PJM, ISO-NE, NYISO and MISO capacity auctions. The cleared auction MWs are subject to penalties for non-performance.

#### **Disaggregated Revenues**

The following tables represent the Company's disaggregation of revenue from contracts with customers for the three months ended March 31, 2024 and 2023:

**Three months ended March 31, 2024**

<b>(In millions)</b>	<b>Texas</b>	<b>East</b>	<b>West/ Services/ Other</b>	<b>Vivint Smart Home</b>	<b>Corporate/ Eliminations</b>	<b>Total</b>
Retail revenue:						
Home <sup>(a)</sup>	\$ 1,360	\$ 702	\$ 599	\$ 468	\$ —	\$ 3,129
Business	818	2,726	556	—	—	4,100
Total retail revenue <sup>(b)</sup>	2,178	3,428	1,155	468	—	7,229
Energy revenue <sup>(b)</sup>	7	81	67	—	(3)	152
Capacity revenue <sup>(b)</sup>	—	41	2	—	(1)	42
Mark-to-market for economic hedging activities <sup>(c)</sup>	—	(51)	(9)	—	—	(60)
Contract amortization	—	(10)	—	—	—	(10)
Other revenue <sup>(b)</sup>	48	26	4	—	(2)	76
Total revenue	2,233	3,515	1,219	468	(6)	7,429
Less: Revenues accounted for under topics other than ASC 606 and ASC 815	—	10	6	—	—	16
Less: Realized and unrealized ASC 815 revenue	2	24	10	—	(3)	33
Total revenue from contracts with customers	\$ 2,231	\$ 3,481	\$ 1,203	\$ 468	\$ (3)	\$ 7,380

(a) Home includes Services

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

<b>(In millions)</b>	<b>Texas</b>	<b>East</b>	<b>West/ Services/ Other</b>	<b>Vivint Smart Home</b>	<b>Corporate/ Eliminations</b>	<b>Total</b>
Retail revenue	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ 10
Energy revenue	—	43	22	—	(3)	62
Capacity revenue	—	22	—	—	—	22
Other revenue	2	—	(3)	—	—	(1)

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

**Three months ended March 31, 2023**

<b>(In millions)</b>	<b>Texas</b>	<b>East</b>	<b>West/ Services/ Other</b>	<b>Vivint Smart Home<sup>(a)</sup></b>	<b>Corporate/ Eliminations</b>	<b>Total</b>
Retail revenue:						
Home <sup>(b)</sup>	\$ 1,236	\$ 651	\$ 625	\$ 148	\$ —	\$ 2,660
Business	722	3,365	616	—	—	4,703
Total retail revenue <sup>(c)</sup>	1,958	4,016	1,241	148	—	7,363
Energy revenue <sup>(c)</sup>	4	74	48	—	2	128
Capacity revenue <sup>(c)</sup>	—	41	1	—	—	42
Mark-to-market for economic hedging activities <sup>(d)</sup>	—	35	67	—	(11)	91
Contract amortization	—	(11)	—	—	—	(11)
Other revenue <sup>(c)</sup>	72	21	17	—	(1)	109
Total revenue	2,034	4,176	1,374	148	(10)	7,722
Less: Revenues accounted for under topics other than ASC 606 and ASC 815	—	(1)	9	—	—	8
Less: Realized and unrealized ASC 815 revenue	(2)	113	97	—	(9)	199
Total revenue from contracts with customers	\$ 2,036	\$ 4,064	\$ 1,268	\$ 148	\$ (1)	\$ 7,515

(a) Includes results of operations following the acquisition date of March 10, 2023

(b) Home includes Services

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

<b>(In millions)</b>	<b>Texas</b>	<b>East</b>	<b>West/ Services/ Other</b>	<b>Vivint Smart Home</b>	<b>Corporate/ Eliminations</b>	<b>Total</b>
Retail revenue	\$ —	\$ 27	\$ —	\$ —	\$ —	\$ 27
Energy revenue	—	47	17	—	2	66
Capacity revenue	—	6	—	—	—	6
Other revenue	(2)	(2)	13	—	—	9

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

### **Contract Balances**

The following table reflects the contract assets and liabilities included in the Company's balance sheet as of March 31, 2024 and December 31, 2023:



(In millions)	December 31,	
	March 31, 2024	2023
Capitalized contract costs (included in Prepayments and other current assets and Other non-current assets)	\$ 807	\$ 706
Accounts receivable, net - Contracts with customers	3,207	3,395
Accounts receivable, net - Accounted for under topics other than ASC 606	104	136
Accounts receivable, net - Affiliate	14	11
Total accounts receivable, net	\$ 3,325	\$ 3,542
Unbilled revenues (included within Accounts receivable, net - Contracts with customers)	\$ 1,293	\$ 1,493
Deferred revenues <sup>(a)</sup>	1,569	1,634

(a) Deferred revenues from contracts with customers as of March 31, 2024 and December 31, 2023 were approximately \$1.5 billion and \$1.6 billion, respectively.

The revenue recognized from contracts with customers during the three months ended March 31, 2024 and 2023 relating to the deferred revenue balance at the beginning of each period was \$276 million and \$168 million, respectively. The increase in deferred revenue balances recognized during the three months ended March 31, 2024 when compared to the same period in 2023 was primarily due to the acquisition of Vivint Smart Home.

## Note 4 — Acquisitions and Dispositions

### Acquisitions

#### 2023 Acquisition of Vivint Smart Home

On March 10, 2023, the Company completed the acquisition of Vivint Smart Home, Inc., pursuant to the Agreement and Plan of Merger, dated as of December 6, 2022, by and among the Company, Vivint Smart Home, Inc. and Jetson Merger Sub, Inc., a wholly-owned subsidiary of the Company ("Merger Sub") pursuant to which Merger Sub merged with and into Vivint Smart Home, Inc., with Vivint Smart Home, Inc. surviving the merger as a wholly-owned subsidiary of the Company. Dedicated to redefining the home experience with intelligent products and services, Vivint Smart Home brought approximately two million subscribers to NRG. Vivint Smart Home's single, expandable platform incorporates artificial intelligence and machine learning into its operating system and its vertically integrated business model includes hardware, software, sales, installation, customer service and technical support and professional monitoring, enabling superior subscriber experiences and a complete end-to-end smart home experience. The acquisition accelerated the realization of NRG's consumer-focused growth strategy and creates a leading essential home services platform fueled by market-leading brands, unparalleled insights, proprietary technologies and complementary sales channels.

NRG paid \$12 per share, or approximately \$2.6 billion in cash. The Company funded the acquisition using:

- proceeds of \$724 million from newly issued \$740 million 7.000% Senior Secured First Lien Notes due 2033, net of issuance costs and discount;
- proceeds of \$635 million from newly issued \$650 million 10.25% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, net of issuance costs;
- proceeds of approximately \$900 million drawn from its Revolving Credit Facility and Receivables Securitization Facilities; and
- cash on hand.

The acquisition has been recorded as a business combination under ASC 805, with identifiable assets and liabilities acquired recorded at their estimated Acquisition Closing Date fair value. The total consideration of \$2.623 billion includes:

	(In millions)
Vivint Smart Home, Inc. common shares outstanding as of March 10, 2023 of 216,901,639 at \$12.00 per share	\$ 2,603
Other Vivint Smart Home, Inc. equity instruments (Cash out RSUs and PSUs, Stock Appreciation Rights, Private Placement Warrants)	6
<b>Total Cash Consideration</b>	<b>\$ 2,609</b>
Fair value of acquired Vivint Smart Home, Inc. equity awards attributable to pre-combination service	14
<b>Total Consideration</b>	<b>\$ 2,623</b>

Acquisition costs of \$36 million for the three months ended March 31, 2023 are included in acquisition-related transaction and integration costs in the Company's consolidated statement of operations.

For additional information, refer to Note 4, Acquisitions and Dispositions, to the Company's 2023 Form 10-K.

### **Dispositions**

On January 6, 2023, the Company closed on the sale of land and related generation assets from the Astoria site, within the East region of operations, for proceeds of \$212 million, subject to transaction fees of \$3 million and certain indemnifications, resulting in a \$199 million gain.

### **Note 5 — Fair Value of Financial Instruments**

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

The estimated carrying value and fair value of the Company's long-term debt, including current portion, is as follows:

(In millions)	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Convertible Senior Notes	\$ 483	\$ 798	\$ 575	\$ 739
Other long-term debt, including current portion	10,222	9,894	10,219	9,835
Total long-term debt, including current portion <sup>(a)</sup>	<u>\$ 10,705</u>	<u>\$ 10,692</u>	<u>\$ 10,794</u>	<u>\$ 10,574</u>

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

The fair value of the Company's publicly-traded long-term debt and the Vivint Senior Secured Term Loan are based on quoted market prices and are classified as Level 2 within the fair value hierarchy.

### Recurring Fair Value Measurements

Debt securities, equity securities and derivative assets and liabilities are carried at fair market value.

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

(In millions)	March 31, 2024			
	Fair Value			
	Total	Level 1	Level 2	Level 3
<b>Investments in securities (classified within other current and non-current assets)</b>	\$ 22	\$ —	\$ 22	\$ —
<b>Derivative assets:</b>				
Interest rate contracts	25	—	25	—
Foreign exchange contracts	8	—	8	—
Commodity contracts	6,173	1,186	4,708	279
<b>Equity securities measured using net asset value practical expedient (classified within other non-current assets)</b>	6			
<b>Total assets</b>	<u>\$ 6,234</u>	<u>\$ 1,186</u>	<u>\$ 4,763</u>	<u>\$ 279</u>
<b>Derivative liabilities:</b>				
Interest rate contracts	\$ 10	\$ —	\$ 10	\$ —
Foreign exchange contracts	2	—	2	—
Commodity contracts	4,894	1,237	3,469	188
Consumer Financing Program	124	—	—	124
<b>Total liabilities</b>	<u>\$ 5,030</u>	<u>\$ 1,237</u>	<u>\$ 3,481</u>	<u>\$ 312</u>

(In millions)	December 31, 2023			
	Fair Value			
	Total	Level 1	Level 2	Level 3
<b>Investments in securities (classified within other current and non-current assets)</b>	\$ 21	\$ —	\$ 21	\$ —
<b>Derivative assets:</b>				
Interest rate contracts	12	—	12	—
Foreign exchange contracts	5	—	5	—
Commodity contracts	6,138	1,334	4,470	334
<b>Equity securities measured using net asset value practical expedient (classified within other non-current assets)</b>	6			
<b>Total assets</b>	<u>\$ 6,182</u>	<u>\$ 1,334</u>	<u>\$ 4,508</u>	<u>\$ 334</u>
<b>Derivative liabilities:</b>				
Interest rate contracts	\$ 8	\$ —	\$ 8	\$ —
Foreign exchange contracts	9	—	9	—
Commodity contracts	5,356	1,413	3,728	215
Consumer Financing Program	134	—	—	134
<b>Total liabilities</b>	<u>\$ 5,507</u>	<u>\$ 1,413</u>	<u>\$ 3,745</u>	<u>\$ 349</u>

The following table reconciles, for the three months ended March 31, 2024 and 2023, the beginning and ending balances for financial instruments that are recognized at fair value in the condensed consolidated financial statements, using significant unobservable inputs, for commodity derivatives:

(In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
	Commodity Derivatives <sup>(a)</sup>	
	Three months ended March 31, 2024	Three months ended March 31, 2023
<b>Beginning balance</b>	\$ 119	\$ 505
Total (losses) realized/unrealized included in earnings	(41)	(91)
Purchases	—	41
Transfers into Level 3 <sup>(b)</sup>	15	24
Transfers out of Level 3 <sup>(b)</sup>	(2)	(8)
<b>Ending balance</b>	\$ 91	\$ 471
(Losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets or liabilities still held as of period end	\$ (37)	\$ (55)

(a) Consists of derivative assets and liabilities, net, excluding derivatives liabilities from Consumer Financing Program, which are presented in a separate table below

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

Realized and unrealized gains and losses included in earnings that are related to the commodity derivatives are recorded in revenues and cost of operations.

The following table reconciles, for the three months ended March 31, 2024 and 2023, the beginning and ending balances of the contractual obligations from the Consumer Financing Program that are recognized at fair value in the condensed consolidated financial statements, using significant unobservable inputs:

(In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	
	Consumer Financing Program	
	Three months ended March 31, 2024	Three months ended March 31, 2023
<b>Beginning balance</b>	\$ (134)	\$ —
Contractual obligations added from the acquisition of Vivint Smart Home	—	(112)
New contractual obligations	(15)	(2)
Settlements	21	3
Total gains included in earnings	4	—
<b>Ending balance</b>	<u>\$ (124)</u>	<u>\$ (111)</u>

Gains and losses that are related to the Consumer Financing Program derivative are recorded in other income, net.

#### Derivative Fair Value Measurements

The Company's contracts consist of non-exchange traded contracts valued using prices provided by external sources and exchange-traded contracts with readily available quoted market prices. Beginning in the fourth quarter of 2023 and as of March 31, 2024, the fair value of non-exchange traded contracts were primarily based on consensus pricing provided by independent pricing services. The pricing data was compiled from market makers with longer dated tenors as compared to broker quotes, enhancing reliability and increasing transparency. Prior to the fourth quarter of 2023, the Company valued derivatives based on price quotes from brokers in active markets who regularly facilitate those transactions. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available. These contracts are valued based on various valuation techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of the observable market data with similar characteristics. As of March 31, 2024, contracts valued with prices provided by models and other valuation techniques made up 4% of derivative assets and 6% of derivative liabilities.

NRG's significant positions classified as Level 3 include physical and financial natural gas, power, capacity contracts and RECs executed in illiquid markets, FTRs and the CFP. The significant unobservable inputs used in developing fair value include illiquid natural gas and power location pricing, which is derived as a basis to liquid locations. The basis spread is based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. Forward capacity prices are based on market information, forecasted future electricity demand and

supply, past auctions and internally developed pricing models. REC prices are based on market information and internally developed pricing models. For FTRs, NRG uses the most recent auction prices to derive the fair value. The Consumer Financing Program derivatives are valued using a discounted cash flow model, with inputs consisting of available market data, such as market yield discount rates, as well as unobservable internally derived assumptions, such as collateral prepayment rates, collateral default rates and credit loss rates.

The following tables quantify the significant, unobservable inputs used in developing the fair value of the Company's Level 3 positions as of March 31, 2024 and December 31, 2023:

<b>March 31, 2024</b>								
<b>(In millions, except as noted)</b>	<b>Fair Value</b>			<b>Valuation Technique</b>	<b>Significant Unobservable Input</b>	<b>Input/Range</b>		
	<b>Assets</b>	<b>Liabilities</b>				<b>Low</b>	<b>High</b>	<b>Weighted Average</b>
Natural Gas Contracts	\$ 36	\$ 20		Discounted Cash Flow	Forward Market Price (\$ per MMBtu)	\$ 0	\$ 11	\$ 3
Power Contracts	157	91		Discounted Cash Flow	Forward Market Price (\$ per MWh)	1	189	41
Capacity Contracts	14	28		Discounted Cash Flow	Forward Market Price (\$ per MW/Day)	18	641	284
RECs	58	14		Discounted Cash Flow	Forward Market Price (\$ per Certificate)	2	320	16
FTRs	14	35		Discounted Cash Flow	Auction Prices (\$ per MWh)	(58)	252	0
Consumer Financing Program	—	124		Discounted Cash Flow	Collateral Default Rates	1.15 %	95.35 %	8.99 %
				Discounted Cash Flow	Collateral Prepayment Rates	2.00 %	3.00 %	2.95 %
				Discounted Cash Flow	Credit Loss Rates	5.50 %	60.00 %	12.84 %
	<u>\$ 279</u>	<u>\$ 312</u>						



**December 31, 2023**

(In millions, except as noted)	Fair Value			Significant Unobservable Input	Input/Range		
	Assets	Liabilities	Valuation Technique		Low	High	Weighted Average
Natural Gas Contracts	\$ 39	\$ 65	Discounted Cash Flow	Forward Market Price (\$ per MMBtu)	\$ 1	\$ 15	\$ 3
Power Contracts	197	66	Discounted Cash Flow	Forward Market Price (\$ per MWh)	1	210	47
Capacity Contracts	21	33	Discounted Cash Flow	Forward Market Price (\$ per MW/Day)	49	658	285
RECs	58	14	Discounted Cash Flow	Forward Market Price (\$ per Certificate)	2	320	15
FTRs	19	37	Discounted Cash Flow	Auction Prices (\$ per MWh)	(58)	252	0
Consumer Financing Program	—	134	Discounted Cash Flow	Collateral Default Rates	0.43 %	93.30 %	8.12 %
			Discounted Cash Flow	Collateral Prepayment Rates	2.00 %	3.00 %	2.95 %
			Discounted Cash Flow	Credit Loss Rates	6.00 %	60.00 %	12.57 %
	<u>\$ 334</u>	<u>\$ 349</u>					

The following table provides sensitivity of fair value measurements to increases/ (decreases) in significant, unobservable inputs as of March 31, 2024 and December 31, 2023:

Significant Unobservable Input	Position	Change In Input	Impact on Fair Value Measurement
Forward Market Price Natural Gas/ Power/Capacity/RECs	Buy	Increase/ (Decrease)	Higher/(Lower)
Forward Market Price Natural Gas/ Power/Capacity/RECs	Sell	Increase/ (Decrease)	Lower/(Higher)
FTR Prices	Buy	Increase/ (Decrease)	Higher/(Lower)
FTR Prices	Sell	Increase/ (Decrease)	Lower/(Higher)
Collateral Default Rates	n/a	Increase/ (Decrease)	Higher/(Lower)
Collateral Prepayment Rates	n/a	Increase/ (Decrease)	Lower/(Higher)
Credit Loss Rates	n/a	Increase/ (Decrease)	Higher/(Lower)

The fair value of each contract is discounted using a risk-free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which is calculated based on published default probabilities. As of March 31, 2024 and December 31, 2023, the credit reserve resulted in a \$18 million decrease primarily within cost of operations.

### Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, Summary of Significant Accounting Policies, to the Company's 2023 Form 10-K, the following is a discussion of the concentration of credit risk for the Company's contractual obligations. Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, as well as retail customer credit risk through its retail load activities.

### Counterparty Credit Risk

The Company's counterparty credit risk policies are disclosed in its 2023 Form 10-K. As of March 31, 2024, counterparty credit exposure, excluding credit exposure from RTOs, ISOs, registered commodity exchanges and certain long-term agreements, was \$1.8 billion and NRG held collateral (cash and letters of credit) against those positions of \$440 million, resulting in a net exposure of \$1.4 billion. NRG periodically receives collateral from counterparties in excess of their exposure. Collateral amounts shown include such excess while net exposure shown excludes excess collateral received. Approximately 62% of the Company's exposure before collateral is expected to roll off by the end of 2025. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the

aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

	Net Exposure <sup>(a)</sup> (b)
<b>Category by Industry Sector</b>	<b>(% of Total)</b>
Utilities, energy merchants, marketers and other	78 %
Financial institutions	22
Total as of March 31, 2024	100 %

	Net Exposure <sup>(a)</sup> (b)
<b>Category by Counterparty Credit Quality</b>	<b>(% of Total)</b>
Investment grade	51 %
Non-investment grade/Non-Rated	49
Total as of March 31, 2024	100 %

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

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

The Company currently has exposure to two wholesale counterparties in excess of 10% of total net exposure as of March 31, 2024. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration.

## RTOs and ISOs

The Company participates in the organized markets of CAISO, ERCOT, AESO, IESO, ISO-NE, MISO, NYISO and PJM, known as RTOs or ISOs. Trading in the majority of these markets is approved by FERC, whereas in the case of ERCOT, it is approved by the PUCT, and whereas in the case of AESO and IESO, both exist provincially with AESO primarily subject to Alberta Utilities Commission and the IESO to the Ontario Energy Board. These ISOs may include credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to NRG's share of the overall market and are excluded from the above exposures.

## Exchange Traded Transactions

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

## Long-Term Contracts

Counterparty credit exposure described above excludes credit risk exposure under certain long-term contracts, primarily solar under Renewable PPAs. As external sources or observable market quotes are not always available to estimate such exposure, the Company values these contracts based on various techniques including, but not limited to, internal models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of March 31, 2024, aggregate credit risk exposure managed by NRG to these counterparties was approximately \$896 million for the next five years.

## Retail Customer Credit Risk

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

As of March 31, 2024, the Company's retail customer credit exposure to Home and Business customers was diversified across many customers and various industries, as well as government entities. Current economic conditions may affect the Company's customers' ability to pay their bills in a timely manner or at all, which could increase customer delinquencies and may lead to an increase in credit losses.

## **Note 6 — Accounting for Derivative Instruments and Hedging Activities**

### **Energy-Related Commodities**

As of March 31, 2024, NRG had energy-related derivative instruments extending through 2036. The Company marks these derivatives to market through the consolidated statement of operations. NRG has executed energy-related contracts extending through 2036 that

qualified for the NPNS exception and were therefore exempt from fair value accounting treatment.

### **Interest Rate Swaps**

NRG is exposed to changes in interest rate through the Company's issuance of variable rate debt. To manage the Company's interest rate risk, NRG enters into interest rate swap agreements. In the first quarter of 2024, the Company entered into interest rate swaps with a total nominal value of \$700 million extending through 2029 to hedge the floating rate of the Term Loans (as defined below), which closed in April 2024. Additionally, as of March 31, 2024, the Company had \$1.0 billion of interest rate swaps extending through 2027 to hedge the floating rate on the Vivint Term Loans.

### **Foreign Exchange Contracts**

NRG is exposed to changes in foreign currency primarily associated with the purchase of U.S. dollar denominated natural gas for its Canadian business. To manage the Company's foreign exchange risk, NRG entered into foreign exchange contracts. As of March 31, 2024, NRG had foreign exchange contracts extending through 2027. The Company marks these derivatives to market through the consolidated statement of operations.

## Consumer Financing Program

Under the Consumer Financing Program, Vivint Smart Home pays a monthly fee to Financing Providers based on either the average daily outstanding balance of the loans or the number of outstanding loans. For certain loans, Vivint Smart Home incurs fees at the time of the loan origination and receives proceeds that are net of these fees. Vivint Smart Home also shares the liability for credit losses, depending on the credit quality of the subscriber. Due to the nature of certain provisions under the Consumer Financing Program, the Company records a derivative liability that is not designated as a hedging instrument and is adjusted to fair value, measured using the present value of the estimated future payments. Changes to the fair value are recorded through other income, net in the consolidated statement of operations. The following represent the contractual future payment obligations with the Financing Providers under the Consumer Financing Program that are components of the derivative:

- Vivint Smart Home pays either a monthly fee based on the average daily outstanding balance of the loans, or the number of outstanding loans, depending on the Financing Provider;
- Vivint Smart Home shares the liability for credit losses depending on the credit quality of the subscriber; and
- Vivint Smart Home pays transactional fees associated with subscriber payment processing.

The derivative is classified as a Level 3 instrument. The derivative positions are valued using a discounted cash flow model, with inputs consisting of available market data, such as market yield discount rates, as well as unobservable internally derived assumptions, such as collateral prepayment rates, collateral default rates and credit loss rates. In summary, the fair value represents an estimate of the present value of the cash flows Vivint Smart Home will be obligated to pay to the Financing Providers for each component of the derivative.

## Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of NRG's open derivative transactions broken out by category, excluding those derivatives that qualified for the NPNS exception, as of March 31, 2024 and December 31, 2023. Option contracts are reflected using delta volume. Delta volume equals the notional volume of an option adjusted for the probability that the option will be in-the-money at its expiration date.

Category	Units	Total Volume (In millions)	
		March 31, 2024	December 31, 2023
Renewable Energy Certificates	Certificates	14	12
Coal	Short Ton	7	9
Natural Gas	MMBtu	819	838
Power	MWh	201	201
Interest	Dollars	1,700	1,000
Foreign Exchange	Dollars	499	548
Consumer Financing Program	Dollars	1,088	1,116

## Fair Value of Derivative Instruments

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

(In millions)	Fair Value			
	Derivative Assets		Derivative Liabilities	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
<b>Derivatives Not Designated as Cash Flow or Fair Value Hedges:</b>				
Interest rate contracts - current	\$ 21	\$ 12	\$ —	\$ —
Interest rate contracts - long-term	4	—	10	8
Foreign exchange contracts - current	5	3	1	4
Foreign exchange contracts - long-term	3	2	1	5
Commodity contracts - current	3,781	3,847	3,505	3,922
Commodity contracts - long-term	2,392	2,291	1,389	1,434
Consumer Financing Program - short-term	—	—	85	93
Consumer Financing Program - long-term	—	—	39	41
<b>Total Derivatives Not Designated as Cash Flow or Fair Value Hedges</b>	<b>\$ 6,206</b>	<b>\$ 6,155</b>	<b>\$ 5,030</b>	<b>\$ 5,507</b>

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

	Gross Amounts Not Offset in the Statement of Financial Position			
	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) / Posted	Net Amount
(In millions)				
<b>As of March 31, 2024</b>				
<b>Interest rate contracts:</b>				
Derivative assets	\$ 25	\$ (9)	\$ —	\$ 16
Derivative liabilities	(10)	9	—	(1)
<b>Total interest rate contracts</b>	<b>\$ 15</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15</b>
<b>Foreign exchange contracts:</b>				
Derivative assets	\$ 8	\$ (2)	\$ —	\$ 6
Derivative liabilities	(2)	2	—	—
<b>Total foreign exchange contracts</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6</b>
<b>Commodity contracts:</b>				
Derivative assets	\$ 6,173	\$ (4,609)	\$ (237)	\$ 1,327
Derivative liabilities	(4,894)	4,609	35	(250)
<b>Total commodity contracts</b>	<b>\$ 1,279</b>	<b>\$ —</b>	<b>\$ (202)</b>	<b>\$ 1,077</b>
<b>Consumer Financing Program:</b>				
Derivative liabilities	\$ (124)	\$ —	\$ —	\$ (124)
<b>Total derivative instruments</b>	<b>\$ 1,176</b>	<b>\$ —</b>	<b>\$ (202)</b>	<b>\$ 974</b>



**Gross Amounts Not Offset in the Statement of Financial  
Position**

(In millions)	Gross Amounts of Recognized Assets / Liabilities	Derivative Instruments	Cash Collateral (Held) /Posted	Net Amount
<b>As of December 31, 2023</b>				
<b>Interest rate contracts:</b>				
Derivative assets	\$ 12	\$ (8)	\$ —	\$ 4
Derivative liabilities	(8)	8	—	—
<b>Total interest rate contracts</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4</b>
<b>Foreign exchange contracts:</b>				
Derivative assets	\$ 5	\$ (5)	\$ —	\$ —
Derivative liabilities	(9)	5	—	(4)
<b>Total foreign exchange contracts</b>	<b>\$ (4)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (4)</b>
<b>Commodity contracts:</b>				
Derivative assets	\$ 6,138	\$ (4,926)	\$ (74)	\$ 1,138
Derivative liabilities	(5,356)	4,926	145	(285)
<b>Total commodity contracts</b>	<b>\$ 782</b>	<b>\$ —</b>	<b>\$ 71</b>	<b>\$ 853</b>
<b>Consumer Financing Program:</b>				
Derivative liabilities	\$ (134)	\$ —	\$ —	\$ (134)
<b>Total derivative instruments</b>	<b>\$ 648</b>	<b>\$ —</b>	<b>\$ 71</b>	<b>\$ 719</b>

**Impact of Derivative Instruments on the Statements of Operations**

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

The following table summarizes the pre-tax effects of economic hedges that have not been designated as cash flow hedges or fair value hedges and trading activity on the Company's consolidated statement of operations. The effect of foreign exchange and commodity hedges are included within revenues and cost of operations. The effect of the interest rate contracts are included within interest expense. The effect of the Consumer Financing Program is included in other income, net.

(In millions)	Three months ended March 31,	
	2024	2023
<b>Unrealized mark-to-market results</b>		
Reversal of previously recognized unrealized losses/(gains) on settled positions related to economic hedges	\$ 244	\$ (846)
Reversal of acquired (gain) positions related to economic hedges	(12)	(25)
Net unrealized gains/(losses) on open positions related to economic hedges	240	(1,073)
Total unrealized mark-to-market gains/(losses) for economic hedging activities	472	(1,944)
Reversal of previously recognized unrealized (gains)/losses on settled positions related to trading activity	(4)	1
Net unrealized gains on open positions related to trading activity	—	11
Total unrealized mark-to-market (losses)/gains for trading activity	(4)	12
<b>Total unrealized gains/(losses) - commodities and foreign exchange</b>	<u>\$ 468</u>	<u>\$ (1,932)</u>

(In millions)	Three months ended March 31,	
	2024	2023
<b>Total impact to statement of operations - interest rate contracts</b>	\$ 12	\$ (5)
Unrealized (losses)/gains included in revenues - commodities	\$ (64)	\$ 103
Unrealized gains/(losses) included in cost of operations - commodities	523	(2,037)
Unrealized gains included in cost of operations - foreign exchange	9	2
<b>Total impact to statement of operations - commodities and foreign exchange</b>	<u>\$ 468</u>	<u>\$ (1,932)</u>
<b>Total impact to statement of operations - Consumer Financing Program</b>	<u>\$ 4</u>	<u>\$ —</u>

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

For the three months ended March 31, 2024, the \$240 million unrealized gain from open economic hedge positions was primarily the result of an increase in the value of forward positions as a result of increases in ERCOT and PJM power prices.

For the three months ended March 31, 2023, the \$1.1 billion unrealized loss from open economic hedge positions was primarily the result of a decrease in the value of forward positions as a result of decreases in natural gas and power prices.

### **Credit Risk Related Contingent Features**

Certain of the Company's trading agreements contain provisions that entitle the counterparty to demand that the Company post additional collateral if the counterparty determines that there has been deterioration in the Company's credit quality, generally termed "adequate assurance" under the agreements, or require the Company to post additional collateral if there were a downgrade in the Company's credit rating. The collateral potentially required for all contracts with adequate assurance clauses that are in a net liability position as of March 31, 2024 was \$417 million. The Company is also party to certain marginable agreements under which it has net liability position, but the counterparty has not called for the collateral due, which was approximately \$23 million as of March 31, 2024. In the event of a downgrade in the Company's credit rating and if called for by the counterparty, \$8 million of additional collateral would be required for all contracts with credit rating contingent features as of March 31, 2024.

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

## Note 7 — Long-term Debt and Finance Leases

Long-term debt and finance leases consisted of the following:

(In millions, except rates)	March 31, 2024	December 31, 2023	Interest rate %
<b>Recourse debt:</b>			
Senior Notes, due 2027	\$ 375	\$ 375	6.625
Senior Notes, due 2028	821	821	5.750
Senior Notes, due 2029	733	733	5.250
Senior Notes, due 2029	500	500	3.375
Senior Notes, due 2031	1,030	1,030	3.625
Senior Notes, due 2032	480	480	3.875
Convertible Senior Notes, due 2048 <sup>(a)</sup>	483	575	2.750
Senior Secured First Lien Notes, due 2024	600	600	3.750
Senior Secured First Lien Notes, due 2025	500	500	2.000
Senior Secured First Lien Notes, due 2027	900	900	2.450
Senior Secured First Lien Notes, due 2029	500	500	4.450
Senior Secured First Lien Notes, due 2033	740	740	7.000
Tax-exempt bonds	466	466	1.250 - 4.750
Subtotal recourse debt	8,128	8,220	
<b>Non-recourse debt:</b>			
Vivint Senior Notes, due 2029	800	800	5.750
Vivint Senior Secured Notes, due 2027	600	600	6.750
Vivint Senior Secured Term Loan, due 2028	1,316	1,320	SOFR + 3.36
Subtotal all Vivint non-recourse debt	2,716	2,720	
Subtotal long-term debt (including current maturities)	10,844	10,940	
<b>Finance leases</b>	20	19	various
Subtotal long-term debt and finance leases (including current maturities)	10,864	10,959	
Less current maturities	(1,101)	(620)	
Less debt issuance costs	(65)	(60)	
Discounts	(139)	(146)	
Total long-term debt and finance leases	\$ 9,559	\$ 10,133	

- (a) As of the ex-dividend date of April 30, 2024, the Convertible Senior Notes were convertible at a price of \$41.32, which is equivalent to a conversion rate of approximately 24.1998 shares of common stock per \$1,000 principal amount

## **Recourse Debt**

### **Senior Credit Facility**

#### **Term Loan B Incurrence**

On April 16, 2024, the Company, as borrower, and certain of its subsidiaries, as guarantors, entered into the Eighth Amendment to the Second Amended and Restated Credit Agreement (the "Eighth Amendment") with, among others, Citicorp North America, Inc., as administrative agent and as collateral agent (the "Agent"), and certain financial institutions, as lenders, which amended the Company's Second Amended and Restated Credit Agreement, dated as of June 30, 2016 (the "Credit Agreement"), in order to (i) establish a new term loan B facility with borrowings of \$875 million in aggregate principal amount (the "Term Loan Facility" and the loans thereunder, the "Term Loans") and (ii) make certain other modifications to the Credit Agreement as set forth therein. The proceeds from the Term Loans were used to repay a portion of the Company's Convertible Senior Notes and will be used to repay the Company's 3.750% senior secured first lien notes due 2024.

At the Company's election, the Term Loans will bear interest at a rate per annum equal to either (1) a fluctuating rate equal to the highest of (A) the rate published by the Federal Reserve Bank of New York in effect on such day, plus 0.50%, (B) the rate of interest per annum publicly announced from time to time by The Wall Street Journal as the "Prime Rate" in the United States, and (C) a rate of one-month Term SOFR (as defined in the Term Loan Facility), plus 1.00%, or (2) Term SOFR

(as defined in the Term Loan Facility and which rate will not be less than 0%) for a one-, three- or six-month interest period or such other period as agreed to by the Agent and the lenders, as selected by the Company, plus 2.00%.

The Term Loan Facility is guaranteed by each of the Company's subsidiaries that guarantee the Revolving Credit Facility and is secured on a first lien basis by substantially all of the Company's and such subsidiaries' assets, in each case, subject to certain customary exceptions and limitations set forth in the Credit Agreement.

The Term Loans have a final maturity date of April 16, 2031 and amortize at a rate of 1% per annum.

If an event of default occurs under the Term Loan Facility, the entire principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable, subject, in certain instances, to the expiration of applicable cure periods.

The Term Loan Facility also provides for customary asset sale mandatory prepayments, reporting covenants and negative covenants governing dividends, investments, indebtedness, and other matters that are customary for similar term loan B facilities.

#### Revolving Credit Facility

On April 22, 2024, the Company, as borrower, and certain of its subsidiaries, as guarantors, entered into the Ninth Amendment to the Second Amended and Restated Credit Agreement (the "Ninth Amendment") to extend the maturity date of a portion of the revolving commitments thereunder to February 14, 2028.

#### **2048 Convertible Senior Notes**

As of April 1, 2024, the Company's Convertible Senior Notes are convertible during the quarterly period ending June 30, 2024 due to the satisfaction of the Common Stock Sale Price Condition (as defined below). The Convertible Senior Notes are convertible into cash or a combination of cash and the Company's common stock at a price of \$41.53 per common share, which is the equivalent to a conversion rate of approximately 24.0763 shares of common stock per \$1,000 principal amount of Convertible Senior Notes. The net carrying amounts of the Convertible Senior Notes as of March 31, 2024 and December 31, 2023 were \$480 million and \$572 million, respectively. The Convertible Senior Notes mature on June 1, 2048, unless earlier repurchased, redeemed or converted in accordance with their terms. The Convertible Senior notes are convertible at the option of the holders under certain circumstances. Prior to the close of business on the business day immediately preceding December 1, 2024, the Convertible Senior Notes will be convertible only upon the occurrence of certain events and during certain periods, including, among others, during any calendar quarter (and only during such calendar quarter) if the last reported sales price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter (the "Common Stock Sale Price Condition"). Thereafter during specified periods as follows:

- from December 1, 2024 until the close of business on the second scheduled trading day immediately before June 1, 2025; and
- from December 1, 2047 until the close of business on the second scheduled trading day immediately before the maturity date.

All conversions with a conversion date that occurs within the specific periods above will be settled after such period pursuant to the terms of the Convertible Senior Notes indenture.

#### Repurchases

During the three months ended March 31, 2024 and through April 30, 2024, the Company completed repurchases of a portion of the Convertible Senior Notes using cash on hand and a portion of the proceeds from the Term Loans, as detailed in the table below. For the three months ended March 31, 2024, a \$58 million loss on debt extinguishment was recorded.

(In millions, except percentages)

Settlement Period	Principal Repurchased	Cash Paid <sup>(a)</sup>	Average Repurchase Percentage
March 2024	\$ 92	\$ 151	162.356%
April 2024	251	452	179.454%
<b>Total Repurchases</b>	<b>\$ 343</b>	<b>\$ 603</b>	

(a) Includes accrued interest of \$1 million and \$2 million for the March and April repurchases, respectively

The following table details the interest expense recorded in connection with the Convertible Senior Notes:

(In millions, except percentages)	Three months ended March 31,	
	2024	2023
Contractual interest expense	\$ 4	\$ 4
Amortization of deferred finance costs	—	1
Total	<u>\$ 4</u>	<u>\$ 5</u>
Effective Interest Rate	0.78 %	0.77 %

### Non-recourse Debt

#### Vivint Term Loan Repricing

On April 10, 2024, the Company's wholly-owned indirect subsidiary, APX Group, Inc. ("Vivint"), entered into Amendment No. 2 to the Second Amended and Restated Credit Agreement (the "Second Amendment") with, among others, Bank of America, N.A. as administrative agent (the "Vivint Agent"), and certain financial institutions, as lenders, which amended Vivint's Second Amended and Restated Credit Agreement, dated as of June 9, 2021 (the "Vivint Credit Agreement"), in order to (i) reprice its term loan B facility (the term loans thereunder, the "Vivint Term Loans") and (ii) make certain other changes to the Vivint Credit Agreement.

From and after the closing of the Second Amendment, at Vivint's election, the Vivint Term Loans will bear interest at a rate per annum equal to either (1) a fluctuating rate equal to the highest of (A) the rate published by the Federal Reserve Bank of New York in effect on such day, plus 0.50%, (B) the rate of interest per annum publicly announced from time to time by The Wall Street Journal as the "Prime Rate" in the United States, and (C) a rate of one-month Term SOFR (as defined in the Vivint Credit Agreement), plus 1.00%, or (2) Term SOFR (as defined in the Vivint Credit Agreement and which rate will not be less than 0.50%) for a one-, three- or six-month interest period or such other period as agreed to by the Vivint Agent and the lenders, as selected by Vivint, plus 2.75%.

### Note 8 — Investments Accounted for Using the Equity Method and Variable Interest Entities, or VIEs

#### Entities that are not Consolidated

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

#### Variable Interest Entities that are Consolidated

The Company has a controlling financial interest that has been identified as a VIE under ASC 810 in NRG Receivables LLC, which has entered into financing transactions related to the Receivables Facility as further described in Note 13, Long-term Debt and Finance Leases, to the Company's 2023 Form 10-K.



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

<b>(In millions)</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accounts receivable and Other current assets	\$ 1,385	\$ 1,541
Current liabilities	153	153
Net assets	<u>\$ 1,232</u>	<u>\$ 1,388</u>

## Note 9 — Changes in Capital Structure

As of March 31, 2024 and December 31, 2023, the Company had 10,000,000 shares of preferred stock authorized and 500,000,000 shares of common stock authorized. The following table reflects the changes in NRG's preferred and common stock issued and outstanding:

	Preferred	Common		
	Issued and Outstanding	Issued	Treasury	Outstanding
<b>Balance as of December 31, 2023</b>	650,000	267,330,470	(59,199,520)	208,130,950
Shares issued under LTIPs	—	1,198,542	—	1,198,542
Shares repurchased	—	—	(1,163,230)	(1,163,230)
Retirement of treasury stock	—	(1,163,230)	1,163,230	—
<b>Balance as of March 31, 2024</b>	<u>650,000</u>	<u>267,365,782</u>	<u>(59,199,520)</u>	<u>208,166,262</u>
Shares issued under LTIPs	—	163,823	—	163,823
Shares issued under ESPP	—	—	145,562	145,562
<b>Balance as of April 30, 2024</b>	<u>650,000</u>	<u>267,529,605</u>	<u>(59,053,958)</u>	<u>208,475,647</u>

### Common Stock

#### Share Repurchases

On June 22, 2023, NRG revised its long-term capital allocation policy to target allocating approximately 80% of cash available for allocation, after debt reduction, to be returned to shareholders. As part of the revised capital allocation framework, the Company announced an increase to its share repurchase authorization to \$2.7 billion, to be executed through 2025.

On November 6, 2023, the Company executed Accelerated Share Repurchase agreements to repurchase a total of \$950 million of NRG's outstanding common stock. Under the ASR agreements, the Company received shares of NRG's common stock on specified settlement dates. The total number of shares purchased pursuant to the ASR agreements were generally based on the volume-weighted average prices of NRG's common stock during the term of each ASR agreement, less a discount. In 2023, the Company recorded the shares received in treasury stock at fair value based on the volume-weighted average closing prices of \$833 million, with the remaining \$117 million recorded in additional paid-in-capital, representing the value of the forward contracts to purchase additional shares. The ASR program concluded on March 28, 2024. The Company transferred the \$117 million from additional paid-in-capital to treasury stock upon receipt of the final share settlements in 2024. The following table summarizes the shares received under the ASR program:

	<b>Average price paid per share<sup>(a)</sup></b>	<b>Total number of shares received</b>
November 2023 initial settlements		4,494,224
December 2023 interim settlements		13,181,918
January 2024 final settlements		770,205
March 2024 final settlements		393,025
<b>November 6, 2023 \$950 million ASR program</b>	<b>\$50.43</b>	<b>18,839,372</b>

(a) Excludes the impact of excise tax incurred

The Company completed \$1.2 billion of share repurchases under the \$2.7 billion authorization in 2023, which included \$950 million through the ASR programs and \$200 million through open market repurchases. As of March 31, 2024, \$1.5 billion is remaining under the \$2.7 billion authorization.

#### Employee Stock Purchase Plan

The Company offers participation in the ESPP which allows eligible employees to elect to withhold between 1% and 10% of their eligible compensation to purchase shares of NRG common stock at the lesser of 90% of its market value on the offering date or 90% of the fair market value on the exercise date. An offering date occurs each April 1 and October 1. An exercise date occurs each September 30 and March 31.

## NRG Common Stock Dividends

During the first quarter of 2024, NRG increased the annual dividend to \$1.63 from \$1.51 per share and expects to target an annual dividend growth rate of 7%-9% per share in subsequent years. A quarterly dividend of \$0.4075 per share was paid on the Company's common stock during the three months ended March 31, 2024. On April 17, 2024, NRG declared a quarterly dividend on the Company's common stock of \$0.4075 per share, payable on May 15, 2024 to stockholders of record as of May 1, 2024.

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

## Retirement of Treasury Stock

In the first quarter of 2024, the Company retired 1,163,230 shares of treasury stock. These retired shares are now included in NRG's pool of authorized but unissued shares. The retired stock had an average price per share of \$32.67 for a total carrying value of approximately \$38 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.

## Preferred Stock

### Series A Preferred Stock Dividends

During the quarter ended March 31, 2024, the Company declared and paid a semi-annual 10.25% dividend of \$51.25 per share on its outstanding Series A Preferred Stock, totaling \$33 million.

## Note 10 — Income/(Loss) Per Share

Basic income/(loss) per common share is computed by dividing net income/(loss) less cumulative dividends attributable to preferred stock by the weighted average number of common shares outstanding. Shares issued and treasury shares repurchased during the period are weighted for the portion of the period that they were outstanding. Diluted income/(loss) per share is computed in a manner consistent with that of basic income/(loss) per share while giving effect to all potentially dilutive common shares that were outstanding during the period when there is net income. The performance stock units and non-vested restricted stock units are not considered outstanding for purposes of computing basic income/(loss) per share. However, these instruments are included in the denominator for purposes of computing diluted income per share under the treasury stock method for periods when there is net income. The Convertible Senior Notes are convertible, under certain circumstances, into cash or combination of cash and Company's common stock. The Company is including the potential share settlements, if any, in the denominator for purposes of computing diluted income per share under the if converted method for periods when there is net income. The potential shares settlements are calculated as the excess of the Company's conversion obligation over the aggregate principal amount (which will be settled in cash), divided by the average share price for the period. For the three months ended March 31, 2023, there was no dilutive effect for the Convertible Senior Notes as the Company recorded a net loss.



NRG's basic and diluted income/(loss) per share is shown in the following table:

(In millions, except per share data)	Three months ended March 31,	
	2024	2023
<b>Basic income/(loss) per share:</b>		
Net income/(loss)	\$ 511	\$ (1,335)
Less: Cumulative dividends attributable to Series A Preferred Stock	17	4
Net income/(loss) available for common stockholders	\$ 494	\$ (1,339)
Weighted average number of common shares outstanding - basic	209	230
<b>Income/(loss) per weighted average common share — basic</b>	<u>\$ 2.36</u>	<u>\$ (5.82)</u>
<b>Diluted income/(loss) per share:</b>		
Net income/(loss)	\$ 511	\$ (1,335)
Less: Cumulative dividends attributable to Series A Preferred Stock	17	4
Net income/(loss) available for common stockholders	\$ 494	\$ (1,339)
Weighted average number of common shares outstanding - basic	209	230
Incremental shares attributable to the issuance of equity compensation (treasury stock method)	2	—
Incremental shares attributable to the potential share settlements of the Convertible Senior Notes (if converted method)	3	—
Weighted average number of common shares outstanding - dilutive	214	230
<b>Income/(loss) per weighted average common share — diluted</b>	<u>\$ 2.31</u>	<u>\$ (5.82)</u>

As of March 31, 2024, the Company had an insignificant number of outstanding equity instruments that are anti-dilutive and were not included in the computation of the Company's diluted income per share. As of March 31, 2023, the Company had 7 million outstanding equity instruments that are anti-dilutive and were not included in the computation of the Company's diluted loss per share.

#### Note 11 — Segment Reporting

The Company's segment structure reflects how management currently makes financial decisions and allocates resources. The Company manages its operations based on the combined results of the retail and wholesale generation businesses with a geographical focus. Vivint Smart Home operations are reported within the Vivint Smart Home segment.

NRG's chief operating decision maker, its interim chief executive officer, evaluates the performance of the Company's segments based on operational measures including adjusted

earnings before interest, taxes, depreciation and amortization, or Adjusted EBITDA, free cash flow and allocation of capital, as well as net income/(loss). The accounting policies of the segments are the same as those applied in the consolidated financial statements as disclosed in Note 2, Summary of Significant Accounting Policies, to the Company's 2023 Form 10-K.

(In millions)	Three months ended March 31, 2024						
	Texas	East	West/ Services/ Other	Vivint Smart Home	Corporate	Eliminations	Total
Revenue	\$ 2,233	\$ 3,515	\$ 1,219	\$ 468	\$ —	\$ (6)	\$ 7,429
Depreciation and amortization	67	23	24	144	10	—	268
Loss on sale of assets	(4)	—	—	—	—	—	(4)
Equity in earnings of unconsolidated affiliates	—	—	3	—	—	—	3
Loss on debt extinguishment	—	—	—	—	(58)	—	(58)
Income/(loss) before income taxes	349	580	(75)	9	(168)	—	695
<b>Net income/(loss)</b>	<b>\$ 349</b>	<b>\$ 581</b>	<b>\$ (60)</b>	<b>\$ 7</b>	<b>\$ (366)</b>	<b>\$ —</b>	<b>\$ 511</b>

(In millions)	Three months ended March 31, 2023						
	Texas	East	West/ Services/ Other	Vivint Smart Home <sup>(a)</sup>	Corporate	Eliminations	Total
Revenue	\$ 2,034	\$ 4,176	\$ 1,374	\$ 148	\$ —	\$ (10)	\$ 7,722
Depreciation and amortization	75	30	24	52	9	—	190
Gain on sale of assets	—	199	—	—	—	—	199
Equity in earnings of unconsolidated affiliates	—	—	5	—	—	—	5
Income/(loss) before income taxes	284	(1,402)	(351)	(39)	(163)	—	(1,671)
<b>Net income/(loss)</b>	<b>\$ 284</b>	<b>\$ (1,402)</b>	<b>\$ (304)</b>	<b>\$ (39)</b>	<b>\$ 126</b>	<b>\$ —</b>	<b>\$ (1,335)</b>

(a) Includes results of operations following the acquisition date of March 10, 2023

## Note 12 — Income Taxes

### Effective Income Tax Rate

The income tax provision consisted of the following:

(In millions, except rates)	Three months ended March 31,	
	2024	2023
Income/(Loss) before income taxes	\$ 695	\$ (1,671)
Income tax expense/(benefit)	184	(336)
Effective income tax rate	26.5 %	20.1 %

For the three months ended March 31, 2024, the effective tax rate was higher than the statutory rate of 21%, primarily due to the state tax expense. For the three months ended March 31, 2023, the effective tax rate was lower than the statutory rate of 21% primarily due to current state tax expense and permanent differences which when applied to year-to-date financial statement losses have an inverted effect and reduced the overall effective tax rate.

As of March 31, 2024, NRG as an applicable corporation is subject to the CAMT, and has reflected the impact in its current and deferred taxes. There is no CAMT impact to NRG's effective income tax rate. The Company's CAMT liability is significantly impacted by unrealized gains and losses on derivative instruments. NRG will continue to evaluate the impact of the CAMT if further guidance is provided by the U.S. Treasury or the IRS.

### Uncertain Tax Benefits

As of March 31, 2024, NRG had a non-current tax liability of \$76 million for uncertain tax benefits from positions taken on various federal, state, and foreign income tax returns inclusive of accrued interest. For the three months ended March 31, 2024, NRG accrued an immaterial amount of interest relating to the uncertain tax benefits. As of March 31, 2024, NRG had cumulative interest and penalties related to these uncertain tax benefits of \$4



million. The Company recognizes interest and penalties related to uncertain tax benefits in income tax expense.

NRG is subject to examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and various state and foreign jurisdictions including operations located in Australia and Canada. The Company is no longer subject to U.S. federal income tax examinations for years prior to 2020. With few exceptions, state and Canadian income tax examinations are no longer open for years prior to 2015.

**Note 13 — Related Party Transactions**

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

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

(In millions)	Three months ended March 31,	
	2024	2023
Revenues from Related Parties Included in Revenue		
Gladstone	\$ 1	\$ 1
Ivanpah <sup>(a)</sup>	13	34
Midway-Sunset	1	1
Total	<u>\$ 15</u>	<u>\$ 36</u>

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

## Note 14 — Commitments and Contingencies

### Commitments

#### First Lien Structure

NRG has granted first liens to certain counterparties on a substantial portion of property and assets owned by NRG and the guarantors of its senior debt. NRG uses the first lien structure to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedges. To the extent that the underlying hedge positions for a counterparty are out-of-the-money to NRG, the counterparty would have a claim under the first lien program. As of March 31, 2024, all hedges under the first liens were in-the-money on a counterparty aggregate basis.

### Contingencies

The Company's material legal proceedings are described below. The Company believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. NRG records accruals for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. As applicable, the Company has established an adequate accrual for the applicable legal matters, including regulatory and environmental matters as further discussed in Note 15, Regulatory Matters, and Note 16, Environmental Matters. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, the Company is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of the Company's liabilities and contingencies could be at amounts that are different from its currently recorded accruals and that such difference could be material.

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

### **Environmental Lawsuits**

Sierra club et al. v. Midwest Generation LLC — In 2012, several environmental groups filed a complaint against Midwest Generation with the Illinois Pollution Control Board ("IPCB") alleging violations of environmental law resulting in groundwater contamination. In June 2019, the IPCB found in an interim order that Midwest Generation violated the law because it had improperly handled coal ash at four facilities in Illinois and caused or allowed coal ash constituents to impact groundwater. On September 9, 2019, Midwest Generation filed a Motion to Reconsider numerous issues, which the court granted in part and denied in part on February 6, 2020. In 2023, the IPCB held hearings regarding the appropriate relief. Midwest Generation has been working with the Illinois EPA to address the groundwater issues since 2010.

### **Consumer Lawsuits**

Similar to other energy service companies ("ESCOs") operating in the industry, from time-to-time, the Company and/or its subsidiaries may be subject to consumer lawsuits in various jurisdictions where they sell natural gas and electricity.

#### **Variable Price Case**

Mirkin v. XOOM Energy (E.D.N.Y. Aug. 2019) is a defendant in a putative class action lawsuit pending in New York, alleging that XOOM Energy promised that consumers would pay the same or less than they would have paid if they stayed with their default utility or previous energy supplier. The Court denied XOOM's motion for summary judgment and granted class

certification. The Second Circuit denied XOOM's request to appeal the class certification grants. XOOM plans to challenge Mirkin's expert testimony to further hamper Mirkin's ability to support its case. The parties held a court-ordered remediation on March 21, 2024 where the parties did not settle. The parties continue to prepare pre-trial materials for submission to the Court. A trial date is not yet set, nor expected before Fall 2024. The Company continues to deny the allegations and is vigorously defending this matter. This matter was known and accrued for at the time of the XOOM acquisition.

Telephone Consumer Protection Act ("TCPA") Cases — In the cases set forth below, referred to as the TCPA Cases, such actions involve consumers alleging violations of the Telephone Consumer Protection Act of 1991, as amended, by receiving calls, texts or voicemails without consent in violation of the federal Telemarketing Sales Rule, and/or state counterpart legislation. The underlying claims of each case are similar. The Company denies the allegations asserted by plaintiffs and intends to vigorously defend these matters. These matters were known and accrued for at the time of the acquisition.

There are two putative class actions pending against Direct Energy: (1) Holly Newman v. Direct Energy, LP (D. Md Sept 2021) - Direct Energy filed its Motion to Dismiss asserting the ruling in the Brittany Burk v. Direct Energy (S.D. Tex. Feb 2019) preempts the Plaintiff's ability to file suit based on the same facts. The Court denied Direct Energy's motion stating the Court does not have the benefit of all of the facts that were in front of the Burk court to issue a similar ruling. On October 19, 2022, Direct Energy filed a Motion to Transfer Venue asking the Court to transfer the case to the Southern District where the Burk case was filed. On April 12, 2023, the Court granted Direct Energy's Motion to Transfer Venue, moving to the case to the Southern District of Texas; and (2) Matthew Dickson v. Direct Energy (N.D. Ohio Jan. 2018) - The case was stayed pending the outcome of an appeal to the Sixth Circuit based on the unconstitutionality of the TCPA during the period from 2015-2020. The Sixth Circuit found the TCPA was in effect during that period and remanded the case back to the trial court. Direct Energy refiled its motions along with supplements. On March 25, 2022, the Court granted summary judgment in favor of Direct Energy and dismissed the case. Dickson appealed. The Sixth Circuit found that Dickson has standing and reversed the trial court's dismissal of the case. The matter is back at the trial court. The parties will conduct further fact discovery and expert discovery and will submit its motion for summary judgment by Summer 2024.

### **Sales Practice Lawsuit**

A Vivint Smart Home competitor has made a claim against Vivint Smart Home alleging, among other things, that Vivint Smart Home's sales representatives used deceptive sales practices. This matter was known and accrued for at the time of the acquisition. CPI Security Systems, Inc. ("CPI") v. Vivint Smart Home, Inc. (W.D.N.C. Sept. 2020) was filed in 2020 went to trial, and in February 2023, the jury issued a verdict against Vivint Smart Home, in favor of CPI for \$50 million of compensatory damages and an additional \$140 million of punitive damages. Vivint Smart Home has filed its notice of appeal and is awaiting a briefing schedule. While Vivint Smart Home believes the CPI jury verdict is not legally or factually supported and intends to pursue post judgment remedies and file an appeal, there can be no assurance that such defense efforts will be successful.

### **Patent Infringement Lawsuit**

SB IP Holdings LLC ("Skybell") v. Vivint Smart Home, Inc. — On October 23, 2023, a jury in the U.S. District Court, Eastern District of Texas, Sherman Division, issued a verdict against

the Company in favor of Skybell for \$45 million in damages for patent infringement. The patents that were the basis for the claims made by Skybell were ruled invalid by the U.S. International Trade Commission in November 2021. In accordance with advice by legal counsel, the Company does not believe the verdict is legally supported and will pursue post-judgment and appellate remedies along with any other legal options available. This matter was known and accrued for at the time of the Vivint acquisition.

### **Contract Dispute**

STP — In July 2023, the partners in STP, CPS and Austin Energy, initiated a lawsuit and filed to intervene in the license transfer application with the NRC, claiming a right of first refusal exists in relation to the proposed sale of NRG South Texas' 44% interest in STP to Constellation. The parties entered into a settlement agreement in May 2024, and the litigation was dismissed. There was no incremental impact to NRG as a result of the settlement.

### **Winter Storm Uri Lawsuits**

The Company has been named in certain property damage and wrongful death claims that have been filed in connection with Winter Storm Uri in its capacity as a generator and a REP. Most of the lawsuits related to Winter Storm Uri are consolidated into a single multi-district litigation matter in Harris County District Court. NRG's REPs have since been dismissed from the multi-district litigation. As a power generator, the Company is named in various cases with claims ranging from: wrongful death; personal injury only; property damage and personal injury; property damage only; and subrogation. The First Court of Appeals conditionally granted the generators' mandamus relief, ordering the trial court to grant the generator defendants' Motion to Dismiss. The Company expected the Plaintiffs to challenge this ruling. The Company intends to vigorously defend these matters.

## **Note 15 — Regulatory Matters**

Environmental regulatory matters are discussed within Note 16, Environmental Matters.

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

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

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

**New York State Public Service Commission ("NYSPSC") - Notice of Apparent Violation** — The NYSPSC issued an order referred to as the Retail Reset Order in December 2019 that limited ESCO's offers for electric and natural gas to three compliant products: guaranteed savings from the utility default rate, a fixed rate commodity product that is priced at no more than 5% greater than the trailing 12-month average utility supply rate or New York-sourced renewable energy that is at least 50% greater than the prevailing New York Renewable Energy Standard for load serving entities. The order effectively limited ESCO offers to natural gas customers to only the guaranteed savings and capped fixed term compliant products because no equivalent renewable energy product exists for natural gas. NRG took action to comply with the order when it became effective April 16, 2021. On January 8, 2024, the NYSPSC notified eight of NRG's retail energy suppliers (serving both electricity and natural gas) of alleged non-compliance with New York regulatory requirements. Among other items, the notices allege that the NRG suppliers did not transition existing residential customers to one of the three compliant products authorized by the NYSPSC following the effective date of the order. NRG responded to the notices in February 2024. The outcome of this process has the potential to negatively impact the retail business in New York.

## **Note 16 — Environmental Matters**

NRG is subject to a wide range of environmental laws in the development, construction, ownership and operation of power plants. These laws generally require that governmental permits and approvals be obtained before construction and maintained during operation of power plants. The electric generation industry has been facing increasingly stringent requirements regarding air quality, GHG emissions, combustion byproducts, water use and discharge, and threatened and endangered species including four new rules released on April 25, 2024. In general, future laws are expected to require the addition of emissions controls or other environmental controls or to impose additional restrictions on the operations of the Company's facilities, which could have a material effect on the Company's consolidated financial position, results of operations, or cash flows. The Company has elected to use a

\$1 million disclosure threshold, as permitted, for environmental proceedings to which the government is a party.

## **Air**

CPP/ACE Rules — The attention in recent years on GHG emissions has resulted in federal and state regulations. In 2019, the EPA promulgated the ACE rule, which rescinded the CPP, which had sought to broadly regulate CO<sub>2</sub> emissions from the power sector. The ACE rule required states that have coal-fired EGUs to develop plans to seek heat rate improvements from coal-fired EGUs. On January 19, 2021, the D.C. Circuit vacated the ACE rule (but on February 22, 2021, at the EPA's request, stayed the issuance of the portion of the mandate that would vacate the repeal of the CPP). On June 30, 2022, the U.S. Supreme Court held that the "generation shifting" approach in the CPP exceeded the powers granted to the EPA by Congress. The Court did not address the related issues of whether the EPA may adopt only measures applied at each source. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register will repeal the ACE rule and significantly revise the manner in which new combustion-turbine and existing steam EGU's GHG emissions will be regulated including capturing and storing/sequestering CO<sub>2</sub>. The EPA has stated that it will address GHG emissions from existing combustion turbines in a future rule. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

Cross-State Air Pollution Rule ("CSAPR") — On March 15, 2023, the EPA signed and released a prepublication version of a final rule that sought to significantly revise the CSAPR to address the good-neighbor obligations of the 2015 ozone NAAQS for 23 states after earlier having disapproved numerous state plans to address the issue. Several states, including

Texas, challenged the EPA's disapproval of their state plans. On May 1, 2023, the United States Court of Appeals for the Fifth Circuit stayed the EPA's disapproval of Texas' and Louisiana's state plans, which disapprovals are a condition precedent to the EPA imposing its plan on Texas and Louisiana. Several other states are also similarly situated because of similar stays. Nonetheless, on June 5, 2023, the EPA published this rule in the Federal Register. On July 31, 2023, the EPA promulgated an interim final rule that addresses the various judicial orders that have stayed several State-Implementation-Plan disapprovals by limiting the effectiveness of certain requirements of the final rule promulgated on June 5, 2023 in Texas and five other states. The final rule decreases, over time, the ozone-season NOx allowances allocated to generators in the states not affected by the judicial stays beginning in 2023 by assuming that participants in this cap-and-trade program had or would optimize existing NOx controls and later install additional NOx controls. The Company cannot predict the outcome of the legal challenges to the: (i) various state disapprovals; (ii) the final rule promulgated on June 5, 2023; and (iii) the interim final rule promulgated on July 31, 2023 that seeks to address the judicial orders.

**Regional Haze Proposal** — In May 2023, the EPA proposed to withdraw the existing Texas Sulfur Dioxide Trading Program and replace it with unit-specific SO<sub>2</sub> limits for 12 units in Texas to address requirements to improve visibility at National Parks and Wilderness areas. If finalized as proposed, it would result in more stringent SO<sub>2</sub> limits for two of the Company's coal-fired units in Texas. The Company cannot predict the outcome of this proposal.

**Mercury and Air Toxics Standards ("MATS")** — On May 7, 2024, the EPA promulgated a final rule that amends the MATS rule by, among other things, increasing the stringency of the filterable particulate matter standard at coal-burning units. The deadline for complying with this more stringent standard is 2027. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

## **Water**

**Effluent Limitations Guidelines** — In 2015, the EPA revised the Effluent Limitations Guidelines ("ELG") for Steam Electric Generating Facilities, which imposed more stringent requirements (as individual permits were renewed) for wastewater streams from FGD, fly ash, bottom ash and flue gas mercury control. On September 18, 2017, the EPA promulgated a final rule that, among other things, postponed the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA amended the rule. On October 13, 2020, the EPA amended the 2015 ELG rule by: (i) altering the stringency of certain limits for FGD wastewater; (ii) relaxing the zero-discharge requirement for bottom ash transport water; and (iii) changing several deadlines. In 2021, NRG informed its regulators that the Company intends to comply with the ELG by ceasing combustion of coal by the end of 2028 at its domestic coal units outside of Texas, and installing appropriate controls by the end of 2025 at its two plants that have coal-fired units in Texas. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register will again revise the ELG by, among other things, further restricting the discharge of (i) FGD wastewater, (ii) bottom ash transport water, and (iii) combustion residual leachate. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

## **Byproducts**

In 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. On August 21, 2018, the D.C. Circuit found,



among other things, that the EPA had not adequately regulated unlined ponds and legacy surface impoundments. On August 28, 2020, the EPA finalized "A Holistic Approach to Close Part A: Deadline to Initiate Closure," which amended the April 2015 Rule to address the August 2018 D.C. Circuit decision and extend some of the deadlines. On November 12, 2020, the EPA finalized "A Holistic Approach to Closure Part B: Alternative Demonstration for Unlined Surface Impoundments," which further amended the April 2015 Rule to, among other things, provide procedures for requesting approval to operate existing ash impoundments with an alternate liner. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register will establish requirements for: (i) inactive (or legacy) surface impoundments at inactive facilities and (ii) coal combustion residual ("CCR") management units (regardless of how or when the CCR was placed) at regulated facilities. The rule will also create an obligation to conduct site assessments (at all active and certain inactive facilities) to determine whether CCR management units are present. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

## **ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The discussion and analysis below has been organized as follows:

- Executive summary, including introduction and overview, business strategy, and changes to the business environment during the period, including environmental and regulatory matters;
- Results of operations;
- Liquidity and capital resources including liquidity position, financial condition addressing credit ratings, material cash requirements and commitments, and other obligations; and
- Known trends that may affect NRG's results of operations and financial condition in the future.

As you read this discussion and analysis, refer to NRG's condensed consolidated statements of operations to this Form 10-Q, which present the results of operations for the three months ended March 31, 2024 and 2023. Also refer to NRG's 2023 Form 10-K, which includes detailed discussions of various items impacting the Company's business, results of operations and financial condition, including: General section; Strategy section; Business Overview section, including how regulation, weather, and other factors affect NRG's business; and Critical Accounting Estimates section.

### **Executive Summary**

#### **Introduction and Overview**

NRG Energy, Inc., or NRG or the Company, sits at the intersection of energy and home services. NRG is a leading energy and home services company fueled by market-leading brands, proprietary technologies, and complementary sales channels. Across the U.S. and Canada, NRG delivers innovative, sustainable solutions, predominately under brand names such as NRG, Reliant, Direct Energy, Green Mountain Energy and Vivint, while also advocating for competitive energy markets and customer choice. The Company has a customer base that includes approximately 8.0 million residential consumers in addition to commercial, industrial, and wholesale customers, supported by approximately 13 GW of generation as of March 31, 2024.

#### **Strategy**

NRG's strategy is to maximize stakeholder value by being a leader in the emerging convergence of energy and smart automation in the home and business. Through a diversified supply strategy, the Company sells reliable electricity and natural gas to its customers in the markets it serves, while also providing innovative home solutions to customers. NRG's unique combination of assets and capabilities enables the Company to develop and sell highly differentiated offerings that bring together every day essential services like powering and securing the home through a seamless and integrated experience. This strategy is intended to enable the Company to optimize its unique integrated platform to delight customers, generate recurring cash flow, significantly strengthen earnings and cost competitiveness, and lower risk and volatility. Sustainability is a philosophy that underpins and facilitates value creation across NRG's business for its stakeholders. It is an integral

piece of NRG's strategy and ties directly to the Company's business success, reduced risks and enhanced reputation.

To effectuate the Company's strategy, NRG is focused on: (i) serving the energy needs of end-use residential, commercial and industrial, and wholesale counterparties in competitive markets and optimizing on additional revenue opportunities through its multiple brands and channels; (ii) offering a variety of energy products and services, including renewable energy solutions and smart home products and services that are differentiated by innovative features, premium service, integrated platforms, sustainability, and loyalty/affinity programs; (iii) excellence in operating performance of its assets; (iv) achieving the optimal mix of supply to serve its customer load requirements through a diversified supply strategy ; and (v) engaging in disciplined and transparent capital allocation.

### **Energy Regulatory Matters**

The Company's regulatory matters are described in the Company's 2023 Form 10-K in Item 1, Business — Regulatory Matters. These matters have been updated below and in Note 15, Regulatory Matters.

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

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

### **Regional Regulatory Developments**

NRG is affected by rule/tariff changes that occur in the ISO regions. For further discussion on regulatory developments, see Note 15, Regulatory Matters.

#### **Texas**

Public Utility Commission of Texas' Actions with Respect to Wholesale Pricing and Market Design — The PUCT continues to analyze and implement multiple options for promoting increased reliability in the wholesale electric market, including the adoption of a reliability standard for resource adequacy and market-based mechanisms to achieve this standard. During the 88th Regular Session, the Texas Legislature authorized implementation of the Performance Credit Mechanism ("PCM"), which will measure real-time contribution to system reliability and provide compensation for resources to be available, subject to certain "guardrails" such as an absolute annual net cost cap, as part of its adoption of the PUCT Sunset Bill (House Bill 1500). The Texas Legislature also directed the PUCT to implement additional market design changes such as the creation of a new ancillary service called Dispatchable Reliability Reserve Service ("DRRS") to further increase ERCOT's capability to manage net load variability and firming requirements for new generation resources which penalize poor performance during periods of low grid reserves. The PUCT directed ERCOT to implement DRRS as a standalone product which will delay implementation until 2026 or 2027.

Through Senate Bill 2627, the Texas Legislature created the Texas Energy Fund, which received voter approval in November 2023, and will provide grants and low-interest loans (3%) to incentivize the development of more dispatchable generation and smaller backup generation in ERCOT. The PUCT adopted a rule in March 2024, which establishes the application and participation requirements and the process by which the Texas Energy Fund loan proceeds for dispatchable generation in ERCOT will be distributed. The initial window for submitting loan applications will be open from June 1, 2024 to July 27, 2024. The PUCT adopted a rule for the completion bonus grant program in April 2024, which provides for opportunities for grants of \$120,000 per MW for dispatchable generation projects interconnected before June 1, 2026, or \$80,000 per MW for dispatchable generation projects interconnected on or after June 1, 2026 but before June 1, 2029, subject to performance requirements.

Real-time Co-optimization of Energy and Ancillary Services ("RTC") - ERCOT is progressing with a multi-year project to upgrade their systems to co-optimize the dispatch of energy and ancillary services in real-time. The RTC project will also replace the Operating Reserve Demand Curve with demand curves for each ancillary service product which will act as the primary scarcity pricing mechanism when energy or ancillary services are in shortage. ERCOT anticipates commencing market trials for testing the RTC project in Spring 2026 with production go-live in late 2026.

Ruling on Pricing during Winter Storm Uri — On March 17, 2023, the Third Court of Appeals issued a ruling in *Luminant Energy Co. v. PUCT*, which is an appeal relating to the validity of two orders issued by the PUCT on February 15 and 16, 2021, respectively, governing scarcity pricing in the ERCOT wholesale electricity market during Winter Storm Uri. The Third Court found that the PUCT exceeded its statutory authority by ordering the market

price of energy to be set at the high system wide offer cap due to scarcity conditions as a result of firm load shed occurring in ERCOT. The Third Court reversed the PUCT's orders and remanded the case. On March 23, 2023, the PUCT filed a petition for review to the Supreme Court of Texas seeking reversal of the Third Court's decision, which was granted on September 29, 2023. The Court received briefing on the merits and oral arguments occurred on January 30, 2024. The outcome of this appeal could potentially require a retroactive repricing of the ERCOT market prices during the subject time period.

Voluntary Mitigation Plan ("VMP") Changes — On March 13, 2023, the PUCT Staff determined that a portion of NRG's VMP should be terminated due to the increase in procurement of ancillary services by ERCOT, specifically non-spin reserve services, following Winter Storm Uri. As such, PUCT Staff terminated part of the VMP for NRG which provides protection from wholesale market power abuse accusations related to offers for ancillary services. NRG agreed with these changes to the VMP. At the March 23, 2023 open meeting, the PUCT approved the amended VMP. In February 2024, NRG filed a notice of intent with the PUCT and terminated its existing VMP as of March 1, 2024.

Lubbock, Texas Transition to Competition — The customers of Lubbock Power and Light ("LP&L"), a municipally owned utility, entered the Texas retail competitive market in March 2024. Starting in January 2024, LP&L customers were able to shop for a REP. Customers who did not select a REP by February 15, 2024 were assigned to one of three default REPs, one of which is Reliant. LP&L customers started transitioning to their chosen REP or a default REP on March 4, 2024.

#### PJM

Revisions to PJM Local Deliverability Area Reliability Requirement — The Base Residual Auction for the 2024/2025 delivery year commenced on December 7, 2022 and closed on December 13, 2022. On December 19, 2022, PJM announced

that it would delay the publication of the auction results. On December 23, 2022, PJM made a filing at FERC to revise the definition of Locational Deliverability Area ("LDA") Reliability Requirement in the Tariff. This would allow PJM to exclude certain resources from the calculation of the Local Deliverability Area Reliability Requirement. On February 21, 2023, FERC accepted PJM's filing. Multiple parties, including NRG, filed for rehearing. Rehearing was denied by operation of law, and multiple parties, including the Company, filed appeals to the Third Circuit Court of Appeals. On March 12, 2024, the court vacated the portion of the FERC orders that allow PJM to apply the Local Deliverability Area Reliability Requirement to the 2024/2025 capacity auction. On March 29, 2024, PJM filed a petition seeking confirmation as to the capacity commitments rules for the 2024/2025 auction. On May 6, 2024, FERC directed PJM to recalculate the 2024/2025 auction results under the Initial LDA Reliability Requirement rules, and further directed PJM to rerun the Third Incremental Auction. As a result, the capacity for the 2024/2025 delivery year in the Delmarva Power and Light South zone will increase and rerunning the Third Incremental Auction is expected to impact that auction's prices.

**PJM Base Residual Auction Revisions and Delay** — On April 11, 2023, PJM filed, and FERC subsequently approved, to delay the Base Residual Auctions for the 2025/2026 to 2028/2029 delivery years. On October 13, 2023, PJM made two filings proposing to develop market reforms to improve the operation of the capacity market through changes to the Market Seller Offer Cap rules, changes to PJM's resource adequacy risk modeling and capacity accreditation processes, and changes to capacity performance enhancements. On January 30, 2024, FERC accepted certain reforms to PJM's resource adequacy risk modeling and accreditation processes; on February 6, 2024, FERC rejected PJM's proposed changes to certain Market Seller Offer Cap rules and capacity performance enhancements. The approved changes will be in effect for the 2025/2026 Base Residual Auction scheduled to occur in July 2024, and will impact both demand and supply characteristics.

**Indian River RMR Proceeding** — On June 29, 2021, Indian River notified PJM that it intended to retire Unit 4, effective May 31, 2022, due to expected uneconomic operations. On July 30, 2021, PJM responded to the deactivation notice and stated that PJM had identified reliability violations resulting from the proposed deactivation of Unit 4. NRG filed a cost based RMR rate schedule at FERC on April 1, 2022. FERC accepted the rate schedule with a June 1, 2022 effective date, subject to refund and established hearing and settlement procedures. The Company reached settlement with a number of the intervening parties and the settlement agreement was filed at FERC on April 2, 2024 and is pending FERC review.

**Independent Market Monitor Market Seller Offer Cap Complaint** — On March 18, 2021, finding that the calculation of the default Market Seller Offer Cap was unjust and unreasonable, FERC issued an Order, which permitted the PJM May 2021 capacity auction for the 2022/2023 delivery year to continue under the existing rules and set a procedural schedule for parties to file briefs with possible solutions. On September 2, 2021, FERC issued an order in response to a complaint filed by the PJM Independent Market Monitor's proposal, which eliminated the Cost of New Entry-based Market Seller Offer Cap, implemented a limited default cap for certain asset classes based on going-forward costs and provided for unit specific cost review by the Independent Market Monitor for all other non-zero offers into the auctions. On October 4, 2021, as required by the Order, PJM submitted its compliance tariff and certain parties filed a motion for rehearing, which was denied by operation of law. On February 18, 2022, FERC addressed the arguments raised on rehearing and rejected the rehearing requests. Multiple parties filed appeals at the Court of Appeals for the D.C. Circuit,

and on August 15, 2023, the Court denied the petitions for review. On January 12, 2024, the generator trade association filed a petition for review with the U.S. Supreme Court to overturn the August 15, 2023 judgment.

### **Other Regulatory Matters**

From time to time, NRG entities may be subject to examinations, investigations and/or enforcement actions by federal, state and provincial licensing agencies and may face the risk of penalties for violation of financial services, consumer protections and other applicable laws and regulations.

### **Environmental Regulatory Matters**

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

A number of regulations that affect the Company have been and continue to be revised by the EPA, including requirements regarding coal ash, GHG emissions, NAAQS revisions and implementation and effluent limitation guidelines. NRG will evaluate the impact of these regulations as they are revised but cannot fully predict the impact of each until anticipated revisions and legal challenges are finally resolved. The Company's environmental matters are described in the

Company's 2023 Form 10-K in Item 1, Business - Environmental Matters and Item 1A, Risk Factors. These matters have been updated in Note 16, Environmental Matters, to the condensed consolidated financial statements of this Form 10-Q and as follows.

## **Air**

The CAA and related regulations (as well as similar state and local requirements) have the potential to affect air emissions, operating practices and pollution control equipment required at power plants. Under the CAA, the EPA sets NAAQS for certain pollutants including SO<sub>2</sub>, ozone, and PM<sub>2.5</sub>. Many of the Company's facilities are located in or near areas that are classified by the EPA as not achieving certain NAAQS (non-attainment areas). The relevant NAAQS may become more stringent. In March 2024, the EPA increased the stringency of the PM<sub>2.5</sub> NAAQS. The Company maintains a comprehensive compliance strategy to address continuing and new requirements. Complying with increasingly stringent air regulations could require the installation of additional emissions control equipment at some NRG facilities or retiring of units if installing such controls is not economic. Significant changes to air regulatory programs affecting the Company are described below.

**CPP/ACE Rules** — The attention in recent years on GHG emissions has resulted in federal and state regulations. In 2019, the EPA promulgated the ACE rule, which rescinded the CPP, which had sought to broadly regulate CO<sub>2</sub> emissions from the power sector. On January 19, 2021, the D.C. Circuit vacated the ACE rule (but on February 22, 2021, at the EPA's request, stayed the issuance of the portion of the mandate that would vacate the repeal of the CPP). On June 30, 2022, the U.S. Supreme Court held that the "generation shifting" approach in the CPP exceeded the powers granted to the EPA by Congress. The Court did not address the related issues of whether the EPA may adopt only measures applied at each source. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register will repeal the ACE rule and significantly revise the manner in which new combustion-turbine and existing steam EGU's GHG emissions will be regulated including capturing and storing/sequestering CO<sub>2</sub>. The EPA has stated that it will address GHG emissions from existing combustion turbines in a future rule. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

**CSAPR** — On March 15, 2023, the EPA signed and released a prepublication of a final rule that sought to significantly revise the CSAPR to address the good-neighbor obligations of the 2015 ozone NAAQS for 23 states after earlier having disapproved numerous state plans to address the issue. Several states, including Texas, challenged the EPA's disapproval of their state plans. On May 1, 2023, the United States Court of Appeals for the Fifth Circuit stayed the EPA's disapproval of Texas' and Louisiana's state plans, which disapprovals are a condition precedent to the EPA imposing its plan on Texas and Louisiana. Several other states are also similarly situated because of similar stays. Nonetheless, on June 5, 2023, the EPA published this rule in the Federal Register. On July 31, 2023, the EPA promulgated an interim final rule that addresses the various judicial orders that have stayed several State-Implementation-Plan disapprovals by limiting the effectiveness of certain requirements of the final rule promulgated on June 5, 2023 in Texas and five other states. The final rule decreases, over time, the ozone-season NO<sub>x</sub> allowances allocated to generators in the states not affected by the judicial stays by assuming that participants in this cap-and-trade program will optimize existing NO<sub>x</sub> controls and install additional NO<sub>x</sub> controls. The Company cannot predict the outcome of the legal challenges to the: (i) various state disapprovals; (ii) the final rule promulgated on June 5, 2023; and (iii) the interim final rule promulgated on July 31, 2023 that seeks to address the judicial orders.



Regional Haze Proposal — On May 2023, the EPA proposed to withdraw the existing Texas Sulfur Dioxide Trading Program and replace it with unit-specific SO<sub>2</sub> limits for 12 units in Texas to address requirements to improve visibility at National Parks and Wilderness areas. If finalized as proposed, the rule would result in more stringent SO<sub>2</sub> limits for two of the Company's coal-fired units in Texas. The Company cannot predict the outcome of this proposal.

Mercury and Air Toxics Standards ("MATS") — On May 7, 2024, the EPA promulgated a final rule that amends the MATS rule by, among other things, increasing the stringency of the filterable particulate matter standard at coal-burning units. The deadline for complying with this more stringent standard is 2027. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

### **Byproducts**

In April 2015, the EPA finalized the rule regulating byproducts of coal combustion (e.g., ash and gypsum) as solid wastes under the RCRA. On July 30, 2018, the EPA promulgated a rule that amended the ash rule by extending some of the deadlines and providing more flexibility for compliance. On August 21, 2018, the D.C. Circuit found, among other things, that the EPA had not adequately regulated unlined ponds and legacy surface impoundments. On August 28, 2020, the EPA finalized "A Holistic Approach to Closure Part A: Deadline to Initiate Closure," which amended the April 2015 Rule to address the August 2018 D.C. Circuit decision and extend some of the deadlines. On November 12, 2020, the EPA finalized "A Holistic Approach to Closure Part B: Alternative Demonstration for Unlined Surface Impoundments," which further amended the April 2015 Rule to, among other things, provide procedures for requesting approval to operate existing ash impoundments with an alternate liner. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register

will establish requirements for: (i) inactive (or legacy) surface impoundments at inactive facilities and (ii) coal combustion residual ("CCR") management units (regardless of how or when the CCR was placed) at regulated facilities. The rule will also create an obligation to conduct site assessments (at all active and certain inactive facilities) to determine whether CCR management units are present. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

### **Domestic Site Remediation Matters**

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

### **Water**

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

**Effluent Limitations Guidelines** — In 2015, the EPA revised the ELG for Steam Electric Generating Facilities, which imposed more stringent requirements (as individual permits were renewed) for wastewater streams from FGD, fly ash, bottom ash and flue gas mercury control. In 2017, the EPA promulgated a final rule that, among other things, postponed the compliance dates to preserve the status quo for FGD wastewater and bottom ash transport water by two years to November 2020 until the EPA amended the rule. On October 13, 2020, the EPA amended the 2015 ELG rule by: (i) altering the stringency of certain limits for FGD wastewater; (ii) relaxing the zero-discharge requirement for bottom ash transport water; and (iii) changing several deadlines. In October 2021, NRG informed its regulators that the Company intends to comply with the ELG by ceasing combustion of coal by the end of 2028 at its domestic coal units outside of Texas, and installing appropriate controls by the end of 2025 at its two plants that have coal-fired units in Texas. On April 25, 2024, the EPA released a prepublication version of a final rule that after publication in the Federal Register will again revise the ELG by, among other things, further restricting the discharge of (i) FGD wastewater, (ii) bottom ash transport water, and (iii) combustion residual leachate. The Company expects that the rule will be subject to legal challenges in the courts and may be uncertain for several years.

### **Regional Environmental Developments**

**Ash Regulation in Illinois** — On July 30, 2019, Illinois enacted legislation that required the state to promulgate regulations regarding coal ash at surface impoundments. On April 15, 2021, the state promulgated the implementing regulation, which became effective on April 21, 2021. NRG has applied for initial operating permits and construction permits (for closure and retrofits) as required by the regulation and is waiting for permits to be issued by the Illinois EPA.

Houston Nonattainment for 2008 Ozone Standard — During the fourth quarter of 2022, the EPA changed the Houston area's classification from Serious to Severe nonattainment for the 2008 Ozone Standard. Accordingly, Texas is required to develop a new control strategy and submit it to the EPA.

### **Significant Events**

The following significant events have occurred during 2024 as further described within this Management's Discussion and Analysis and the condensed consolidated financial statements:

### **Capital Allocation**

On November 6, 2023, the Company executed Accelerated Share Repurchase agreements to repurchase a total of \$950 million of NRG's outstanding common stock. The Company received shares of NRG's common stock on specified settlement dates. The ASR program concluded on March 28, 2024, with total of 18,839,372 shares received at an average price of \$50.43 per share.

On April 16, 2024, the Company, as borrower, and certain of its subsidiaries, as guarantors, entered into the Eighth Amendment with, among others, Citicorp North America, Inc., as administrative agent and as the Agent, and certain financial institutions, as lenders, which amended the Credit Agreement, in order to (i) establish a new Term Loan Facility with borrowings of \$875 million in aggregate principal amount and the Term Loans and (ii) make certain other modifications to the Credit Agreement as set forth therein. The proceeds from the Term Loans will be used to repay existing indebtedness of the Company, including the Company's 3.750% senior secured first lien notes due 2024 and a portion of the purchase price for the previously announced repurchases from certain holders of the Company's Convertible Senior Notes. For further discussion, see Note 7, Long-term Debt and Finance Leases.

Through April 2024, the Company repurchased \$343 million in aggregate principal amount of its Convertible Senior Notes, for \$603 million, which included the payment of \$3 million of accrued interest, using cash on hand and a portion of the proceeds from the Term Loans. For further discussion, see Note 7, Long-term Debt and Finance Leases.

In the first quarter of 2024, NRG increased the annual common stock dividend to \$1.63 from \$1.51 per share, representing an 8% increase from 2023. The Company expects to target an annual dividend growth rate of 7-9% per share in subsequent years.

## **Operations**

A component of the Company's strategy is to procure mid to long-term generation through power purchase agreements. As of March 31, 2024, NRG has entered into Renewable PPAs totaling approximately 1.9 GW with third-party project developers and other counterparties, of which approximately 1.6 GW are operational. The average tenure of these agreements is eleven years. The Company expects to continue evaluating and executing similar agreements that support the needs of the business. The total GW procured through Renewable PPAs may be impacted by contract terminations when they occur.

## **Trends Affecting Results of Operations and Future Business Performance**

The Company's trends are described in the Company's 2023 Form 10-K in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Environment, except for the update below:

**Load Growth** — The electric industry is expected to experience a surge in demand driven primarily by new manufacturing, industrial and data center facilities (inclusive of generative artificial intelligence ("gen AI")). The EIA's 2023 Annual Energy Outlook, combined with external forecasts of gen AI, shows the potential for 500 TWh of incremental load across the U.S. through 2030, as compared to 2023. ERCOT's current long term load forecast shows peak demand increasing from 82 GW in 2024 to 87 GW in 2028. In addition to the incremental 5 GW of peak demand load, there is an expectation for significant incremental demand increases from large loads interconnecting to the grid. This load growth will require significant planning and construction of new generation and transmission.

## **Texas Development Priorities**

NRG continues to evaluate the expansion of flexible dispatchable power plants within the ERCOT market in connection with the creation of the Texas Energy Fund, a loan program created by the Texas Legislature to finance new build of generation assets within their footprint. The Company is eligible to submit the following projects to the Texas Energy Fund to receive financing:

<b>Facility</b>	<b>Fuel Type</b>	<b>Net Generation Capacity (MW)</b>
Cedar Bayou 5	Natural Gas	689
Greens Bayou 6	Natural Gas	443
T.H. Wharton	Natural Gas	415
<b>Total</b>		<b>1,547</b>

### **Changes in Accounting Standards**

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

## Consolidated Results of Operations

The following table provides selected financial information for the Company:

(In millions)	Three months ended March 31,		
	2024	2023	Change
<b>Revenue</b>			
Retail revenue	\$ 7,229	\$ 7,363	\$ (134)
Energy revenue <sup>(a)</sup>	152	128	24
Capacity revenue <sup>(a)</sup>	42	42	—
Mark-to-market for economic hedging activities	(60)	91	(151)
Contract amortization	(10)	(11)	1
Other revenues <sup>(a)(b)</sup>	76	109	(33)
Total revenue	7,429	7,722	(293)
<b>Operating Costs and Expenses</b>			
Cost of fuel	183	163	(20)
Purchased energy and other cost of sales <sup>(c)</sup>	5,514	6,002	488
Mark-to-market for economic hedging activities	(532)	2,035	2,567
Contract and emissions credit amortization <sup>(c)</sup>	63	108	45
Operations and maintenance	370	385	15
Other cost of operations	87	85	(2)
Cost of operations (excluding depreciation and amortization shown below)	5,685	8,778	3,093
Depreciation and amortization	268	190	(78)
Selling, general and administrative costs	591	426	(165)
Acquisition-related transaction and integration costs	9	71	62
Total operating costs and expenses	6,553	9,465	2,912
(Loss)/gain on sale of assets	(4)	199	(203)
<b>Operating Income/(Loss)</b>	872	(1,544)	2,416
<b>Other Income/(Expense)</b>			
Equity in earnings of unconsolidated affiliates	3	5	(2)
Other income, net	30	16	14
Loss on debt extinguishment	(58)	—	(58)
Interest expense	(152)	(148)	(4)
Total other expense	(177)	(127)	(50)
<b>Income/(Loss) Before Income Taxes</b>	695	(1,671)	2,366
Income tax expense/(benefit)	184	(336)	(520)
<b>Net Income/(Loss)</b>	\$ 511	\$ (1,335)	\$ 1,846

(a) Includes gains and losses from financially settled transactions

(b) Includes trading gains and losses and ancillary revenues

(c) Includes amortization of SO<sub>2</sub> and NO<sub>x</sub> credits and excludes amortization of RGGI credits



## Management's discussion of the results of operations for the three months ended March 31, 2024 and 2023

### Electricity Prices

The following table summarizes average on peak power prices for each of the major markets in which NRG operates for the three months ended March 31, 2024 and 2023:

Region	Average on Peak Power Price (\$/MWh)			
	Three months ended March 31,			
	2024	2023	Change %	
Texas				
ERCOT - Houston <sup>(a)</sup>	\$ 26.10	\$ 26.98	(3)%	
ERCOT - North <sup>(a)</sup>	25.29	26.72	(5)%	
East				
NY J/NYC <sup>(b)</sup>	\$ 48.33	\$ 45.40	6 %	
NEPOOL <sup>(b)</sup>	47.50	52.63	(10)%	
COMED (PJM) <sup>(b)</sup>	30.17	29.78	1 %	
PJM West Hub <sup>(b)</sup>	35.76	36.49	(2)%	
West				
MISO - Louisiana Hub <sup>(b)</sup>	\$ 28.05	\$ 29.78	(6)%	
CAISO - SP15 <sup>(b)</sup>	33.41	92.54	(64)%	

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

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

### Natural Gas Prices

The following table summarizes the average Henry Hub natural gas price for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,		
	2024	2023	Change %
(\$/MMBtu)	\$ 2.24	\$ 3.42	(35)%

### Gross Margin

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

### Economic Gross Margin

In addition to gross margin, the Company evaluates its operating performance using the measure of economic gross margin, which is not a GAAP measure and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report. Economic gross margin should be viewed as a



supplement to and not a substitute for the Company's presentation of gross margin, which is the most directly comparable GAAP measure. Economic gross margin is not intended to represent gross margin. The Company believes that economic gross margin is useful to investors as it is a key operational measure reviewed by the Company's chief operating decision maker. Economic gross margin is defined as the sum of retail revenue, energy revenue, capacity revenue and other revenue, less cost of fuel, purchased energy and other cost of sales. Economic gross margin does not include mark-to-market gains or losses on economic hedging activities, contract amortization, emissions credit amortization, depreciation and amortization, operations and maintenance, or other cost of operations.

The following tables present the composition and reconciliation of gross margin and economic gross margin for the three months ended March 31, 2024 and 2023:

**Three months ended March 31, 2024**

(\$ In millions)	Texas	East	West/ Services/ Other	Vivint Smart Home	Corporate/ Eliminations	Total
Retail revenue	\$ 2,178	\$ 3,428	\$ 1,155	\$ 468	\$ —	\$ 7,229
Energy revenue	7	81	67	—	(3)	152
Capacity revenue	—	41	2	—	(1)	42
Mark-to-market for economic hedging activities	—	(51)	(9)	—	—	(60)
Contract amortization	—	(10)	—	—	—	(10)
Other revenue <sup>(a)</sup>	48	26	4	—	(2)	76
<b>Total revenue</b>	<b>2,233</b>	<b>3,515</b>	<b>1,219</b>	<b>468</b>	<b>(6)</b>	<b>7,429</b>
Cost of fuel	(121)	(29)	(33)	—	—	(183)
Purchased energy and other cost of sales <sup>(b)(c)(d)</sup>	(1,487)	(2,952)	(1,028)	(53)	6	(5,514)
Mark-to-market for economic hedging activities	225	402	(95)	—	—	532
Contract and emissions credit amortization	—	(62)	(1)	—	—	(63)
Depreciation and amortization	(67)	(23)	(24)	(144)	(10)	(268)
<b>Gross margin</b>	<b>\$ 783</b>	<b>\$ 851</b>	<b>\$ 38</b>	<b>\$ 271</b>	<b>\$ (10)</b>	<b>\$ 1,933</b>
Less: Mark-to-market for economic hedging activities, net	225	351	(104)	—	—	472
Less: Contract and emissions credit amortization, net	—	(72)	(1)	—	—	(73)
Less: Depreciation and amortization	(67)	(23)	(24)	(144)	(10)	(268)
<b>Economic gross margin</b>	<b>\$ 625</b>	<b>\$ 595</b>	<b>\$ 167</b>	<b>\$ 415</b>	<b>\$ —</b>	<b>\$ 1,802</b>

(a) Includes trading gains and losses and ancillary revenues

(b) Includes capacity and emissions credits

(c) Includes \$753 million, \$65 million and \$408 million of TDSP expense in Texas, East and West/Services/Other, respectively

(d) Excludes depreciation and amortization shown separately

Business Metrics	Texas	East	West/ Services/ Other	Vivint Smart Home	Corporate/ Eliminations	Total
<b>Retail sales</b>						
Home electricity sales volume (GWh)	7,886	3,831	642	—	—	12,359
Business electricity sales volume (GWh)	9,560	11,514	3,038	—	—	24,112
Home natural gas sales volume (MDth)	—	24,430	35,120	—	—	59,550
Business natural gas sales volume (MDth)	—	469,664	54,131	—	—	523,795
Average retail Home customer count (in thousands) <sup>(a)</sup>	2,927	2,159	761	—	—	5,847
Ending retail Home customer count (in thousands) <sup>(a)</sup>	2,951	2,183	760	—	—	5,894
Average Vivint Smart Home subscriber count (in thousands) <sup>(b)</sup>	—	—	—	2,042	—	2,042
Ending Vivint Smart Home subscriber						





**Three months ended March 31, 2023**

(\$ In millions)	Texas	East	West/ Services/ Other	Vivint Smart Home <sup>(a)</sup>	Corporate/ Eliminations	Total
Retail revenue	\$ 1,958	\$ 4,016	\$ 1,241	\$ 148	\$ —	\$ 7,363
Energy revenue	4	74	48	—	2	128
Capacity revenue	—	41	1	—	—	42
Mark-to-market for economic hedging activities	—	35	67	—	(11)	91
Contract amortization	—	(11)	—	—	—	(11)
Other revenue <sup>(b)</sup>	72	21	17	—	(1)	109
<b>Total revenue</b>	<b>2,034</b>	<b>4,176</b>	<b>1,374</b>	<b>148</b>	<b>(10)</b>	<b>7,722</b>
Cost of fuel	(112)	(23)	(28)	—	—	(163)
Purchased energy and other cost of sales <sup>(c)(d)(e)</sup>	(1,255)	(3,577)	(1,157)	(11)	(2)	(6,002)
Mark-to-market for economic hedging activities	129	(1,790)	(385)	—	11	(2,035)
Contract and emissions credit amortization	(1)	(104)	(3)	—	—	(108)
Depreciation and amortization	(75)	(30)	(24)	\$ (52)	(9)	(190)
<b>Gross margin</b>	<b>\$ 720</b>	<b>\$ (1,348)</b>	<b>\$ (223)</b>	<b>\$ 85</b>	<b>\$ (10)</b>	<b>\$ (776)</b>
Less: Mark-to-market for economic hedging activities, net	129	(1,755)	(318)	—	—	(1,944)
Less: Contract and emissions credit amortization, net	(1)	(115)	(3)	—	—	(119)
Less: Depreciation and amortization	(75)	(30)	(24)	(52)	(9)	(190)
<b>Economic gross margin</b>	<b>\$ 667</b>	<b>\$ 552</b>	<b>\$ 122</b>	<b>\$ 137</b>	<b>\$ (1)</b>	<b>\$ 1,477</b>

(a) Includes result of operations following the acquisition date of March 10, 2023

(b) Includes trading gains and losses and ancillary revenues

(c) Includes capacity and emissions credits

(d) Includes \$647 million, \$49 million and \$357 million of TDSP expense in Texas, East, and West/Services/Other, respectively

(e) Excludes depreciation and amortization shown separately

Business Metrics	Texas	East	West/ Services/ Other	Vivint Smart Home	Corporate/ Eliminations	Total
<b>Retail sales</b>						
Home electricity sales volume (GWh)	7,614	3,079	636	—	—	11,329
Business electricity sales volume (GWh)	8,568	10,451	2,393	—	—	21,412
Home natural gas sales volume (MDth)	—	22,395	36,733	—	—	59,128
Business natural gas sales volume (MDth)	—	471,121	50,879	—	—	522,000
Average retail Home customer count (in thousands) <sup>(a)</sup>	2,871	1,770	778	—	—	5,419
Ending retail Home customer count (in thousands) <sup>(a)</sup>	2,869	1,801	784	—	—	5,454



The following table represents the weather metrics for the three months ended March 31, 2024 and 2023:

Weather Metrics	Three months ended March 31,		
	Texas	East	West/Services/ Other <sup>(b)</sup>
<b>2024</b>			
CDDs <sup>(a)</sup>	116	32	49
HDDs <sup>(a)</sup>	885	2,213	1,099
<b>2023</b>			
CDDs	166	54	73
HDDs	799	2,092	1,159
<b>10-year average</b>			
CDDs	112	42	51
HDDs	978	2,502	1,106

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

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



## Gross Margin and Economic Gross Margin

Gross margin increased \$2.7 billion and economic gross margin increased \$325 million during the three months ended March 31, 2024, compared to the same period in 2023.

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

### Texas

	(In millions)
Lower gross margin due to the net effect of:	
• a 14%, or \$86 million increase in cost to serve the retail load, driven by higher realized power prices associated with the Company's diversified supply strategy	
• an increase in net revenue of \$18 million, primarily driven by changes in customer term, product and mix	\$ (68)
Higher gross margin due to an increase in load of 1.1 TWhs, or \$18 million, driven by changes in customer mix and an increase in load of 143 GWhs, or \$5 million, from weather	23
Other	3
<b>Decrease in economic gross margin</b>	<b>\$ (42)</b>
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	96
Decrease in contract and emissions credit amortization	1
Decrease in depreciation and amortization	8
<b>Increase in gross margin</b>	<b>\$ 63</b>

## East

	(In millions)
Lower gross margin due to a decrease in generation and capacity as a result of the Joliet and Astoria asset retirements	\$ (12)
Higher electric gross margin due to lower supply costs of \$6.00 per MWh, or \$92 million, driven primarily by decreases in power prices, partially offset by lower net revenue rates as a result of changes in customer term, product and mix of \$1.50 per MWh, or \$22 million	70
Higher electric gross margin of \$19 million and natural gas gross margin of \$6 million due to an increase in customer count and change in customer mix	25
Higher gross margin due to an increase in average realized price and a decrease in supply costs at Midwest Generation	19
Lower natural gas gross margin, including the impact of transportation and storage contract optimization, resulting in lower net revenue rates from changes in customer term, product, and mix of \$1.50 per Dth, or \$736 million, partially offset by lower supply costs of \$1.40 per Dth, or \$695 million	(41)
Lower electric and natural gas gross margin due to weather	(10)
Lower demand response gross margin due to lower pricing and volumes	(9)
Other	1
<b>Increase in economic gross margin</b>	<b>\$ 43</b>
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	2,106
Decrease in contract amortization	43
Decrease in depreciation and amortization	7
<b>Increase in gross margin</b>	<b>\$ 2,199</b>

**West/Services/Other**

	(In millions)
Higher electric gross margin due to a decrease in supply costs of \$19.00 per MWh, or \$70 million, and changes in customer mix of \$3 million, partially offset by lower revenue rates of \$8.75 per MWh, or \$33 million	\$ 40
Higher gross margin at Cottonwood driven by spark spread expansion	12
Higher natural gas gross margin due to lower supply costs of \$1.95 per Dth, or \$173 million, partially offset by lower revenue rates of \$1.85 per Dth, or \$164 million	9
Lower gross margin from market optimization activities	(16)
<b>Increase in economic gross margin</b>	<b>\$ 45</b>
Increase in mark-to-market for economic hedging primarily due to net unrealized gains/losses on open positions related to economic hedges	214
Decrease in contract amortization	2
<b>Increase in gross margin</b>	<b>\$ 261</b>

**Vivint Smart Home**

	(In millions)
Increase due to the acquisition of Vivint Smart Home	\$ 278
<b>Increase in economic gross margin</b>	<b>\$ 278</b>
Increase in depreciation and amortization	(92)
<b>Increase in gross margin</b>	<b>\$ 186</b>

## Mark-to-Market for Economic Hedging Activities

Mark-to-market for economic hedging activities includes asset-backed hedges that have not been designated as cash flow hedges. Total net mark-to-market results increased by \$2.4 billion during the three months ended March 31, 2024, compared to the same period in 2023.

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

Three months ended March 31, 2024					
(In millions)	West/ Services/ Other				
	Texas	East	Other	Eliminations	Total
<b>Mark-to-market results in revenue</b>					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	\$ —	\$ (33)	\$ (11)	\$ 1	\$ (43)
Net unrealized (losses)/gains on open positions related to economic hedges	—	(18)	2	(1)	(17)
<b>Total mark-to-market (losses) in revenue</b>	<b>\$ —</b>	<b>\$ (51)</b>	<b>\$ (9)</b>	<b>\$ —</b>	<b>\$ (60)</b>
<b>Mark-to-market results in operating costs and expenses</b>					
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	\$ (86)	\$ 331	\$ 43	\$ (1)	\$ 287
Reversal of acquired loss/(gain) positions related to economic hedges	4	(16)	—	—	(12)
Net unrealized gains/(losses) on open positions related to economic hedges	307	87	(138)	1	257
<b>Total mark-to-market gains/(losses) in operating costs and expenses</b>	<b>\$ 225</b>	<b>\$ 402</b>	<b>\$ (95)</b>	<b>\$ —</b>	<b>\$ 532</b>

(In millions)	Three months ended March 31, 2023				
	Texas	East	West/ Services/ Other	Eliminations	Total
<b>Mark-to-market results in revenue</b>					
Reversal of previously recognized unrealized (gains)/losses on settled positions related to economic hedges	\$ —	\$ (13)	\$ 9	\$ (3)	\$ (7)
Reversal of acquired (gain) positions related to economic hedges	—	(1)	—	—	(1)
Net unrealized gains on open positions related to economic hedges	—	49	58	(8)	99
<b>Total mark-to-market gains in revenue</b>	<b>\$ —</b>	<b>\$ 35</b>	<b>\$ 67</b>	<b>\$ (11)</b>	<b>\$ 91</b>
<b>Mark-to-market results in operating costs and expenses</b>					
Reversal of previously recognized unrealized (gains) on settled positions related to economic hedges	\$ (79)	\$ (482)	\$ (281)	\$ 3	\$ (839)
Reversal of acquired loss/(gain) positions related to economic hedges	7	(28)	(3)	—	(24)
Net unrealized gains/(losses) on open positions related to economic hedges	201	(1,280)	(101)	8	(1,172)
<b>Total mark-to-market gains/(losses) in operating costs and expenses</b>	<b>\$ 129</b>	<b>\$ (1,790)</b>	<b>\$ (385)</b>	<b>\$ 11</b>	<b>\$ (2,035)</b>

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

For the three months ended March 31, 2024, the \$60 million loss in revenues from economic hedge positions was driven primarily by the reversal of previously recognized unrealized gains on contracts that settled during the period and a decrease in the value of East open positions as a result of increases in PJM power prices. The \$532 million gain in operating costs and expenses from economic hedge positions was driven primarily by the reversal of previously recognized unrealized losses on contracts that settled during the period and an increase in the value of open positions in Texas and East as a result of increases in ERCOT and PJM power prices, partially offset by a decrease in the value of open positions in West/Services/Other as a result of decreases in CAISO and Canada power prices.

For the three months ended March 31, 2023, the \$91 million gain in revenues from economic hedge positions was driven primarily by an increase in the value of open positions as a result of decreases in natural gas and power prices. The \$2.0 billion loss in operating costs and expenses from economic hedge positions was driven primarily by a decrease in the value of open positions as a result of decreases in natural gas and power prices and the reversal of previously recognized unrealized gains on contracts that settled during the period.

In accordance with ASC 815, the following table represents the results of the Company's financial and physical trading of energy commodities for the three months ended March 31, 2024 and 2023. The realized and unrealized financial and physical trading results are included in revenue. The Company's trading activities are subject to limits based on the Company's Risk Management Policy.

(In millions)	Three months ended March 31,	
	2024	2023
<b>Trading gains/(losses)</b>		
Realized	\$ 5	\$ 2
Unrealized	(4)	12
Total trading gains	<u>\$ 1</u>	<u>\$ 14</u>

### Operations and Maintenance Expense

Operations and maintenance expense is comprised of the following:

(In millions)	Texas	East	West/ Services/ Other	Vivint Smart Home <sup>(a)</sup>	Eliminations	Total
Three months ended March 31, 2024	\$ 186	\$ 78	\$ 52	\$ 54	\$ —	\$ 370
Three months ended March 31, 2023	218	79	71	18	(1)	385

(a) Includes result of operations following the acquisition date of March 10, 2023

Operations and maintenance expense decreased by \$15 million for the three months ended March 31, 2024, compared to the same period in 2023, due to the following:

	(In millions)
Decrease primarily due to the sale of STP in November 2023	\$ (44)
Decrease driven by a reduction in deactivation expenditures primarily in the East	(8)
Increase due to the acquisition of Vivint Smart Home in March 2023	36
Increase in major maintenance expenditures associated with the scope and duration of outages at the Texas coal facilities, partially offset by the timing of planned outages at Cottonwood	5
Other	(4)
Decrease in operations and maintenance expense	<u>\$ (15)</u>

### Other Cost of Operations

Other cost of operations is comprised of the following:

<b>(In millions)</b>	<b>Texas</b>	<b>East</b>	<b>West/ Services/ Other</b>	<b>Vivint Smart Home<sup>(a)</sup></b>	<b>Total</b>
Three months ended March 31, 2024	\$ 50	\$ 32	\$ 3	\$ 2	\$ 87
Three months ended March 31, 2023	49	32	4	—	85

(a) Includes result of operations following the acquisition date of March 10, 2023

Other cost of operations for the three months ended March 31, 2024 increased by \$2 million, when compared to the same period in 2023, due to the following:

	<b>(In millions)</b>
Increase in gross receipt taxes due to higher revenues in Texas	\$ 5
Decrease due to the sale of STP in November 2023	(5)
Other	2
Increase in other cost of operations	<u>\$ 2</u>

## Depreciation and Amortization

Depreciation and amortization are comprised of the following:

(In millions)	Texas	East	West/ Services/ Other	Vivint Smart Home <sup>(a)</sup>	Corporate	Total
Three months ended March 31, 2024	\$ 67	\$ 23	\$ 24	\$ 144	\$ 10	\$ 268
Three months ended March 31, 2023	75	30	24	52	9	190

(a) Includes result of operations following the acquisition date of March 10, 2023

Depreciation and amortization increased by \$78 million for the three months ended March 31, 2024, compared to the same period in 2023, primarily due to higher amortization of intangible assets due to the acquisition of Vivint Smart Home in March 2023.

## Selling, General and Administrative Costs

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

(In millions)	Texas	East	West/ Services/ Other	Vivint Smart Home <sup>(a)</sup>	Corporate	Total
Three months ended March 31, 2024	\$ 194	\$ 160	\$ 55	\$ 166	\$ 16	\$ 591
Three months ended March 31, 2023	170	149	51	50	6	426

(a) Includes result of operations following the acquisition date of March 10, 2023

Selling, general and administrative costs increased by \$165 million for the three months ended March 31, 2024, compared to the same period in 2023, due to the following:

	(In millions)
Increase due to the acquisition of Vivint Smart Home in March 2023	\$ 104
Increase in provision for credit losses due to higher Home retail revenues and deteriorated customer payment behavior primarily in Texas	31
Increase in broker fee and commission expenses	19
Increase in marketing and media expenses	14
Increase in personnel costs	8
Decrease due to the sale of STP in November 2023	(3)
Other	(8)
Increase in selling, general and administrative costs	<u>\$ 165</u>

## Acquisition-Related Transaction and Integration Costs

Acquisition-related transaction and integration costs of \$9 million and \$71 million for the three months ended March 31, 2024 and 2023, respectively, include:



(In millions)	As of March 31,	
	2024	2023
Vivint Smart Home integration costs	\$ 8	\$ 30
Vivint Smart Home acquisition costs	—	36
Other integration costs, primarily related to Direct Energy	1	5
Acquisition-related transaction and integration costs	\$ 9	\$ 71

#### **(Loss)/Gain on Sale of Assets**

The gain on sale of assets of \$199 million for the three months ended March 31, 2023 was related to the sale of land and related assets from the Astoria site.

### Other Income, Net

Other income, net increased by \$14 million for the three months ended March 31, 2024, compared to the same period in 2023, primarily due to a reduction of \$12 million related to an indemnity.

### Loss on Debt Extinguishment

A loss on debt extinguishment of \$58 million was recorded for the three months ended March 31, 2024, driven by the repurchase of portion of the Convertible Senior Notes, as further discussed in Note 7, Long-term Debt and Finance Leases.

### Income Tax Expense/(Benefit)

For the three months ended March 31, 2024, income tax expense of \$184 million was recorded on pre-tax income of \$695 million. For the same period in 2023, an income tax benefit of \$336 million was recorded on a pre-tax loss of \$1.7 billion. The effective tax rates were 26.5% and 20.1% for the three months ended March 31, 2024 and 2023, respectively.

For the three months ended March 31, 2024, the effective tax rate was higher than the statutory rate of 21% primarily due to the state tax expense. For the same period in 2023, the effective tax rate was lower than the statutory rate of 21% primarily due to current state tax expense and permanent differences which when applied to year-to-date financial statement losses have an inverted effect and reduce the overall effective income tax rate.

## Liquidity and Capital Resources

### Liquidity Position

As of March 31, 2024 and December 31, 2023, NRG's total liquidity, excluding funds deposited by counterparties, of approximately \$4.8 billion, was comprised of the following:

(In millions)	March 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 278	\$ 541
Restricted cash - operating	10	21
Restricted cash - reserves <sup>(a)</sup>	5	3
Total	293	565
Total availability under Revolving Credit Facility and collective collateral facilities <sup>(b)</sup>	4,501	4,278
Total liquidity, excluding funds deposited by counterparties	\$ 4,794	\$ 4,843

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

(b) Total capacity of Revolving Credit Facility and collective collateral facilities was \$7.4 billion as of March 31, 2024 and December 31, 2023

For the three months ended March 31, 2024, total liquidity, excluding funds deposited by counterparties, decreased by \$49 million. Changes in cash and cash equivalent balances are further discussed hereinafter under the heading Cash Flow Discussion. Cash and cash equivalents at March 31, 2024 were predominantly held in bank deposits.

Management believes that the Company's liquidity position and cash flows from operations will be adequate to finance operating and maintenance capital expenditures, to

fund dividends, and to fund other liquidity commitments in the short and long-term. Management continues to regularly monitor the Company's ability to finance the needs of its operating, financing and investing activity within the dictates of prudent balance sheet management.

The Company remains committed to maintaining a strong balance sheet and continues to work to achieve investment grade credit metrics over time primarily through debt reduction and the realization of growth initiatives.

### **Credit Ratings**

On March 18, 2024, Standard and Poor's ("S&P") affirmed the Company's issuer credit rating of BB and changed the rating outlook from Stable to Positive.

### **Liquidity**

The principal sources of liquidity for NRG's operating and capital expenditures are expected to be derived from cash on hand, cash flows from operations and financing arrangements. As described in Note 7, Long-term Debt and Finance Leases, to this Form 10-Q, the Company's financing arrangements consist mainly of the Senior Notes, Convertible Senior Notes, Senior Secured First Lien Notes, Revolving Credit Facility, Term Loan Facility, the Receivables Securitization Facilities and tax-exempt bonds. The Company also issues letters of credit through bilateral letter of credit facilities and the P-Caps letter of credit facility. As part of the acquisition of Vivint Smart Home on March 10, 2023, NRG acquired Vivint's existing debt, which includes senior secured notes, senior notes and a senior secured term-loan.

The Company's requirements for liquidity and capital resources, other than for operating its facilities, can generally be categorized by the following: (i) market operations activities; (ii) debt service obligations, as described in Note 7, Long-term Debt and Finance Leases; (iii) capital expenditures, including maintenance, environmental, and investments and integration; and (iv) allocations in connection with acquisition opportunities, debt repayments, share repurchases and dividend payments to stockholders, as described in Note 9, Changes in Capital Structure.

#### Senior Credit Facility

On April 16, 2024, the Company, as borrower, and certain of its subsidiaries, as guarantors, entered into the Eighth Amendment with, among others, Citicorp North America, Inc., as administrative agent and as the Agent, and certain financial institutions, as lenders, which amended the Credit Agreement, in order to (i) establish a new Term Loan Facility with borrowings of \$875 million in aggregate principal amount and the Term Loans and (ii) make certain other modifications to the Credit Agreement as set forth therein. The proceeds from the Term Loans were used to repay a portion of the Company's Convertible Senior notes and will be used to repay the Company's 3.750% senior secured first lien notes due 2024.

At the Company's election, the Term Loans will bear interest at a rate per annum equal to either (1) a fluctuating rate equal to the highest of (A) the rate published by the Federal Reserve Bank of New York in effect on such day, plus 0.50% (B) the rate of interest per annum publicly announced from time to time by The Wall Street Journal as the "Prime Rate" in the United States, and (C) a rate of one-month Term SOFR (as defined in the Term Loan Facility), plus 1.00%, or (2) Term SOFR (as defined in the Term Loan Facility and which rate will not be less than 0%) for a one-, three- or six-month interest period or such other period as agreed to by the Agent and the lenders, as selected by the Company, plus 2.00%.

On April 22, 2024, the Company, as borrower, and certain of its subsidiaries, as guarantors, entered into the Ninth Amendment to its Revolving Credit Facility to extend the maturity date of a portion of the revolving commitments thereunder to February 14, 2028. For further discussion, see Note 7, Long-term Debt and Finance Leases.

#### Convertible Senior Notes

As of April 1, 2024, the Company's Convertible Senior Notes are convertible during the quarterly period ending June 30, 2024 due to the satisfaction of the Common Stock Sale Price Condition. For further discussion, see Note 7, Long-term Debt and Finance Leases.

During the three months ended March 31, 2024 and through April 30, 2024, the Company completed repurchases of a portion of the Convertible Senior Notes using cash on hand and a portion of the proceeds from the Term Loans, as detailed in the table below. For the three months ended March 31, 2024, a \$58 million loss on debt extinguishment was recorded.

(In millions, except percentages)

Settlement Period	Principal Repurchased	Cash Paid <sup>(a)</sup>	Average Repurchase Percentage
March 2024	\$ 92	\$ 151	162.366%
April 2024	251	452	179.454%
<b>Total Repurchases</b>	<b>\$ 343</b>	<b>\$ 603</b>	

(a) Includes accrued interest of \$1 million and \$2 million for the March and April repurchases, respectively

#### Vivint Term Loan Repricing

On April 10, 2024, Vivint, entered into the Second Amendment with, among others, the Vivint Agent, and certain financial institutions, as lenders, which amended the Vivint Credit Agreement, in order to (i) reprice its term loan B facility (the term loans thereunder, the “Vivint Term Loans”) and (ii) make certain other changes to the Vivint Credit Agreement.

From and after the closing of the Second Amendment, at Vivint’s election, the Vivint Term Loans will bear interest at a rate per annum equal to either (1) a fluctuating rate equal to the highest of (A) the rate published by the Federal Reserve Bank of New York in effect on such day, plus 0.50%, (B) the rate of interest per annum publicly announced from time to time by The Wall Street Journal as the “Prime Rate” in the United States, and (C) a rate of one-month Term SOFR (as defined in the Vivint Credit Agreement), plus 1.00%, or (2) Term SOFR (as defined in the Vivint Credit Agreement and which rate will not be less than 0.50%) for a one-, three- or six-month interest period or such other period as agreed to by the Vivint Agent and the lenders, as selected by Vivint, plus 2.75%.

## Debt Reduction

The Company intends to spend approximately \$500 million reducing debt during 2024 to maintain its targeted credit metrics. The Company intends to fund the debt reduction from cash from operations.

## Market Operations

The Company's market operations activities require a significant amount of liquidity and capital resources. These liquidity requirements are primarily driven by: (i) margin and collateral posted with counterparties; (ii) margin and collateral required to participate in physical markets and commodity exchanges; (iii) timing of disbursements and receipts (e.g., buying energy before receiving retail revenues); and (iv) initial collateral for large structured transactions. As of March 31, 2024, the Company had total cash collateral outstanding of \$309 million and \$2.9 billion outstanding in letters of credit to third parties primarily to support its market activities. As of March 31, 2024, total funds deposited by counterparties were \$241 million in cash and \$518 million of letters of credit.

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

## First Lien Structure

NRG has the capacity to grant first liens to certain counterparties on a substantial portion of the Company's assets, subject to various exclusions including NRG's assets that have project-level financing and the assets of certain non-guarantor subsidiaries, to reduce the amount of cash collateral and letters of credit that it would otherwise be required to post from time to time to support its obligations under out-of-the-money hedge agreements. The first lien program does not limit the volume that can be hedged, or the value of underlying out-of-the-money positions. The first lien program also does not require NRG to post collateral above any threshold amount of exposure. The first lien structure is not subject to unwind or termination upon a ratings downgrade of a counterparty and has no stated maturity date.

The Company's first lien counterparties may have a claim on its assets to the extent market prices differ from the hedged prices. As of March 31, 2024, all hedges under the first liens were in-the-money on a counterparty aggregate basis.

## Capital Expenditures

The following table summarizes the Company's capital expenditures for maintenance, environmental and growth investments for the three months ended March 31, 2024, and the estimated forecast for the remainder of the year.

(In millions)	Investments and			
	Maintenance	Environmental	Integration	Total
Texas	\$ 41	\$ 2	\$ 2	\$ 45
West/Services/Other	5	—	1	6
Vivint Smart Home	4	—	—	4
Corporate	5	—	9	14
Total cash capital expenditures for the three months ended March 31, 2024	55	2	12	69
Integration operating expenses and cost to achieve	—	—	18	18
Investments	—	—	34	34
Total cash capital expenditures and investments for the three months ended March 31, 2024	\$ 55	\$ 2	\$ 64	\$ 121
Estimated cash capital expenditures and investments for the remainder of 2024	255	23	271	549
Estimated full year 2024 cash capital expenditures and investments	\$ 310	\$ 25	\$ 335	\$ 670

Investments and Integration for the three months ended March 31, 2024 include growth expenditures, integration, small book acquisitions and other investments.

#### Environmental Capital Expenditures

NRG estimates that environmental capital expenditures from 2024 through 2028 required to comply with environmental laws will be approximately \$64 million, primarily driven by the cost of complying with ELG at the Company's coal units in Texas.

### Share Repurchases

On June 22, 2023, NRG revised its long-term capital allocation policy to target allocating approximately 80% of cash available for allocation after debt reduction to be returned to shareholders. As part of the revised capital allocation framework, the Company announced an increase to its share repurchase authorization to \$2.7 billion, to be executed through 2025. As of April 30, 2024, \$1.5 billion is remaining under the \$2.7 billion authorization. See Note 9, Changes in Capital Structure for additional discussion.

### Common Stock Dividends

During the first quarter of 2024, NRG increased the annual dividend to \$1.63 from \$1.51 per share and expects to target an annual dividend growth rate of 7%-9% per share in subsequent years. A quarterly dividend of \$0.4075 per share was paid on the Company's common stock during the three months ended March 31, 2024. On April 17, 2024, NRG declared a quarterly dividend on the Company's common stock of \$0.4075 per share, payable on May 15, 2024 to stockholders of record as of May 1, 2024.

### Series A Preferred Stock Dividends

During the quarter ended March 31, 2024, the Company declared and paid a semi-annual 10.25% dividend of \$51.25 per share on its outstanding Series A Preferred Stock, totaling \$33 million.

### Obligations under Certain Guarantees

NRG and its subsidiaries enter into various contracts that include indemnifications and guarantee provisions as a routine part of the Company's business activities. For further discussion, see Note 27, Guarantees, to the Company's 2023 Form 10-K.

### Obligations Arising Out of a Variable Interest in an Unconsolidated Entity

Variable interest in equity investments — NRG's investment in Ivanpah is a variable interest entity for which NRG is not the primary beneficiary. NRG's pro-rata share of non-recourse debt was approximately \$461 million as of March 31, 2024. This indebtedness may restrict the ability of Ivanpah to issue dividends or distributions to NRG.

### Contractual Obligations and Market Commitments

NRG has a variety of contractual obligations and other market commitments that represent prospective cash requirements in addition to the Company's capital expenditure programs, as disclosed in the Company's 2023 Form 10-K. See also Note 7, Long-term Debt and Finance Leases, and Note 14, Commitments and Contingencies, to this Form 10-Q for a discussion of new commitments and contingencies that also include contractual obligations and market commitments that occurred during the three months ended March 31, 2024.

## Cash Flow Discussion



The following table reflects the changes in cash flows for the three month ended March 31, 2024 and 2023, respectively:

(In millions)	Three months ended March 31,		Change
	2024	2023	
Cash provided/(used) by operating activities	\$ 267	\$ (1,598)	\$ 1,865
Cash used by investing activities	(92)	(2,350)	2,258
Cash (used)/provided by financing activities	(288)	2,536	(2,824)

### Cash provided/(used) by operating activities

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

	(In millions)
Changes in cash collateral in support of risk management activities due to change in commodity prices	\$ 1,701
Increase in operating income/loss adjusted for other non-cash items	515
Decrease in working capital primarily related to the payout of the Company's annual incentive plan in 2024 reflecting financial outperformance for 2023	(216)
Decrease in working capital primarily due to deferred revenues related to Vivint Smart Home	(78)
Decrease in working capital primarily due to lower gas pricing coupled with lower gas sales volumes	(57)
	<u>\$ 1,865</u>

### Cash used by investing activities

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

	(In millions)
Decrease in cash paid for acquisitions primarily due to the acquisition of Vivint Smart Home in March 2023	\$ 2,470
Decrease in proceeds from sale of assets primarily due to the sale of the land and related assets from the Astoria site in January 2023	(216)
Decrease in capital expenditures	73
Decrease in insurance proceeds for property, plant and equipment, net	(68)
Decrease in proceeds from sales of investments in nuclear decommissioning trust fund securities, net of purchases due to sale of STP in 2023	(12)
Increase due to fewer purchases of emissions allowances, net of sales	11
	<u>\$ 2,258</u>

### Cash (used)/provided by financing activities

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

	(In millions)
Decrease in proceeds from Revolving Credit Facility and Receivables Securitization Facilities in 2023	\$ (950)
Decrease in proceeds due to the issuance of long-term debt in 2023	(731)
Decrease in proceeds due to the issuance of preferred stock in 2023	(636)
Decrease in net receipts from settlement of acquired derivatives	(328)
Decrease due to repayments of long-term debt and finance leases	(93)
Decrease primarily due to debt extinguishment costs in 2024, partially offset by debt issuance costs in 2023	(40)
Increase in payments of dividends primarily due to preferred stock	(31)
Decrease due to payments for share repurchase activity	(15)
	<u>\$ (2,824)</u>

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

For the three months ended March 31, 2024, the Company had domestic pre-tax book income of \$759 million and foreign pre-tax book loss of \$64 million. As of December 31, 2023, the Company had cumulative U.S. Federal NOL carryforwards of \$8.4 billion, of which \$6.4 billion do not have an expiration date, and cumulative state NOL carryforwards of \$6.4 billion for financial statement purposes. NRG also has cumulative foreign NOL carryforwards of \$411 million, most of which do not have an expiration date. In addition to the above NOLs, NRG has a \$517 million indefinite carryforward for interest deductions, as well as \$317 million of tax credits to be utilized in future years. As a result of the Company's tax position, including the utilization of federal and state NOLs, and based on current forecasts, the Company anticipates net income tax payments due to federal, state and

foreign jurisdictions of up to \$160 million in 2024. As of March 31, 2024, NRG as an applicable corporation is subject to the CAMT and expects to claim a CAMT credit in future years. The Company has reflected the impact of the CAMT in its current and deferred taxes. There is no CAMT impact to NRG's effective income tax rate.

As of March 31, 2024, the Company has \$72 million of tax-effected uncertain federal, state, and foreign tax benefits, for which the Company has recorded a non-current tax liability of \$76 million (inclusive of accrued interest) until final resolution is reached with the related taxing authority.

On December 31, 2021, the OECD released rules which set forth a common approach to a global minimum tax at 15% for multinational companies, which has been enacted into law by certain countries effective for 2024. The Company's preliminary analysis indicates that there is no material impact to the Company's financial statements from these rules.

The Company is no longer subject to U.S. federal income tax examinations for years prior to 2020. With few exceptions, state and Canadian income tax examinations are no longer open for years prior to 2015.

#### **Deferred tax assets and valuation allowance**

Net deferred tax balance — As of March 31, 2024 and December 31, 2023, NRG recorded a net deferred tax asset, excluding valuation allowance, of \$2.4 billion and \$2.5 billion, respectively. The Company believes certain state net operating losses may not be realizable under the more-likely-than-not measurement and as such, a valuation allowance was recorded as of March 31, 2024 and December 31, 2023 as discussed below.

**NOL Carryforwards** — As of March 31, 2024, the Company had a tax-effected cumulative U.S. NOLs consisting of carryforwards for federal and state income tax purposes of \$1.8 billion and \$367 million, respectively. The Company estimates it will need to generate future taxable income to fully realize the net federal deferred tax asset before the expiration of certain carryforwards commences in 2030. In addition, NRG has tax-effected cumulative foreign NOL carryforwards of \$107 million.

**Valuation Allowance** — As of March 31, 2024 and December 31, 2023, the Company's tax-effected valuation allowance was \$271 million and \$275 million, respectively, consisting of state NOL carryforwards and foreign NOL carryforwards. The valuation allowance was recorded based on the assessment of cumulative and forecasted pre-tax book earnings and the future reversal of existing taxable temporary differences.

### Guarantor Financial Information

As of March 31, 2024, the Company's outstanding registered senior notes consisted of \$375 million of the 2027 Senior Notes and \$821 million of the 2028 Senior Notes as shown in Note 7, Long-term Debt and Finance Leases. These Senior Notes are guaranteed by certain of NRG's current and future 100% owned domestic subsidiaries, or guarantor subsidiaries (the "Guarantors"). See Exhibit 22.1 to this Form 10-Q for a listing of the Guarantors. These guarantees are both joint and several.

NRG conducts much of its business through and derives much of its income from its subsidiaries. Therefore, the Company's ability to make required payments with respect to its indebtedness and other obligations depends on the financial results and condition of its subsidiaries and NRG's ability to receive funds from its subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to NRG. Other subsidiaries of the Company do not guarantee the registered debt securities of either NRG Energy, Inc or the Guarantors (such subsidiaries are referred to as the "Non-Guarantors"). The Non-Guarantors include all of NRG's foreign subsidiaries and certain domestic subsidiaries.

The following tables present summarized financial information of NRG Energy, Inc. and the Guarantors in accordance with Rule 3-10 under the SEC's Regulation S-X. The financial information may not necessarily be indicative of the results of operations or financial position of NRG Energy, Inc. and the Guarantors in accordance with U.S. GAAP.

The following table presents the summarized statement of operations:

(In millions)	Three months ended March 31, 2024
Revenue <sup>(a)</sup>	\$ 6,071
Operating income <sup>(b)</sup>	901
Total other expense	(136)
Income before income taxes	765
Net Income	567

(a) Intercompany transactions with Non-Guarantors of \$1 million during the three months ended March 31, 2024

(b) Intercompany transactions with Non-Guarantors including cost of operations of \$19 million and selling, general and administrative of \$52 million during the three months ended March 31, 2024

The following table presents the summarized balance sheet information:

<b>(In millions)</b>	<b>March 31, 2024</b>
Current assets <sup>(a)</sup>	\$ 6,968
Property, plant and equipment, net	1,225
Non-current assets	11,634
Current liabilities <sup>(b)</sup>	7,779
Non-current liabilities	9,057

(a) Includes intercompany receivables due from Non-Guarantors of \$74 million as of March 31, 2024

(b) Includes intercompany payables due to Non-Guarantors of \$23 million as of March 31, 2024

### **Fair Value of Derivative Instruments**

NRG may enter into power purchase and sales contracts, fuel purchase contracts and other energy-related financial instruments to mitigate variability in earnings due to fluctuations in spot market prices and to hedge fuel requirements at power plants or retail load obligations. In order to mitigate interest rate risk associated with the issuance of the Company's variable rate debt, NRG enters into interest rate swap agreements. In addition, in order to mitigate foreign exchange rate risk primarily associated with the purchase of U.S. dollar denominated natural gas for the Company's Canadian business, NRG enters into foreign exchange contract agreements.

Under Flex Pay, offered by Vivint Smart Home, subscribers pay for smart home products by obtaining financing from a third-party financing provider under the Consumer Financing Program. Vivint Smart Home pays certain fees to the financing providers and shares in credit losses depending on the credit quality of the subscriber.

NRG's trading activities are subject to limits in accordance with the Company's Risk Management Policy. These contracts are recognized on the balance sheet at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings.

The following tables disclose the activities that include both exchange and non-exchange traded contracts accounted for at fair value in accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). Specifically, these tables disaggregate realized and unrealized changes in fair value; disaggregate estimated fair values as of March 31, 2024, based on their level within the fair value hierarchy defined in ASC 820; and indicate the maturities of contracts at March 31, 2024. For a full discussion of the Company's valuation methodology of its contracts, see Derivative Fair Value Measurements in Note 5, Fair Value of Financial Instruments.

	(In millions)
<b>Derivative Activity Gains</b>	
Fair Value of Contracts as of December 31, 2023	\$ 648
Contracts realized or otherwise settled during the period	231
Other changes in fair value	297
Fair Value of Contracts as of March 31, 2024	<u>\$ 1,176</u>

	Fair Value of Contracts as of March 31, 2024				
(In millions)	Maturity				
	1 Year or Less	Greater than 1 Year to 3 Years	Greater than 3 Years to 5 Years	Greater than 5 Years	Total Fair Value
<b>Fair Value Hierarchy (Losses)/ Gains</b>					
Level 1	\$ (98)	\$ 54	\$ (5)	\$ (2)	\$ (51)
Level 2	346	609	172	133	1,260
Level 3	(32)	(17)	—	16	(33)
Total	<u>\$ 216</u>	<u>\$ 646</u>	<u>\$ 167</u>	<u>\$ 147</u>	<u>\$ 1,176</u>

The Company has elected to disclose derivative assets and liabilities on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. Also, collateral received or posted on the Company's derivative assets or liabilities are recorded on a separate line item on the balance sheet. Consequently, the magnitude of the changes in individual current and non-current derivative assets or liabilities is higher than the underlying credit and market risk of the Company's portfolio. As discussed in Item 3, Quantitative and Qualitative Disclosures About Market Risk — Commodity Price Risk, to this Form 10-Q, NRG measures the sensitivity of the Company's portfolio to potential changes in market prices using VaR, a statistical model which attempts to predict risk of loss based on market price and volatility. NRG's risk management policy places a limit on one-day holding period VaR, which limits the Company's net open position. As the Company's trade-by-trade derivative

accounting results in a gross-up of the Company's derivative assets and liabilities, the net derivative asset and liability position is a better indicator of NRG's hedging activity. As of March 31, 2024, NRG's net derivative asset was \$1.2 billion, an increase to total fair value of \$528 million as compared to December 31, 2023. This increase was primarily driven by gains in fair value and the roll-off of trades that settled during the period.

Based on a sensitivity analysis using simplified assumptions, the impact of a \$0.50 per MMBtu increase or decrease in natural gas prices across the term of the derivative contracts would result in a change of approximately \$2.1 billion in the net value of derivatives as of March 31, 2024.

### **Critical Accounting Estimates**

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

but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies has not changed.

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

The Company identifies its most critical accounting estimates as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain.

The Company's critical accounting estimates are described in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's 2023 Form 10-K. There have been no material changes to the Company's critical accounting estimates since the 2023 Form 10-K.



### ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NRG is exposed to several market risks in the Company's normal business activities. Market risk is the potential loss that may result from market changes associated with the Company's retail operations, merchant power generation or with existing or forecasted financial or commodity transactions. The types of market risks the Company is exposed to are commodity price risk, credit risk, liquidity risk, interest rate risk and currency exchange risk. The following disclosures about market risk provide an update to, and should be read in conjunction with, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's 2023 Form 10-K.

#### Commodity Price Risk

Commodity price risks result from exposures to changes in spot prices, forward prices, volatilities and correlations between various commodities, such as natural gas, electricity, coal, oil and emissions credits. NRG manages the commodity price risk of the Company's load serving obligations and merchant generation operations by entering into various derivative or non-derivative instruments to hedge the variability in future cash flows from forecasted sales and purchases of energy and fuel. NRG measures the risk of the Company's portfolio using several analytical methods, including sensitivity tests, scenario tests, stress tests, position reports and VaR. NRG uses a Monte Carlo simulation based VaR model to estimate the potential loss in the fair value of its energy assets and liabilities, which includes generation assets, gas transportation and storage assets, load obligations and bilateral physical and financial transactions, based on historical and forward values for factors such as customer demand, weather, commodity availability and commodity prices. The Company's VaR model is based on a one-day holding period at a 95% confidence interval for the forward 36 months, not including the spot month. The VaR model is not a complete picture of all risks that may affect the Company's results. Certain events such as counterparty defaults, regulatory changes, and extreme weather and prices that deviate significantly from historically observed values are not reflected in the model.

The following table summarizes average, maximum and minimum VaR for NRG's commodity portfolio, calculated using the VaR model for the three months ending March 31, 2024 and 2023:

(In millions)	2024	2023
<b>VaR as of March 31,</b>	<b>\$ 67</b>	<b>\$ 78</b>
Three months ended March 31,		
Average	\$ 59	\$ 72
Maximum	67	82
Minimum	51	61

The Company also uses VaR to estimate the potential loss of derivative financial instruments that are subject to mark-to-market accounting. These derivative instruments include transactions that were entered into for both asset management and trading purposes. The VaR for the derivative financial instruments calculated using the diversified VaR model for the entire term of these instruments entered into for both asset management and trading, was \$216 million, as of March 31, 2024, primarily driven by asset-backed and hedging transactions.

#### Credit Risk

Credit risk relates to the risk of loss resulting from non-performance or non-payment by counterparties pursuant to the terms of their contractual obligations. NRG is exposed to counterparty credit risk through various activities including wholesale sales, fuel purchases and retail supply arrangements, and retail customer credit risk through its retail sales. Counterparty credit risk and retail customer credit risk are discussed below. See Note 6, Accounting for Derivative Instruments and Hedging Activities, to this Form 10-Q for discussion regarding credit risk contingent features.

### **Counterparty Credit Risk**

The Company's counterparty credit risk policies are disclosed in its 2023 Form 10-K. As of March 31, 2024, counterparty credit exposure, excluding credit exposure from RTOs, ISOs, registered commodity exchanges and certain long-term agreements, was \$1.8 billion and NRG held collateral (cash and letters of credit) against those positions of \$440 million, resulting in a net exposure of \$1.4 billion. NRG periodically receives collateral from counterparties in excess of their exposure. Collateral amounts shown include such excess while net exposure shown excludes excess collateral received. Approximately 62% of the Company's exposure before collateral is expected to roll off by the end of 2025. Counterparty credit exposure is valued through observable market quotes and discounted at a risk free interest rate. The following tables highlight net counterparty credit exposure by industry sector and by counterparty credit quality. Net counterparty credit exposure is defined as the aggregate net asset position for NRG with counterparties where netting is permitted under the enabling agreement and

includes all cash flow, mark-to-market and NPNS, and non-derivative transactions. The exposure is shown net of collateral held and includes amounts net of receivables or payables.

	Net Exposure <sup>(a)</sup> (b)
<b>Category by Industry Sector</b>	<b>(% of Total)</b>
Utilities, energy merchants, marketers and other	78 %
Financial institutions	22
Total as of March 31, 2024	100 %

	Net Exposure <sup>(a)</sup> (b)
<b>Category by Counterparty Credit Quality</b>	<b>(% of Total)</b>
Investment grade	51 %
Non-investment grade/Non-Rated	49
Total as of March 31, 2024	100 %

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

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

The Company currently has exposure to two wholesale counterparties in excess of 10% of total net exposure discussed above as of March 31, 2024. Changes in hedge positions and market prices will affect credit exposure and counterparty concentration.

#### RTOs and ISOs

The Company participates in the organized markets of CAISO, ERCOT, AESO, IESO, ISO-NE, MISO, NYISO and PJM, known as RTOs or ISOs. Trading in the majority of these markets is approved by FERC, whereas in the case of ERCOT, it is approved by the PUCT, and whereas in the case of AESO and IESO, both exist provincially with AESO primarily subject to Alberta Utilities Commission and the IESO to the Ontario Energy Board. These ISOs may include credit policies that, under certain circumstances, require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. As a result, the counterparty credit risk to these markets is limited to NRG's share of the overall market and are excluded from the above exposures.

#### Exchange Traded Transactions

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

#### Long-Term Contracts

Counterparty credit exposure described above excludes credit risk exposure under certain long-term contracts, primarily solar under Renewable PPAs. As external sources or observable market quotes are not always available to estimate such exposure, the Company values these contracts based on various techniques including, but not limited to, internal

models based on a fundamental analysis of the market and extrapolation of observable market data with similar characteristics. Based on these valuation techniques, as of March 31, 2024, aggregate credit risk exposure managed by NRG to these counterparties was approximately \$896 million for the next five years.

#### **Retail Customer Credit Risk**

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

As of March 31, 2024, the Company's retail customer credit exposure to Home and Business customers was diversified across many customers and various industries, as well as government entities. Current economic conditions may affect the Company's customers' ability to pay their bills in a timely manner or at all, which could increase customer delinquencies and may lead to an increase in credit losses.

### **Liquidity Risk**

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

Based on a sensitivity analysis for power and gas positions under marginable contracts as of March 31, 2024, a \$0.50 per MMBtu decrease in natural gas prices across the term of the marginable contracts would cause an increase in margin collateral posted of approximately \$1.2 billion and a 1.00 MMBtu/MWh decrease in heat rates for heat rate positions would result in an increase in margin collateral posted of approximately \$204 million. This analysis uses simplified assumptions and is calculated based on portfolio composition and margin-related contract provisions as of March 31, 2024.

### **Interest Rate Risk**

NRG is exposed to fluctuations in interest rates through its issuance of variable rate debt. Exposures to interest rate fluctuations may be mitigated by entering into derivative instruments known as interest rate swaps, caps, collars and put or call options. These contracts reduce exposure to interest rate volatility and result in primarily fixed rate debt obligations when taking into account the combinations of the variable rate debt and the interest rate derivative instrument. NRG's management policies allow the Company to reduce interest rate exposure from variable rate debt obligations. In the first quarter of 2024, the Company entered into interest rate swaps with a total nominal value of \$700 million extending through 2029 to hedge the floating rate of the Term Loans, which closed in April 2024. Additionally, as of March 31, 2024, the Company had \$1.0 billion of interest rate swaps extending through 2027 to hedge the floating rate on the Vivint Term Loans.

As of March 31, 2024, the fair value and related carrying value of the Company's debt was \$10.7 billion and \$10.7 billion, respectively. NRG estimates that a 1% decrease in market interest rates would have increased the fair value of the Company's long-term debt as of March 31, 2024 by \$405 million.

### **Currency Exchange Risk**

NRG is subject to transactional exchange rate risk from transactions with customers in countries outside of the United States, primarily within Canada, as well as from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than the Company's functional currency or the functional currency of an applicable subsidiary. NRG hedges a portion of its forecasted currency transactions with foreign exchange forward contracts. As of March 31, 2024, NRG is exposed to changes in foreign currency primarily associated with the purchase of U.S. dollar denominated natural gas for its Canadian business and entered into foreign exchange contracts with a notional amount of \$499 million.

The Company is subject to translation exchange rate risk related to the translation of the financial statements of its foreign operations into U.S. dollars. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar, primarily the Canadian and Australian dollars. A hypothetical 10% appreciation in major

currencies relative to the U.S. dollar as of March 31, 2024 would have resulted in a decrease of \$5 million to net income within the consolidated statement of operations.

#### **ITEM 4 — CONTROLS AND PROCEDURES**

##### Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

##### Changes in Internal Control over Financial Reporting

There were no changes in NRG's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred in the quarter ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, NRG's internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1 — LEGAL PROCEEDINGS

For a discussion of material legal proceedings in which NRG was involved through March 31, 2024, see Note 14, Commitments and Contingencies, to this Form 10-Q.

### ITEM 1A — RISK FACTORS

During the three months ended March 31, 2024, there were no material changes to the Risk Factors disclosed in Part I, Item 1A, Risk Factors, of the Company's 2023 Form 10-K.

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

The table below sets forth the information with respect to purchases made by or on behalf of NRG or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of NRG's common stock during the quarter ended March 31, 2024.

For the three months ended March 31, 2024	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
Month #1				
(January 1, 2024 to January 31, 2024)	770,205	(a)	770,205	\$ 1,550
Month #2				
(February 1, 2024 to February 29, 2024)	—	\$ —	—	\$ 1,550
Month #3				
(March 1, 2024 to March 31, 2024)	393,025	(a)	393,025	\$ 1,550
Total at March 31, 2024	1,163,230		1,163,230	

(a) Represents shares delivered under the November 6, 2023 ASR agreements. Under the ASR agreements, the Company received in 2023 and 2024 a total of 18,839,372 shares at an average price of \$50.43 per share, which excludes excise tax incurred. See Note 9, Changes in Capital Structure for additional information on the ASR agreements

### ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4 — MINE SAFETY DISCLOSURES

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

### ITEM 5 — OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a 'Rule 10b5-1 trading arrangement' or 'non-Rule 10b5-1 trading arrangement,' as each term is defined in Item 408(a) of Regulation S-K.



## ITEM 6 — EXHIBITS

Number	Description	Method of Filing
10.1	<a href="#">Eighth Amendment to Second Amended and Restated Credit Agreement, dated as of April 16, 2024, by and among NRG Energy, Inc., its subsidiaries party thereto, Citicorp North America, Inc., as administrative agent and as collateral agent, and certain financial institutions, as lenders.</a>	Incorporated herein by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed on April 17, 2024.
10.2	<a href="#">Ninth Amendment to Second Amended and Restated Credit Agreement, dated as of April 22, 2024, by and among NRG Energy, Inc., its subsidiaries party thereto, the consenting revolving lender party thereto, and Citicorp North America, Inc., as administrative agent and collateral agent.</a>	Filed herewith.
10.3	<a href="#">Amendment No. 2 to the Second Amended and Restated Credit Agreement, dated as of April 10, 2024, by and between, among others, APX Group, Inc., as borrower, Bank of America, N.A., as administrative agent and certain financial institutions, as lenders.</a>	Filed herewith.
22.1	<a href="#">List of Guarantor Subsidiaries</a>	Filed herewith.
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) certification of Lawrence S. Coben.</a>	Filed herewith.
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) certification of Woo-Sung Chung.</a>	Filed herewith.
31.3	<a href="#">Rule 13a-14(a)/15d-14(a) certification of G. Alfred Spencer.</a>	Filed herewith.
32	<a href="#">Section 1350 Certification.</a>	Furnished herewith.
101 INS	Inline XBRL Instance Document.	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101 SCH	Inline XBRL Taxonomy Extension Schema.	Filed herewith.
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	Filed herewith.
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
104	Cover Page Interactive Data File (the cover page interactive data file does not appear in Exhibit 104 because it's Inline XBRL tags are embedded within the Inline XBRL document).	Filed herewith.



## SIGNATURES

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

NRG ENERGY, INC.  
(Registrant)

/s/ LAWRENCE S. COBEN

Lawrence S. Coben  
Interim President and Chief  
Executive Officer  
(Principal Executive  
Officer)

/s/ WOO-SUNG CHUNG

Woo-Sung Chung  
Chief Financial Officer  
(Principal Financial Officer)

/s/ G. ALFRED SPENCER

G. Alfred Spencer  
Chief Accounting Officer  
(Principal Accounting  
Officer)

Date: May 7, 2024