NRG Yield LLC

Financial Statements

December 31, 2014, 2013 and 2012

(With Independent Auditors' Report Thereon)

Financial Statements and Schedules

(1) Financial Statements

The following consolidated financial statements of NRG Yield LLC and related notes thereto, together with the report thereon of KPMG LLP, are included herein:

Consolidated Statements of Operations — Years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income (Loss) — Years ended December 31, 2014, 2013 and 2012

Consolidated Balance Sheets — December 31, 2014 and 2013

Consolidated Statements of Cash Flows — Years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Members' Equity — Years ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

GCE Holding LLC Audited Consolidated Financial Statements for the year ended December 31, 2012 are included pursuant to the requirements of Rule 3-09 of Regulation S-X

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted

Report of Independent Registered Public Accounting Firm

The Members
NRG Yield LLC:

We have audited the accompanying consolidated balance sheets of NRG Yield LLC and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), members' equity, and cash flows for each of the years in the three‑year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the December 31, 2012 consolidated financial statements of GCE Holding, LLC (a 50% owned investee company). The Company's investment in GCE Holding, LLC at December 31, 2012 was $125 million, and its equity in earnings of GCE Holding, LLC was $15 million for the year ended December 31, 2012. The consolidated financial statements of GCE Holding, LLC were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GCE Holding, LLC, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NRG Yield LLC and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three‑year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

Philadelphia, Pennsylvania

March 11, 2015

NRG YIELD LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
(In millions)	2014	2013 [a]	2012 [a]
Operating Revenues			
Total operating revenues	$ 583	$ 379	$ 175
Operating Costs and Expenses			
Cost of operations	214	144	114
Depreciation and amortization	136	61	25
General and administrative — affiliate	8	7	7
Acquisition-related transaction and integration costs	4	—	—
Total operating costs and expenses	362	212	146
Operating Income	221	167	29
Other Income (Expense)			
Equity in earnings of unconsolidated affiliates	27	22	19
Other income, net	3	3	2
Interest expense	(161)	(52)	(28)
Total other expense, net	(131)	(27)	(7)
Net Income Before Income Taxes	90	140	22
Income tax (benefit) expense	—	(3)	10
Net Income	$ 90	$ 143	$ 12

[a] Retrospectively adjusted as discussed in Note 1, *Nature of Business*.

See accompanying notes to consolidated financial statements.

NRG YIELD LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2014	2013 [a]	2012 [a]
		(In millions)	
Net Income	$ 90	$ 143	$ 12
Other Comprehensive (Loss) Income			
Unrealized (loss) gain on derivatives	(34)	47	(20)
Other comprehensive (loss) income	(34)	47	(20)
Comprehensive Income (Loss)	$ 56	$ 190	$ (8)

[a] Retrospectively adjusted as discussed in Note 1, *Nature of Business*.

See accompanying notes to consolidated financial statements.

NRG YIELD LLC

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2014	December 31, 2013 [(a)]
	(In millions)	
Current Assets		
Cash and cash equivalents	$ 391	$ 59
Restricted cash	22	67
Accounts receivable — trade	67	51
Accounts receivable — affiliate	—	6
Inventory	18	15
Derivative instruments	—	1
Notes receivable	6	6
Renewable energy grant receivable	—	147
Prepayments and other current assets	19	27
Total current assets	523	379
Property, plant and equipment		
In service	3,788	2,459
Under construction	7	6
Total property, plant and equipment	3,795	2,465
Less accumulated depreciation	(308)	(174)
Net property, plant and equipment	3,487	2,291
Other Assets		
Equity investments in affiliates	227	227
Notes receivable	15	21
Notes receivable — affiliate	—	2
Intangible assets, net of accumulated amortization of $26 and $7	1,266	103
Derivative instruments	1	20
Other non-current assets	94	50
Total other assets	1,603	423
Total Assets	$ 5,613	$ 3,093

(a) Retrospectively adjusted as discussed in Note 1, *Nature of Business*.

See accompanying notes to consolidated financial statements.

NRG YIELD LLC

CONSOLIDATED BALANCE SHEETS
(Continued)

LIABILITIES AND MEMBERS' EQUITY	December 31, 2014	December 31, 2013 [a]
	(In millions)	
Current Liabilities		
Current portion of long-term debt	$ 160	$ 214
Accounts payable	19	42
Accounts payable — affiliate	43	51
Derivative instruments	31	31
Accrued expenses and other current liabilities	43	30
Total current liabilities	296	368
Other Liabilities		
Long-term debt — external	3,564	1,569
Long-term debt — affiliate	337	—
Derivative instruments	46	16
Other non-current liabilities	39	32
Total non-current liabilities	3,986	1,617
Total Liabilities	4,282	1,985
Commitments and Contingencies		
Members' Equity		
Contributed capital	1,212	944
Retained earnings	154	165
Accumulated other comprehensive loss	(35)	(1)
Total Members' Equity	1,331	1,108
Total Liabilities and Members' Equity	$ 5,613	$ 3,093

[a] Retrospectively adjusted as discussed in Note 1, *Nature of Business*.

See accompanying notes to consolidated financial statements.

NRG YIELD LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	2013 [a]	2012 [a]
		(In millions)	
Cash Flows from Operating Activities			
Net income	$ 90	$ 143	$ 12
Adjustments to reconcile net income to net cash provided by operating activities:			
Distributions and equity in earnings of unconsolidated affiliates	(3)	(6)	2
Depreciation and amortization	136	61	25
Amortization of financing costs and debt discount/premiums	5	4	—
Amortization of intangibles and out-of-market contracts	17	1	—
Change in deferred income taxes	—	(3)	10
Changes in derivative instruments	9	(21)	2
Changes in other working capital	(31)	(59)	5
Net Cash Provided by Operating Activities	223	120	56
Cash Flows from Investing Activities			
Acquisition of businesses, net of cash acquired	(901)	(120)	—
Payment to NRG for Acquired ROFO assets	(357)	—	—
Capital expenditures	(33)	(353)	(564)
Decrease (increase) in restricted cash	60	(43)	(12)
Decrease (increase) in notes receivable, including affiliates	8	10	(17)
Proceeds from renewable energy grants	137	25	28
Investments in unconsolidated affiliates	7	(34)	(27)
Other	11	—	(2)
Net Cash Used in Investing Activities	(1,068)	(515)	(594)
Cash Flows from Financing Activities			
Capital contributions from NRG	2	171	355
Distributions and return of capital to NRG	(23)	(707)	(72)
Proceeds from the issuance of Class A units	630	468	—
Payment of dividends and distributions	(101)	(15)	—
Proceeds from issuance of long-term debt — external	579	594	308
Proceeds from issuance of long-term debt — affiliate	337	—	—
Payment of debt issuance costs	(19)	(5)	(12)
Payments for long-term debt — external	(228)	(72)	(37)
Payments for long-term debt — affiliate	—	(2)	(6)
Net Cash Provided by Financing Activities	1,177	432	536
Net Increase (Decrease) in Cash and Cash Equivalents	332	37	(2)
Cash and Cash Equivalents at Beginning of Period	59	22	24
Cash and Cash Equivalents at End of Period	$ 391	$ 59	$ 22
Supplemental Disclosures			
Interest paid, net of amount capitalized	$ (137)	$ (63)	$ (17)
Non-cash investing and financing activities:			
Additions to fixed assets for accrued capital expenditures	—	1	121
Decrease to fixed assets for accrued grants	—	(207)	(1)
Decrease to fixed assets for deferred tax asset	—	(12)	—
Non-cash capital contributions from NRG	16	80	166
Non-cash return of capital and dividends to NRG	$ —	$ (81)	$ —

[a] Retrospectively adjusted as discussed in Note 1, *Nature of Business*

See accompanying notes to consolidated financial statements.

NRG YIELD LLC
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Contributed Capital [a]	Retained Earnings [a]	Accumulated Other Comprehensive Loss[a]	Total Members' Equity [a]
Balances at December 31, 2011	$ 550	$ 39	$ (28)	$ 561
Net Income	—	12	—	12
Unrealized gain on derivatives	—	—	(20)	(20)
Capital contributions from NRG	355	—	—	355
Capital contributions from NRG, non-cash	166	—	—	166
Distributions and return of capital to NRG	(49)	(23)	—	(72)
Balances at December 31, 2012	$ 1,022	$ 28	$ (48)	$ 1,002
Net Income	—	143	—	143
Unrealized gain on derivatives	—	—	47	47
Distributions and returns of capital to NRG, net of contributions	(536)	—	—	(536)
Capital contributions from NRG net of distributions, non-cash	80	(5)	—	75
Proceeds from the issuance of Class A units	468	—	—	468
Return of capital and distributions to NRG - non-cash	(75)	(1)	—	(76)
Distributions paid to NRG	(10)	—	—	(10)
Distributions paid to NRG Yield, Inc.	(5)	—	—	(5)
Balances at December 31, 2013	944	165	(1)	1,108
Net income	—	90	—	90
Unrealized loss on derivatives	—	—	(34)	(34)
Distributions and returns of capital to NRG, net of contributions	(21)	—	—	(21)
Capital contributions from NRG, non-cash	16	—	—	16
Payment to NRG for Acquired ROFO Assets	(357)	—	—	(357)
Proceeds from the issuance of Class A units	630	—	—	630
Distributions paid to NRG	—	(60)	—	(60)
Distributions paid to NRG Yield Inc.	—	(41)	—	(41)
Balances at December 31, 2014	$ 1,212	$ 154	$ (35)	$ 1,331

(a) Retrospectively adjusted as discussed in Note 1, *Nature of Business*

See accompanying notes to consolidated financial statements.

Note 1 — Nature of Business

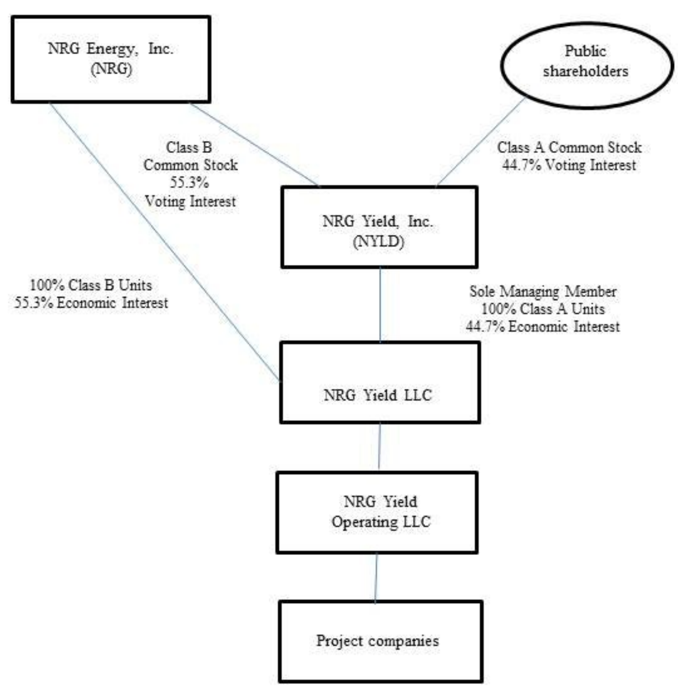
NRG Yield LLC, or the Company, was formed by NRG Energy, Inc., or NRG, as a Delaware corporation on December 20, 2012, for the purposes of acquiring a portfolio of contracted renewable and conventional generation and thermal infrastructure assets, primarily located in the Northeast, Southwest and California regions of the United States, or the Yield Assets, from NRG.

On July 22, 2013, NRG Yield, Inc., or Yield Inc., issued 22,511,250 shares of Class A common stock in an initial public offering. Yield Inc. utilized the net proceeds of the initial public offering to acquire 19,011,250 of the Company's Class A units from NRG in return for $395 million, and 3,500,000 Class A units directly from the Company in return for $73 million. In connection with the acquisition of the Class A units, Yield Inc. also became the sole managing member of the Company thereby acquiring a controlling interest in it.

Immediately prior to the acquisition, the Company acquired the Yield Assets from NRG in return for Class B units in the Company. These assets were simultaneously contributed by the Company to NRG Yield Operating LLC, or Yield Operating, which is a wholly owned subsidiary of the Company, at historical carrying value. Following the acquisition and the Yield Inc. initial public offering, Yield Inc. and NRG owned 34.5% and 65.5% of the Company, respectively.

On July 29, 2014, Yield Inc. issued 12,075,000 shares of Class A common stock for net proceeds, after underwriting discount and expenses, of $630 million. Yield Inc. utilized the proceeds of the offering to acquire an additional 12,075,000 of the Company's Class A units and as a result, as of December 31, 2014, it owns 44.7% of the Company, and consolidates the results of the Company through its controlling interest, with NRG's 55.3% interest shown as noncontrolling interest in the Yield Inc.'s financial statements.

The following table represents the structure of the Company as of December 31, 2014:



For all periods prior to the initial public offering, the accompanying combined financial statements represent the combination of the assets that the Company acquired and were prepared using NRG's historical basis in the assets and liabilities. For the purposes of the combined financial statements, the term "NRG Yield" represents the accounting predecessor, or the combination of the acquired businesses. For all periods subsequent to the Yield Inc. initial public offering, the accompanying audited consolidated financial statements represent the consolidated results of the Company.

As of December 31, 2014, the Company's operating assets are comprised of the following projects:

Projects	Percentage Ownership	Net Capacity (MW) [(a)]	Offtake Counterparty	Expiration
Conventional				
GenConn Middletown	49.95%	95	Connecticut Light & Power	2041
GenConn Devon	49.95%	95	Connecticut Light & Power	2040
Marsh Landing	100%	720	Pacific Gas and Electric	2023
El Segundo	100%	550	Southern California Edison	2023
		1,460		
Utility Scale Solar				
Alpine	100%	66	Pacific Gas and Electric	2033
Avenal	49.95%	23	Pacific Gas and Electric	2031
Avra Valley	100%	25	Tucson Electric Power	2032
Blythe	100%	21	Southern California Edison	2029
Borrego	100%	26	San Diego Gas and Electric	2038
Roadrunner	100%	20	El Paso Electric	2031
CVSR	48.95%	122	Pacific Gas and Electric	2038
RE Kansas South	100%	20	Pacific Gas and Electric	2033
TA High Desert	100%	20	Southern California Edison	2033
		343		
Distributed Solar				
AZ DG Solar Projects	100%	5	Various	2025 - 2033
PFMG DG Solar Projects	51%	5	Various	2032
		10		
Wind				
Alta I	100%	150	Southern California Edison	2035
Alta II	100%	150	Southern California Edison	2035
Alta III	100%	150	Southern California Edison	2035
Alta IV	100%	102	Southern California Edison	2035
Alta V	100%	168	Southern California Edison	2035
Alta X	100%	137	Southern California Edison	2038(c)
Alta XI	100%	90	Southern California Edison	2038(c)
South Trent	100%	101	AEP Energy Partners	2029
		1,048		
Thermal				
Thermal equivalent MWt(b)	100%	1,310	Various	Various
Thermal generation	100%	124	Various	Various
Total net capacity (excluding equivalent MWt)		2,985		

(a) Net capacity represents the maximum, or rated, generating capacity of the facility multiplied by the Company's percentage ownership in the facility as of December 31, 2014.

(b) For thermal energy, net capacity represents MWt for steam or chilled water and excludes 134 MWt available under the right-to-use provisions contained in agreements between two of the Company's thermal facilities and certain of its customers.

(c) PPA begins on January 1, 2016.

Substantially all of the Company's generation assets are under long-term contractual arrangements for the output or capacity from these assets. The thermal assets are comprised of district energy systems and combined heat and power plants that produce steam, hot water and/or chilled water and, in some instances, electricity at a central plant. Three of the district energy systems are subject to rate regulation by state public utility commissions while the other district energy systems have rates determined by negotiated bilateral contracts.

The historical combined financial statements include allocations of certain NRG corporate expenses. Management believes the assumptions and methodology underlying the allocation of general corporate overhead expenses are reasonable. The allocated costs include legal, accounting, tax, treasury, information technology, insurance, employee benefit costs, and other corporate costs. However, such expenses may not be indicative of the actual level of expense that would have been incurred if the Company had operated as an independent company during the periods prior to the Yield Inc. initial public offering or of the costs expected to be incurred in the future. Allocations of NRG corporate expenses were $4 million for the period beginning on January 1, 2013 and ending on July 22, 2013 and $7 million for the year ended December 31, 2012. In connection with the Yield Inc. initial public offering, the Company, Yield Operating and Yield Inc. entered into a management services agreement with NRG for various services, including human resources, accounting, tax, legal, information systems, treasury, and risk management. Costs incurred by the Company under this agreement were $3 million for the period beginning July 23, 2013 and ending December 31, 2013 and $8 million for the year ended December 31, 2014, which included certain direct expenses incurred by NRG on behalf of the Company.

For all periods prior to the acquisition and Yield Inc. initial public offering, members' equity represents the combined equity of the Company's subsidiaries, including adjustments necessary to present the Company's financial statements as if the Company were in existence as of the beginning of the periods presented.

As described in Note 3, *Business Acquisitions*, on June 30, 2014, NRG Yield Operating LLC acquired the TA High Desert, RE Kansas South, and El Segundo projects from NRG for total cash consideration of $357 million plus assumed project level debt. The acquisition of the TA High Desert, RE Kansas South, and El Segundo projects from NRG on June 30, 2014 was accounted for as a transfer of entities under common control. The guidance requires retrospective combination of the entities for all periods presented as if the combination has been in effect since the inception of common control. Accordingly, the Company prepared its consolidated financial statements to reflect the transfer as if it had taken place from the beginning of the financial statements period, or from the date the entities were under common control, which was May 13, 2013 for RE Kansas South and March 28, 2013 for TA High Desert, which represent the dates these entities were acquired by NRG.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The Company's consolidated and combined financial statements have been prepared in accordance with U.S. GAAP. The Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities. In addition, the rules and interpretative releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants.

The consolidated and combined financial statements include the Company's accounts and operations and those of its subsidiaries in which it has a controlling interest. All significant intercompany transactions and balances have been eliminated in consolidation. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations,* or ASC 810, to determine when an entity that is insufficiently capitalized or not controlled through its voting interests, referred to as a variable interest entity, or VIE, should be consolidated.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at the time of purchase.

Restricted Cash

Restricted cash consists primarily of funds held to satisfy the requirements of certain debt agreements and funds held within the Company's projects that are restricted in their use. These funds are used to pay for capital expenditures, current operating expenses and current debt service payments as well as to fund required equity contributions, per the restrictions of the debt agreements.

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are reported on the balance sheet at the invoiced amount adjusted for any write-offs and the allowance for doubtful accounts. The allowance for doubtful accounts is reviewed periodically based on amounts past due and significance. The allowance for doubtful accounts was immaterial as of December 31, 2014 and 2013.

Inventory

Inventory consists principally of spare parts and fuel oil and is valued at the lower of weighted average cost or market, unless evidence indicates that the weighted average cost will be recovered with a normal profit in the ordinary course of business. The Company removes fuel inventories as they are used in the production of steam, chilled water or electricity. Spare parts inventory are removed when they are used for repairs, maintenance or capital projects.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, in the case of business acquisitions, fair value; however impairment adjustments are recorded whenever events or changes in circumstances indicate that their carrying values may not be recoverable. See Note 3, *Business Acquisitions,* for more information on acquired property, plant and equipment. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statements of operations.

Additionally, the Company reduces the book value of the property, plant and equipment of its eligible renewable energy projects for any cash grants that are submitted to the U.S. Treasury Department when the receivable is recorded for the net realizable amount. A non-cash dividend to parent for the deferred tax asset is recorded with a corresponding reduction to the book value of the property, plant and equipment. For further discussion of these matters see Note 4, *Property, Plant and Equipment*.

Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360. An impairment loss is recognized if the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured by the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the statements of operations. Fair values are determined by a variety of valuation methods, including appraisals, sales prices of similar assets and present value techniques.

Investments accounted for by the equity method are reviewed for impairment in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*, or ASC 323, which requires that a loss in value of an investment that is other than a temporary decline should be recognized. The Company identifies and measures losses in the value of equity method investments based upon a comparison of fair value to carrying value.

Capitalized Interest

Interest incurred on funds borrowed to finance capital projects is capitalized, until the project under construction is ready for its intended use. The amount of interest capitalized for the years ended December 31, 2014, 2013 and 2012 was less than $1 million, $18 million and $31 million, respectively.

When a project is available for operations, capitalized interest is reclassified to property, plant and equipment and amortized on a straight-line basis over the estimated useful life of the project's related assets.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized as interest expense on a basis which approximates the effective interest method over the term of the related debt.

Intangible Assets

Intangible assets represent contractual rights held by the Company. The Company recognizes specifically identifiable intangible assets including customer contracts, customer relationships, power purchase agreements and development rights when specific rights and contracts are acquired. These intangible assets are amortized primarily on a straight-line basis.

Notes Receivable

Notes receivable consist of receivables related to the financing of required network upgrades and a variable-rate note secured by the equity interest in a joint venture. The notes issued with respect to network upgrades will be repaid within a 5 year period following the date each facility reaches commercial operations.

Income Taxes

Subsequent to the date the Yield Assets were acquired and the Yield Inc. initial public offering occurred, the Company is a disregarded entity of a partnership for federal and state income tax purposes. Therefore, federal and state income taxes are assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying financial statements. For all periods prior to the Yield Inc. public offering, federal and state income taxes represent proforma income taxes.

Revenue Recognition

Thermal Revenues

Steam and chilled water revenue is recognized based on customer usage as determined by meter readings taken at month-end. Some locations read customer meters throughout the month, and recognize estimated revenue for the period between meter read date and month-end. The Thermal Business subsidiaries collect and remit state and local taxes associated with sales to their customers, as required by governmental authorities. Related revenues are presented on a net basis in the income statement.

Power Purchase Agreements, or PPAs

The majority of the Company's revenues are obtained through PPAs or other contractual agreements.

In order to determine lease classification as operating, the Company evaluates the terms of the PPA to determine if the lease includes any of the following provisions which would indicate capital lease treatment:

- Transfers the ownership of the generating facility,
- Bargain purchase option at the end of the term of the lease,
- Lease term is greater than 75% of the economic life of the generating facility, or
- Present value of minimum lease payments exceed 90% of the fair value of the generating facility at inception of the lease

In considering the above it was determined that all of Company's PPAs are operating leases. ASC 840 requires the minimum lease payments received to be amortized over the term of the lease and contingent rentals are recorded when the achievement of the contingency becomes probable. Judgment is required by management in determining the economic life of each generating facility, in evaluating whether certain lease provisions constitute minimum payments or represent contingent rent and other factors in determining whether a contract contains a lease and whether the lease is an operating lease or capital lease.

Certain of these leases have no minimum lease payments and all of the rental income under these leases is recorded as contingent rent on an actual basis when the electricity is delivered. The contingent rental income recognized in the years ended December 31, 2014, 2013 and 2012 was $158 million, $105 million and $33 million, respectively.

Derivative Financial Instruments

The Company accounts for derivative financial instruments under ASC 815, *Derivatives and Hedging*, or ASC 815, which requires the Company to record all derivatives on the balance sheet at fair value unless they qualify for a NPNS exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings. Changes in the fair value of derivatives accounted for as hedges, if elected for hedge accounting, are either:

- Recognized in earnings as an offset to the changes in the fair value of the related hedged assets, liabilities and firm commitments; or
- Deferred and recorded as a component of accumulated OCI until the hedged transactions occur and are recognized in earnings.

The Company's primary derivative instruments are fuels purchase contracts used to control customer reimbursable fuel cost and interest rate instruments used to mitigate variability in earnings due to fluctuations in interest rates. On an ongoing basis, the Company assesses the effectiveness of all derivatives that are designated as hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in fair values or cash flows of hedged items. Internal analyses that measure the statistical correlation between the derivative and the associated hedged item determine the effectiveness of such a contract designated as a hedge. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting will be discontinued prospectively. In this case, the gain or loss previously deferred in accumulated OCI would be frozen until the underlying hedged item is delivered unless the transaction being hedged is no longer probable of occurring in which case the amount in OCI would be immediately reclassified into earnings. If the derivative instrument is terminated, the effective portion of this derivative deferred in accumulated OCI will be frozen until the underlying hedged item is delivered.

Revenues and expenses on contracts that qualify for the NPNS exception are recognized when the underlying physical transaction is delivered. While these contracts are considered derivative financial instruments under ASC 815, they are not recorded at fair value, but on an accrual basis of accounting. If it is determined that a transaction designated as NPNS no longer meets the scope exception, the fair value of the related contract is recorded on the balance sheet and immediately recognized through earnings.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable, notes receivable and derivative instruments. Accounts receivable, notes receivable, and derivative instruments are concentrated within entities engaged in the energy and financial industry. These industry concentrations may impact the overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. In addition, many of the Company's projects have only one customer. However, the Company believes that the credit risk posed by industry concentration is offset by the diversification and creditworthiness of its customer base. See Note 6, *Fair Value of Financial Instruments,* for a further discussion of derivative concentrations and Note 11, *Segment Reporting* for concentration of counterparties.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, intercompany accounts payable and receivable, and accrued expenses and other liabilities approximate fair value because of the short-term maturity of these instruments. See Note 6, *Fair Value of Financial Instruments,* for a further discussion of fair value of financial instruments.

Asset Retirement Obligations

Asset retirement obligations, or AROs, are accounted for in accordance with ASC 410-20, *Asset Retirement Obligations,* or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires an entity to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, the asset retirement cost is capitalized by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. The Company's asset retirement obligations were $18 million and $9 million for the years ended December 31, 2014 and 2013, respectively. The Company records AROs as part of other non-current liabilities on its balance sheet.

Guarantees

The Company enters into various contracts that include indemnification and guarantee provisions as a routine part of its business activities. Examples of these contracts include EPC agreements, operation and maintenance agreements, service agreements, commercial sales arrangements and other types of contractual agreements with vendors and other third parties, as well as affiliates. These contracts generally indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants set forth in these agreements. Because many of the guarantees and indemnities the Company issues to third parties and affiliates do not limit the amount or duration of its obligations to perform under them, there exists a risk that the Company may have obligations in excess of the amounts agreed upon in the contracts mentioned above. For those guarantees and indemnities that do not limit the liability exposure, it may not be able to estimate what the liability would be, until a claim is made for payment or performance, due to the contingent nature of these contracts.

Investments Accounted for by the Equity Method

The Company has investments in three energy projects accounted for by the equity method, one of which is a VIE, where the Company is not a primary beneficiary. The equity method of accounting is applied to these investments in affiliates because the ownership structure prevents the Company from exercising a controlling influence over the operating and financial policies of the projects. Under this method, equity in pre-tax income or losses of the investments is reflected as equity in earnings of unconsolidated affiliates.

Sale Leaseback Arrangements

The Company is party to sale-leaseback arrangements that provide for the sale of certain assets to a third party and simultaneous leaseback to the Company. In accordance with ASC 840-40, *Sale-Leaseback Transactions*, if the seller-lessee retains, through the leaseback, substantially all of the benefits and risks incident to the ownership of the property sold, the sale-leaseback transaction is accounted for as a financing arrangement. An example of this type of continuing involvement would include an option to repurchase the assets or the buyer-lessor having the option to sell the assets back to the Company. This provision is included in most of the Company’s sale-leaseback arrangements. As such, the Company accounts for these arrangements as financings.

Under the financing method, the Company does not recognize as income any of the sale proceeds received from the lessor that contractually constitutes payment to acquire the assets subject to these arrangements. Instead, the sale proceeds received are accounted for as financing obligations and leaseback payments made by the Company are allocated between interest expense and a reduction to the financing obligation. Interest on the financing obligation is calculated using the Company’s incremental borrowing rate at the inception of the arrangement on the outstanding financing obligation. Judgment is required to determine the appropriate borrowing rate for the arrangement and in determining any gain or loss on the transaction that would be recorded either at the end of or over the lease term.

Business Combinations

The Company accounts for its business combinations in accordance with ASC 805, *Business Combinations,* or ASC 805. ASC 805 requires an acquirer to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at fair value at the acquisition date. It also recognizes and measures the goodwill acquired or a gain from a bargain purchase in the business combination and determines what information to disclose to enable users of an entity's financial statements to evaluate the nature and financial effects of the business combination. In addition, transaction costs are expensed as incurred.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions impact the reported amounts of assets and liabilities as of the date of the financial statements. They also impact the reported amount of net earnings during the reporting period. Actual results could be different from these estimates.

In recording transactions and balances resulting from business operations, the Company uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives, uncollectible accounts, environmental liabilities, acquisition accounting and legal costs incurred in connection with recorded loss contingencies, among others. As better information becomes available or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Recent Accounting Developments

ASU 2014-16 - In November 2014, the FASB issued ASU No. 2014-16, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*, or ASU No. 2014-16. The amendments of ASU No. 2014-16 clarify how U.S. GAAP should be applied in determining whether the nature of a host contract is more akin to debt or equity and in evaluating whether the economic characteristics and risks of an embedded feature are "clearly and closely related" to its host contract. The guidance in ASU No. 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of the standard on the Company's results of operations, cash flows and financial position.

ASU 2014-09 - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU No. 2014-09. The amendments of ASU No. 2014-09 complete the joint effort between the FASB and the International Accounting Standards Board, or IASB, to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards, or IFRS, and to improve financial reporting. The guidance in ASU No. 2014-09 provides that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for the goods or services provided and establishes the following steps to be applied by an entity: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies the performance obligation. The guidance of ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods therein. Early adoption is not permitted. The Company is currently evaluating the impact of the standard on the Company's results of operations, cash flows and financial position.

Note 3 — Business Acquisitions

2014 Acquisitions

Alta Wind Portfolio Acquisition — On August 12, 2014, the Company acquired 100% of the membership interests of Alta Wind Asset Management Holdings, LLC, Alta Wind Company, LLC, Alta Wind X Holding Company, LLC and Alta Wind XI Holding Company, LLC, which collectively own seven wind facilities that total 947 MW located in Tehachapi, California and a portfolio of associated land leases, or the Alta Wind Portfolio. Power generated by the Alta Wind Portfolio is sold to Southern California Edison under long-term PPAs with 21 years of remaining contract life for Alta I-V and 22 years, beginning in 2016, for Alta X and XI.

The purchase price for the Alta Wind Portfolio was $923 million, which consisted of a base purchase price of $870 million, as well as a payment for working capital of $53 million, plus the assumption of $1.6 billion of non-recourse project-level debt. In order to fund the purchase price, the Company completed an equity offering of 12,075,000 shares of its Class A common stock at an offering price of $54.00 per share on July 29, 2014, which resulted in net proceeds of $630 million, after underwriting discounts and expenses. In addition, on August 5, 2014, NRG Yield Operating LLC issued $500 million of Senior Notes, which bear interest at a rate of 5.375% and mature in August 2024.

The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The initial accounting for the business combination is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The allocation of the purchase price may be modified up to one year from the date of the acquisition as more information is obtained about the fair value of assets acquired and liabilities assumed. The purchase price of $923 million was provisionally allocated as follows:

	Acquisition Date	Measurement period adjustments	Revised Acquisition Date
		(In millions)	
Assets			
Cash	$ 22	$ —	$ 22
Current and non-current assets	49	—	49
Property, plant and equipment	1,057	247	1,304
Intangible assets	1,420	(243)	1,177
Total assets acquired	2,548	4	2,552
Liabilities			
Debt	1,591	—	1,591
Current and non-current liabilities	34	4	38
Total liabilities assumed	1,625	4	1,629
Net assets acquired	$ 923	$ —	$ 923

The Company incurred and expensed acquisition-related transaction costs related to the acquisition of the Alta Wind Portfolio of $2 million for the year ended December 31, 2014.

Fair value measurements

The provisional fair values of the property, plant and equipment and intangible assets at the acquisition date were measured primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Significant inputs were as follows:

- *Property, plant and equipment* - The estimated fair values were determined primarily based on an income method using discounted cash flows and validated using a cost approach based on the replacement cost of the assets less economic obsolescence. The income approach was applied by determining the enterprise value for each acquired entity and subtracting the fair value of the intangible assets and working capital to determine the implied value of the tangible fixed assets. This methodology was primarily relied upon as the forecasted cash flows incorporate the specific attributes of each asset including age, useful life, equipment condition and technology. The income approach also allows for an accurate reflection of current and expected market dynamics such as supply and demand and regulatory environment as of the acquisition date.

- *Intangible Assets - PPAs* — The fair values of the PPAs acquired were determined utilizing a variation of the income approach where the incremental future cash flows resulting from the acquired PPAs compared to the cash flows based on current market prices were discounted to present value at a weighted average cost of capital reflective of a market participant. The values were corroborated with available market data. The PPA values will be amortized over the term of the PPAs, which approximate 22 years.
- *Intangible Assets - Leasehold rights* — The fair values of the leasehold rights acquired, which represent the contractual right to receive royalty payments equal to a percentage of PPA revenue from certain projects, were determined utilizing the income approach. The values were corroborated with available market data. The leasehold rights values will be amortized over a period of 21 years, which is equal to the average term of the contracts.

Supplemental Pro Forma Information

Since the acquisition date, the Alta Wind Portfolio contributed $49 million in operating revenues and $39 million in net losses. The following unaudited supplemental pro forma information represents the results of operations as if the Company had acquired the Alta Wind Portfolio on January 1, 2013:

	For the year ended December 31,	
(in millions except per share amounts)	2014	2013
Operating Revenues	$ 715	$ 531
Net Income	54	91

The unaudited supplemental pro forma information has been adjusted to include the pro-forma impact of depreciation of property, plant and equipment and amortization of PPAs, based on the preliminary purchase price allocations. The pro forma data has also been adjusted to reflect the additional interest expense in connection with the issuance of Senior Notes. There were no transactions during the periods between NRG and the Alta Wind Portfolio. The pro forma results are presented for illustrative purposes only and do not reflect the realization of potential cost savings or any related integration costs.

Acquired ROFO Assets — On June 30, 2014, the Company acquired from NRG: (i) El Segundo, a 550 MW fast-start, gas-fired facility located in Los Angeles County, California; (ii) TA High Desert, a 20 MW solar facility located in Los Angeles County, California; and (iii) RE Kansas South, a 20 MW solar facility located in Kings County, California. The Company paid total cash consideration of $357 million, which represents a base purchase price of $349 million and $8 million of working capital adjustments. In addition, the acquisition included the assumption of $612 million in project- level debt. The assets and liabilities transferred to the Company relate to interests under common control by NRG and accordingly, were recorded at historical cost in accordance with *ASC 805-50*. The difference between the cash proceeds and historical value of the net assets was recorded as a distribution to NRG and reduced the balance of its contributed capital. Since the transaction constituted a transfer of entities under common control, the guidance requires retrospective combination of the entities for all periods presented as if the combination has been in effect since the inception of common control.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of June 30, 2014:

	RE Kansas South	TA High Desert	El Segundo
		(In millions)	
Current assets	$ 1	$ 3	$ 43
Property, plant and equipment	50	67	625
Non-current assets	2	13	76
Total assets	53	83	744
Debt	35	57	520
Other current and non-current liabilities	2	—	30
Total liabilities	37	57	550
Net assets acquired	$ 16	$ 26	$ 194

2013 Acquisitions

Energy Systems — On December 31, 2013, NRG Energy Center Omaha Holdings, LLC, an indirect wholly owned subsidiary of NRG Yield LLC, acquired Energy Systems Company, or Energy Systems, for approximately $120 million. The acquisition was financed from cash on hand. Energy Systems is an operator of steam and chilled water thermal facilities that provides heating and cooling services to nonresidential customers in Omaha, Nebraska. The acquisition was recorded as a business combination under ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The purchase price was primarily allocated to property, plant and equipment of $60 million, customer relationships of $59 million, and $1 million of working capital. The accounting for Energy Systems was completed as of September 30, 2014, at which point the provisional fair values became final with no material changes.

2012 Acquisitions

Marsh Landing — On December 14, 2012, through its acquisition of GenOn Energy, Inc., or GenOn, NRG acquired 100% of the Marsh Landing project, a 720 MW natural gas-fueled peaking facility being constructed near Antioch, California. Immediately prior to the initial public offering, NRG transferred ownership of Marsh Landing to NRG Yield LLC. Power generated from Marsh Landing is sold to Pacific Gas & Electric, or PG&E, under a 10 year PPA. In connection with the acquisition, the Company assumed obligations under a credit agreement for up to $650 million in construction and permanent financing for the Marsh Landing generating facility. The Marsh Landing generating facility reached commercial operations on May 1, 2013.

The fair value of the net assets acquired was $138 million. The accounting for the acquisition was completed on December 13, 2013. The Company recorded a measurement period adjustment increasing the provisional fair value of the acquired property, plant and equipment by $73 million, from $537 million to $610 million. The primary driver for the revised fair value was the refinement of the methodology used to value the assets.

2015 Acquisition of EME-NYLD-Eligible Assets from NRG

On January 2, 2015, NRG Yield Operating LLC acquired the following projects from NRG: (i) Laredo Ridge, an 80 MW wind facility located in Petersburg, Nebraska, (ii) the Tapestry projects, which include Buffalo Bear, a 19 MW wind facility in Buffalo, Oklahoma, Taloga, a 130 MW wind facility in Putnum, Oklahoma, and Pinnacle, a 55 MW wind facility in Keyser, West Virginia, and (iii) Walnut Creek, a 485 MW natural gas facility located in City of Industry, California, for total cash consideration of $489 million plus assumed project level debt of $737 million, including $9 million for working capital. The Company funded the acquisition with cash on hand and drawings under the Company's revolving credit facility. The assets and liabilities transferred to the Company relate to interests under common control by NRG and accordingly, were recorded at historical cost in accordance with ASC 805-50, *Business Combinations - Related Issues*. The difference between the cash paid and historical value of the entities' equity of $84 million was recorded as a distribution to NRG and reduced the balance of its noncontrolling interest. Since the transaction constituted a transfer of net assets under common control, the guidance requires retrospective combination of the entities for all periods presented as if the combination has been in effect since the inception of common control. The Company funded the acquisition with cash on hand and borrowings under the Company's revolving credit facility.

The following is a summary of assets and liabilities transferred in connection with the acquisition on January 2, 2015:

	Walnut Creek	Tapestry	Laredo Ridge
		(In millions)	
Current assets	$ 46	$ 14	$ 7
Property, plant and equipment	575	286	118
Non-current assets	57	61	49
Total assets	678	361	174
Debt	437	192	108
Other current and non-current liabilities	62	5	4
Total liabilities	499	197	112
Net assets acquired	$ 179	$ 164	$ 62

EME was acquired by NRG on April 1, 2014. The initial accounting for the business combination is not complete because the evaluation necessary to assess the fair values of certain net assets acquired is still in process. The provisional amounts are subject to revision until the evaluations are completed to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

Supplemental Pro Forma Information

The following unaudited supplemental pro forma information represents the results of operations as if the Company had acquired the EME-NYLD-Eligible Assets on January 1, 2013:

	For the year ended December 31,	
(in millions, except per share amounts)	**2014**	**2013**
Operating Revenues	$ 715	$ 513
Net Income	109	155

Note 4 — Property, Plant and Equipment

The Company's major classes of property, plant, and equipment were as follows:

	December 31, 2014	December 31, 2013	Depreciable Lives
	(In millions)		
Facilities and equipment	$ 3,701	$ 2,373	2 - 33 Years
Land and improvements	87	86	
Construction in progress	7	6	
Total property, plant and equipment	3,795	2,465	
Accumulated depreciation	(308)	(174)	
Net property, plant and equipment	$ 3,487	$ 2,291	

Renewable Energy Grants

The Borrego solar project achieved commercial operations on February 12, 2013 and transferred the construction in progress to property, plant and equipment. On May 16, 2013, the Borrego solar project, as a qualified renewable energy project, applied for a cash grant in lieu of investment tax credit from the U.S. Treasury Department in the amount of $39 million. A receivable for the cash grant was recorded when the application was filed, which resulted in a reduction to the book basis of the property, plant and equipment. In addition, the receivable was reduced to $36 million as a result of the federal government's sequestration, which was put into effect on March 1, 2013. The related deferred tax asset of $10 million was recorded with a corresponding reduction of the book value of Borrego's property, plant and equipment. In March 2014, the Company received payment of $30 million for the cash grant related to Borrego. The Company recorded a reserve for the shortage pending further discussions with the US treasury Department.

The TA High Desert solar project achieved commercial operations on March 25, 2013 and transferred the construction in progress to property, plant and equipment. On May 22, 2013, the TA High Desert solar project, as a qualified renewable energy project, applied for a cash grant in lieu of investment tax credit from the U.S. Treasury Department in the amount of $25 million. A receivable for the cash grant was recorded when the application was filed, which resulted in a reduction to the book basis of the property, plant and equipment. In addition, the receivable was reduced to $20 million as a result of the federal government's sequestration, which was put into effect on March 1, 2013. The related deferred tax asset of $6 million was recorded with a corresponding reduction of the book value of TA High Desert's property, plant and equipment. In April 2014,TA High Desert received a payment of $20 million for the cash grant and reduced the book value of its property, plant and equipment by the amount by which the grant was reduced.

The RE Kansas South solar project achieved commercial operations on June 7, 2013 and transferred the construction in progress to property, plant and equipment. On June 27, 2013, the RE Kansas South solar project, as a qualified renewable energy project, applied for a cash grant in lieu of investment tax credit from the U.S. Treasury Department in the amount of $23 million. A receivable for the cash grant was recorded when the application was filed, which resulted in a reduction to the book basis of the property, plant and equipment. In addition, the receivable was reduced to $21 million as a result of the federal government's sequestration, which was put into effect on March 1, 2013. The related deferred tax asset of $6 million was recorded with a corresponding reduction of the book value of RE Kansas South's property, plant and equipment. In April 2014, RE Kansas South received a payment of $21 million for the cash grant.

Note 5 — Investments Accounted for by the Equity Method and Variable Interest Entities

Equity Method Investments

Avenal—The Company owns a 49.95% equity interest in Avenal, which consists of three solar PV projects in Kings County, California, approximately 45 MWs, all of which became commercially operational during the third quarter of 2011. NRG retained a 0.05% interest and Eurus Energy owns the remaining 50% of Avenal. Power generated by the projects is sold under a 20-year PPA. On September 22, 2010, Avenal entered into a $35 million promissory note facility with the Company. Amounts drawn under the promissory note facility accrue interest at 4.5% per annum. As of December 31, 2013, the amount outstanding under the facility was $2 million. The facility was repaid in January 2014. Also, on September 22, 2010, Avenal entered into a $209 million financing arrangement with a syndicate of banks, or the Avenal Facility. As of December 31, 2014, and 2013, Avenal had outstanding $107 million and $112 million, respectively, under the Avenal Facility. As of December 31, 2014, the Company had an $11 million equity investment in Avenal.

CVSR—The Company owns 48.95% of CVSR, located in San Luis Obispo, California, totaling 250 MW, while NRG continues to own the remaining 51.05% of CVSR. Power generated by the project is sold under a 25-year PPA. As of December 31, 2014, the Company had a $102 million equity investment in CVSR.

In 2011, High Plains Ranch II, LLC, the direct owner of CVSR, entered into the CVSR Financing Agreement with the FFB to borrow up to $1.2 billion to fund the costs of constructing the solar facility. The CVSR Financing Agreement matures in 2037 and the loans provided by the FFB are guaranteed by the U.S. DOE. Amounts borrowed under the CVSR Financing Agreement accrue interest at a fixed rate based on U.S. Treasury rates plus a spread of 0.375% and are secured by the assets of CVSR. As of December 31, 2014, and 2013, $815 million and $1,104 million, respectively, were outstanding under the loan. In 2012 and 2013, CVSR submitted applications to the U.S. Treasury Department for cash grants as each phase of the project began commercial operations. In January 2014, the U.S. Treasury Department awarded cash grants on the CVSR project of $307 million ($285 million net of sequestration), which is approximately 75% of the cash grant amount for which the Company had applied. The cash grant proceeds were used to pay the outstanding balance of the bridge loan due in February 2014 and the remaining amount was used to pay a portion of the outstanding balance on the bridge loan due in August 2014. The remaining balance of the bridge loan due in August 2014 was paid by SunPower. CVSR is evaluating the basis for the U.S. Treasury Department's award and all of its options for recovering the amount by which the U.S. Treasury Department reduced the CVSR cash grant award.

The following table presents summarized financial information for CVSR:

	Year Ended December 31,		
	2014	2013	2012
Income Statement Data:		(In millions)	
Operating revenues	$ 82	$ 47	$ 2
Operating income	40	22	1
Net income	17	4	1

	As of December 31,	
	2014	2013
Balance Sheet Data:	(In millions)	
Current assets	$ 173	$ 455
Non-current assets	868	932
Current liabilities	33	412
Non-current liabilities	799	769

Variable Interest Entities, or VIEs

GenConn Energy LLC **—** The Company has a 49.95% interest in GCE Holding LLC, the owner of GenConn Energy LLC, or GenConn, which owns and operates two 190 MW peaking generation facilities in Connecticut at the Devon and Middletown sites. Each of these facilities was constructed pursuant to a 30-year cost of service type contract with the Connecticut Light & Power Company. All four units at the GenConn Devon facility reached commercial operation in June 2010 and were released to the ISO-NE by July 2010. In June 2011, all four units at the GenConn Middletown facility reached commercial operation and were released to the ISO-NE. GenConn is considered a VIE under ASC 810, however the Company is not the primary beneficiary, and accounts for its investment under the equity method.

The project was funded through equity contributions from the owners and non-recourse, project level debt. As of December 31, 2014, the Company's investment in GenConn was $114 million and its maximum exposure to loss is limited to its equity investment. On September 17, 2013, GenConn refinanced its existing project financing facility. The refinanced facility is comprised of a $237 million note with an interest rate of 4.73% and a maturity date of July 2041 and a 5-year, $35 million working capital facility that matures in 2018 which can be used to issue letters of credit at an interest rate of 1.875% per annum. As of December 31, 2014 $228 million was outstanding under the note and nothing was drawn on the working capital facility. The refinancing is secured by all of the GenConn assets.

The following table presents summarized financial information for GCE Holding LLC:

	Year ended December 31,		
	2014	2013	2012
Income Statement Data:	(In millions)		
Operating revenues	$ 82	$ 80	$ 78
Operating income	40	44	45
Net income	28	31	29

	December 31, 2014	December 31, 2013
Balance Sheet Data:	(In millions)	
Current assets	$ 33	$ 32
Non-current assets	438	454
Current liabilities	20	18
Non-current liabilities	223	232

The following table presents undistributed equity earnings for the Company's three equity method investments:

	As of December 31,	
	2014	2013
	(In millions)	
Undistributed earnings from equity investments	$ 22	$ 19

Note 6 — Fair Value of Financial Instruments

For cash and cash equivalents, restricted cash, accounts receivable, accounts payable, intercompany accounts payable and receivable, accrued expenses and other liabilities, the carrying amount approximates fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

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

	As of December 31, 2014		As of December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Assets:				
Notes receivable, including current portion — affiliate	$ —	$ —	$ 2	$ 2
Notes receivable, including current portion	21	21	27	27
Liabilities:				
Long-term debt, including current portion — affiliate	337	386	—	—
Long-term debt, including current portion	3,724	3,741	1,783	1,785

The fair value of notes receivable and long-term debt are based on expected future cash flows discounted at market interest rates, or current interest rates for similar instruments and are classified as Level 3 within the fair value hierarchy.

Fair Value Accounting under ASC 820

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3—unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The Company records its derivative assets and liabilities at fair market value on its consolidated balance sheet. The following table presents assets and liabilities measured and recorded at fair value on the Company's consolidated balance sheets on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2014
	Fair Value [(a)]
(In millions)	Level 2
Derivative assets:	
Commodity contracts	$ —
Interest rate contracts	1
Total assets	$ 1
Derivative liabilities:	
Commodity contracts	$ 3
Interest rate contracts	74
Total liabilities	$ 77

(a) There were no assets or liabilities classified as Level 1 or Level 3 as of December 31, 2014.

(In millions)	As of December 31, 2013		
	Fair Value (a)		
	Level 2	Level 3	Total
Derivative assets:			
Commodity contracts	$ 1	$ —	$ 1
Interest rate contracts	20	—	20
Total assets	21	—	21
Derivative liabilities:			
Commodity contracts	1	1	2
Interest rate contracts	45	—	45
Total liabilities	$ 46	$ 1	$ 47

(a) There were no assets or liabilities classified as Level 1 as of December 31, 2013.

There were no transfers during the years ended December 31, 2014 and 2013, between Levels 1 and 2. The following table reconciles, for the year ended December 31, 2014, the beginning and ending balances for derivative instruments that are recognized at fair value in the consolidated financial statements, at least annually, using significant unobservable inputs:

(In millions)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
	Year ended December 31, 2014
	Derivatives
Beginning balance	$ (1)
Total gains and losses (realized/unrealized) included in earnings	1
Ending balance as of December 31, 2014	$ —

There have been no transfers in and/or out of Level 3 during the year ended December 31, 2014.

Derivative Fair Value Measurements

A majority of the Company's contracts are non-exchange-traded and valued using prices provided by external sources. For the Company’s energy markets, management receives quotes from multiple sources. To the extent that multiple quotes are received, the prices reflect the average of the bid-ask mid-point prices obtained from all sources believed to provide the most liquid market for the commodity. The remainder of the assets and liabilities represent contracts for which external sources or observable market quotes are not available. These contracts are valued using various valuation techniques including but not limited to internal models that apply fundamental analysis of the market and corroboration with similar markets. As of December 31, 2014, there were no contracts valued with prices provided by models and other valuation techniques.

The fair value of each contract is discounted using a risk free interest rate. In addition, a credit reserve is applied to reflect credit risk, which is calculated based on credit default swaps. To the extent that the net exposure is an asset, the Company uses the counterparty’s default swap rate. If the exposure is a liability, the Company uses its default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the liabilities or that a market participant would be willing to pay for the assets. As of December 31, 2014, the credit reserve resulted in a $1 million increase in fair value which is a gain in OCI. It is possible that future market prices could vary from those used in recording assets and liabilities and such variations could be material.

Concentration of Credit Risk

In addition to the credit risk discussion as disclosed in Note 2, *Summary of Significant Accounting Policies*, the following item is a discussion of the concentration of credit risk for the Company's financial instruments. 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. The Company monitors and manages credit risk through credit policies that include: (i) an established credit approval process; (ii) a daily monitoring of counterparties' credit limits; (iii) the use of credit mitigation measures such as margin, collateral, prepayment arrangements, or volumetric limits; (iv) the use of payment netting agreements; and (v) the use of master netting agreements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty. Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Company seeks to mitigate counterparty risk by having a diversified portfolio of counterparties.

Counterparty credit exposure includes credit risk exposure under certain long-term agreements, including solar and other PPAs. As external sources or observable market quotes are not available to estimate such exposure, the Company estimates the exposure related to 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 December 31, 2014, credit risk exposure to these counterparties attributable to the Company's ownership interests was approximately $1.7 billion for the next five years. The majority of these power contracts are with utilities with strong credit quality and public utility commission or other regulatory support, as further described in Note 12, *Segment Reporting*. However, such regulated utility counterparties can be impacted by changes in government regulations, which the Company is unable to predict.

Note 7 — Accounting for Derivative Instruments and Hedging Activities

ASC 815 requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a NPNS exception. The Company may elect to designate certain derivatives as cash flow hedges, if certain conditions are met, and defer the effective portion of the change in fair value of the derivatives to accumulated OCI, until the hedged transactions occur and are recognized in earnings. The ineffective portion of a cash flow hedge is immediately recognized in earnings. For derivatives that are not designated as cash flow hedges or do not qualify for hedge accounting treatment, the changes in the fair value will be immediately recognized in earnings. Certain derivative instruments may qualify for the NPNS exception and are therefore exempt from fair value accounting treatment. ASC 815 applies to the Company's energy related commodity contracts and interest rate swaps.

Energy-Related Commodities

To manage the commodity price risk associated with its competitive supply activities and the price risk associated with wholesale power sales, the Company may enter into derivative hedging instruments, namely, forward contracts that commit the Company to sell energy commodities or purchase fuels in the future. The objectives for entering into derivatives contracts designated as hedges include fixing the price for a portion of anticipated future electricity sales and fixing the price of a portion of anticipated fuel purchases for the operation of its subsidiaries. At December 31, 2014, the Company had forward and financial contracts for the purchase/sale of electricity and related products economically hedging the Company's district energy centers' forecasted output or load obligations through 2015. The Company also had forward contracts for the purchase of fuel commodities relating to the forecasted usage of the district energy centers through 2017. At December 31, 2014, these contracts were not designated as cash flow or fair value hedges.

Also, as of December 31, 2014, the Company had other energy-related contracts that did not meet the definition of a derivative instrument or qualified for the NPNS exception and were therefore exempt from fair value accounting treatment as follows:

- Power tolling contracts through 2038, and
- Natural gas transportation contracts through 2028

Interest Rate Swaps

The Company is exposed to changes in interest rates through the issuance of variable and fixed rate debt. In order to manage interest rate risk, it enters into interest rate swap agreements.

As of December 31, 2014, the Company had interest rate derivative instruments on non-recourse debt extending through 2031, some of which are designated as cash flow hedges.

Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of the Company's open derivative transactions broken out by commodity as of December 31, 2014 and 2013.

		Total Volume	
		December 31, 2014	December 31, 2013
Commodity	**Units**	(In millions)	
Natural Gas	MMBtu	2	2
Interest	Dollars	$ 2,107	$ 1,234

The increase in the interest rate position was primarily the result of the interest rate swaps acquired with the Alta Wind Portfolio.

Fair Value of Derivative Instruments

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

	Fair Value			
	Derivative Assets		Derivative Liabilities	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In millions)			
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts current	$ —	$ —	$ 23	$ 26
Interest rate contracts long-term	1	14	27	16
Total Derivatives Designated as Cash Flow Hedges	1	14	50	42
Derivatives Not Designated as Cash Flow Hedges:				
Interest rate contracts current	—	—	5	3
Interest rate contracts long-term	—	6	19	—
Commodity contracts current	—	1	3	2
Total Derivatives Not Designated as Cash Flow Hedges	—	7	27	5
Total Derivatives	$ 1	$ 21	$ 77	$ 47

The Company has elected to present derivative assets and liabilities on the balance sheet on a trade-by-trade basis and does not offset amounts at the counterparty master agreement level. As of December 31, 2014, there was no outstanding collateral paid or received. The following table summarizes the offsetting of derivatives by counterparty master agreement level:

	Gross Amounts Not Offset in the Statement of Financial Position		
As of December 31, 2014	Gross Amounts of Recognized Assets/ Liabilities	Derivative Instruments	Net Amount
Commodity contracts:		(In millions)	
Derivative assets	$ —	$ —	$ —
Derivative liabilities	(3)	—	(3)
Total commodity contracts	(3)	—	(3)
Interest rate contracts:			
Derivative assets	1	(1)	—
Derivative liabilities	(74)	1	(73)
Total interest rate contracts	(73)	—	(73)
Total derivative instruments	$ (76)	$ —	$ (76)

	Gross Amounts Not Offset in the Statement of Financial Position		
As of December 31, 2013	Gross Amounts of Recognized Assets/ Liabilities	Derivative Instruments	Net Amount
Commodity contracts:		(In millions)	
Derivative assets	$ 1	$ —	$ 1
Derivative liabilities	(2)	—	(2)
Total commodity contracts	(1)	—	(1)
Interest rate contracts:			
Derivative assets	20	(12)	8
Derivative liabilities	(45)	12	(33)
Total interest rate contracts	(25)	—	(25)
Total derivative instruments	$ (26)	$ —	$ (26)

Accumulated Other Comprehensive Loss

The following table summarizes the effects on the Company's accumulated other comprehensive loss, or OCL, balance attributable to interest rate swaps designated as cash flow hedge derivatives, net of tax:

	Year ended December 31,		
	2014	2013	2012
		(In millions)	
Accumulated OCL beginning balance	$ (1)	$ (48)	$ (28)
Reclassified from accumulated OCL to income due to realization of previously deferred amounts	13	12	5
Mark-to-market of cash flow hedge accounting contracts	(47)	35	(25)
Accumulated OCL ending balance	$ (35)	$ (1)	$ (48)
Losses expected to be realized from OCI during the next 12 months	$ (13)		

Impact of Derivative Instruments on the Statements of Operations

The Company has interest rate derivative instruments that are not designated as cash flow hedges as well as ineffectiveness on cash flow hedge derivatives. The effect of interest rate hedges is recorded to interest expense. For the years ended December 31, 2014 and 2013, the impact to the consolidated statements of operations was a loss of $22 million and a gain of $13 million, respectively.

The Company's derivative commodity contracts relate to its Thermal business for the purchase of fuel commodities based on the forecasted usage of the Thermal district energy centers. Realized gains and losses on these contracts are reflected in the fuel costs that are permitted to be billed to customers through the related customer contracts or tariffs and accordingly, no gains or losses are reflected in the statement of operations for these contracts.

See Note 6, *Fair Value of Financial Instruments*, for discussion regarding concentration of credit risk.

Note 8 — Intangible Assets

Intangible Assets — The Company's intangible assets as of December 31, 2014 and 2013 primarily reflect intangible assets established from its business acquisitions and are comprised of the following:

- *Emission Allowances* — These intangibles primarily consist of SO_2 and NO_x emission allowances established with the El Segundo acquisition. These emission allowances are held-for-use and are amortized to cost of operations, with NO_x allowances amortized on a straight-line basis and SO_2 allowances amortized based on units of production.
- *Development rights* — Arising primarily from the acquisition of solar businesses in 2010 and 2011, these intangibles are amortized to depreciation and amortization expense on a straight-line basis over the estimated life of the related project portfolio.
- *Customer contracts* — Established with the acquisition of Northwind Phoenix, these intangibles represent the fair value at the acquisition date of contracts that primarily provide chilled water, steam and electricity to its customers. These contracts are amortized to revenues based on expected volumes.
- *Customer relationships* — Established with the acquisition of Northwind Phoenix and Energy Systems, these intangibles represent the fair value at the acquisition date of the businesses' customer base. The customer relationships are amortized to depreciation and amortization expense based on the expected discounted future net cash flows by year.
- *PPAs* — Established predominantly with the Alta Wind acquisition, these represent the fair value of PPAs acquired. These will be amortized, generally on a straight-line basis, over the term of the PPA.
- *Leasehold Rights* — Established with the Alta Wind acquisition, which represents the fair value of contractual right to receive royalty payments equal to a percentage of PPA revenue from certain projects. These will be amortized on a straight-line basis.
- *Other* — Consists of the acquisition date fair value of the contractual rights to a ground lease for South Trent and to utilize certain interconnection facilities for Blythe.

The following tables summarize the components of intangible assets subject to amortization:

Year ended December 31, 2014	Emission Allowances	Development Rights	Customer Contracts	Customer Relationships	PPAs	Leasehold Rights	Other	Total
				(In millions)				
January 1, 2014	$ 8	$ 4	$ 15	$ 66	$ 14	$ —	$ 3	$ 110
Acquisition of Alta Wind Portfolio	—	—	—	—	1,091	86	—	1,177
Other	1	—	—	—	4	—	—	5
December 31, 2014	9	4	15	66	1,109	86	3	1,292
Less accumulated amortization	—	(1)	(5)	(2)	(16)	(2)	—	(26)
Net carrying amount	$ 9	$ 3	$ 10	$ 64	$ 1,093	$ 84	$ 3	$1,266

Year ended December 31, 2013	Emission Allowances	Development Rights	Customer Contracts	Customer Relationships	PPAs	Leasehold Rights	Other	Total
				(In millions)				
January 1, 2013	$ 8	$ 4	$ 15	$ 7	$ 4	$ —	$ 3	$ 41
Business acquisition/transfer	—	—	—	59	10	—	—	69
December 31, 2013	8	4	15	66	14	—	3	110
Less accumulated amortization	—	(1)	(4)	(1)	(1)	—	—	(7)
Net carrying amount	$ 8	$ 3	$ 11	$ 65	$ 13	$ —	$ 3	$ 103

The Company recorded amortization of $19 million, $4 million and $1 million during the years ended December 31, 2014, 2013 and 2012. Of these amounts, $15 million for the year ended December 31, 2014 was recorded as contra-revenue reflecting the amortization of the fair value of the power purchase agreements acquired with Alta Wind Portfolio. The following table presents estimated amortization of the Company's intangible assets for each of the next five years:

Year Ended December 31,	Total
	(In millions)
2015	$ 45
2016	58
2017	58
2018	58
2019	59

The weighted average amortization period related to the intangibles acquired in the year ended December 31, 2014 was 22 years for power purchase agreements and 21 years for leasehold rights.

Out-of-market contracts — The out-of-market contract liability represents the out-of-market value of the PPA for the Blythe solar project and the out-of-market value of the land lease for Alta Wind XI Holding Company, LLC, as of their respective acquisition dates. The Blythe solar project's liability of $5 million is recorded to other non-current liabilities and is amortized to revenue on a units-of-production basis over the twenty-year term of the agreement. The Alta Wind XI Holding Company, LLC's liability of $5 million is recorded to other non-current liabilities and is amortized to cost of operations on a straight-line basis over the term of the land lease. At December 31, 2014, accumulated amortization of out-of-market contracts was $2 million and amortization expense was less than $1 million for the year ended December 31, 2014.

Note 9 — Long - Term Debt

Long-term debt consisted of the following:

	December 31, 2014	December 31, 2013	Interest rate % [(a)]
	(In millions, except rates)		
Long term debt - affiliate	$ 337	$ —	3.580
Senior Notes, due 2024	500	—	5.375
Project-level debt:			
Alta Wind I, lease financing arrangement, due 2034	261	—	7.015
Alta Wind II, lease financing arrangement, due 2034	205	—	5.696
Alta Wind III, lease financing arrangement, due 2034	212	—	6.067
Alta Wind IV, lease financing arrangement, due 2034	138	—	5.938
Alta Wind V, lease financing arrangement, due 2035	220	—	6.071
Alta Wind X, due 2021	300	—	L+2.00
Alta Wind XI, due 2021	191	—	L+2.00
Alta Realty Investments, due 2031	34	—	7.00
Alta Wind Asset Management, due 2031	20	—	L+2.375
NRG West Holdings LLC, due 2023	506	512	L+2.25 - L+2.875; L+2.25 - L+2.75
NRG Marsh Landing LLC, due 2017 and 2023	464	473	L+ 1.75 - L+1.875; L+2.75 - L+3.00
NRG Solar Alpine LLC, due 2014 and 2022	163	221	L+1.75 - L+2.50; L+2.25 - L+2.50
NRG Energy Center Minneapolis LLC, due 2017 and 2025	121	127	5.95 -7.31
NRG Solar Borrego LLC, due 2024 and 2038	75	78	L+ 2.50/5.65
South Trent Wind LLC, due 2020	65	69	L+2.75;L+2.625
NRG Solar Avra Valley LLC, due 2031	63	63	L+1.75; L+2.25
TA High Desert LLC, due 2023 and 2033	55	80	L+2.50/5.15
NRG Roadrunner LLC, due 2031	42	44	L+2.01
NRG Solar Kansas South LLC, due 2031	35	58	L+2.00;L+2.625
NRG Solar Blythe LLC, due 2028	22	24	L+2.75
PFMG and related subsidiaries financing agreement, due 2030	31	32	6.00
NRG Energy Center Princeton LLC, due 2017	1	2	5.95
Subtotal project-level debt:	3,224	1,783	
Total debt	4,061	1,783	
Less current maturities	160	214	
Total long-term debt	$ 3,901	$ 1,569	

(a) As of December 31, 2014, L+ equals 3 month LIBOR plus x%, except for Kansas South where L+ equals 6 month LIBOR plus x%.

The financing arrangements listed above contain certain covenants, including financial covenants, that the Company is required to be in compliance with during the term of the arrangement. As of December 31, 2014, the Company was in compliance with all of the required covenants.

The discussion below lists changes to or additions of long term debt for the year ended December 31, 2014.

Yield Inc. Convertible Notes and Related Intercompany Note

During the first quarter of 2014, Yield Inc. closed on its offering of $345 million of Convertible Notes. The Convertible Notes bear interest of 3.50% and mature in February 2019. The Convertible Notes are convertible, under certain circumstances, into Yield Inc.'s common stock, cash or a combination thereof at an initial conversion price of $46.55 per Class A common share, which is equivalent to an initial conversion rate of approximately 21.4822 shares of Class A common stock per $1,000 principal amount of Convertible Notes.

The Company and Yield Operating provided a guarantee to Yield Inc. with respect to the Convertible Notes. In addition, Yield Operating and Yield Inc. entered into an intercompany borrowing arrangement, under which Yield Operating borrowed $337 million of the proceeds of the Convertible Notes. The intercompany note bears interest at a rate of 3.58% and matures in 2019.

Yield Operating Senior Notes

On August 5, 2014, Yield Operating issued $500 million of senior unsecured notes, or the Senior Notes. The Senior Notes bear interest at 5.375% and mature in August 2024. Interest on the notes is payable semi-annually on February 15 and August 15 of each year, and commenced on February 15, 2015. The Senior Notes are senior unsecured obligations of Yield Operating and are guaranteed by the Company, and by certain of Yield Operating's wholly owned current and future subsidiaries.

The Company provided a guarantee to Yield Operating with respect to the Senior Notes.

Revolving Credit Facility

In connection with the Yield, Inc. initial public offering in July 2013, as further described in Note 1, *Nature of Business*, the Company and Yield Operating entered into a senior secured revolving credit facility, or the Yield Credit Facility, which provided a revolving line of credit of $60 million. On April 25, 2014, the Company and Yield Operating amended the revolving credit facility to increase the available line of credit to $450 million and extend its maturity to April 2019. The revolving credit facility can be used for cash or for the issuance of letters of credit. There was no cash drawn and $38 million of letters of credit issued in support of the obligations of the Alta Wind Portfolio under the revolving credit facility as of December 31, 2014.

On January 2, 2015, the Company borrowed $210 million under the Yield Credit Facility to fund the acquisition of Walnut Creek, Laredo Ridge and the Tapestry projects. On February 2, 2015 the Company made an optional repayment of $15 million of principal and interest.

Project - level Debt

NRG West Holdings Credit Agreement

On August 23, 2011, NRG West Holdings LLC, or West Holdings, entered into a credit agreement with a group of lenders in respect to the El Segundo project, or the West Holdings Credit Agreement. The West Holdings Credit Agreement is comprised of a $540 million two tranche construction loan facility with additional facilities for the issuance of letters of credit or working capital loans and is secured by the assets of West Holdings.

The two tranche construction loan facility consists of the $480 million Tranche A Construction Facility, or the Tranche A Facility, and the $60 million Tranche B Construction Facility, or the Tranche B Facility. The Tranche A and Tranche B Facilities, which mature in August 2023, convert to a term loan and have an interest rate of 3-month LIBOR, plus an applicable margin which (i) increases by 0.125% periodically from conversion through year eight for the Tranche A Facility, and (ii) increases by (a) 0.125% upon term conversion and on the third and sixth anniversary of the term conversion and (b) by 0.250% on the eighth anniversary of the term conversion for the Tranche B Facility. The Tranche A and Tranche B Facilities amortize based upon a predetermined schedule over the term of the loan with the balance payable at maturity. The construction loan converted to a term loan on January 28, 2014.

The West Holdings Credit Agreement also provides for the issuance of letters of credit and working capital loans to support the El Segundo project's collateral needs. This includes letter of credit facilities on behalf of West Holdings of up to $90 million in support of the PPA, up to $48 million in support of the collateral agent, and a working capital facility which permits loans or the issuance of letters of credit of up to $10 million.

As of December 31, 2014, under the West Holdings Credit Agreement, West Holdings had $447 million outstanding under the Tranche A Facility, $59 million under the Tranche B Facility, issued a $33 million letter of credit in support of the PPA, a $48 million letter in support of debt service and a $1 million letter of credit under the working capital facility.

Alpine Financing

On March 16, 2012, NRG Solar Alpine LLC, or Alpine, entered into a credit agreement with a group of lenders for a $166 million construction loan that was convertible to a term loan upon completion of the project and a $68 million cash grant loan. On January 15, 2013, the credit agreement was amended, reducing the cash grant loan to $63 million. On March 26, 2013, Alpine met the conditions under the credit agreement to convert the construction loan to a term loan. Immediately prior to the conversion, the Company drew an additional $164 million under the construction loan and $62 million under the cash grant loan. The term loan amortizes on a predetermined schedule with final maturity in November 2022.

In January 2014, Alpine repaid the $62 million of outstanding cash grant loan, including accrued interest and breakage fees, with the proceeds that it had received from the U.S. Treasury Department. On June 24, 2014, Alpine amended the credit agreement to increase its term loan borrowings by an additional $13 million and to reduce the related interest rate to 3 month LIBOR plus 1.75% through June 30, 2019 and 3 month LIBOR plus 2.00% through November 2022. The proceeds were utilized to make a distribution of $11 million to Yield Operating with the remaining $2 million utilized to fund the costs of the amendment.

Borrego Financing

On March 28, 2013, NRG Solar Borrego I LLC, or Borrego, entered into a credit agreement with a group of lenders, or the Borrego Financing Agreement, for $45 million of 5.65% fixed rate notes and a $36 million term loan. The term loan has an interest rate of 3 month LIBOR plus an applicable margin of 2.50%, which escalates 0.25% on the fourth and eighth anniversary of the closing date. The fixed rate notes mature in February 2038 and the term loan matures in December 2024. Both amortize based upon predetermined schedules. The Borrego Financing Agreement also includes a letter of credit facility on behalf of Borrego of up to $5 million. Borrego pays an availability fee of 100% of the applicable margin on issued letters of credit. As of December 31, 2014, $45 million was outstanding under the fixed rate notes, $30 million was outstanding under the term loans, and $5 million of letters of credit in support of the project were issued.

Under the terms of the Borrego Financing Agreement on March 28, 2013, Borrego was required to enter into two fixed for floating interest rate swaps that would fix the interest rate for a minimum of 75% of the outstanding notional amount. Borrego will pay its counterparty the equivalent of a 1.125% fixed interest payment on a predetermined notional value, and quarterly, Borrego will receive the equivalent of a floating interest payment based on a 3 month LIBOR calculated on the same notional value through June 30, 2020. All interest rate swap payments by Borrego and its counterparties are made quarterly and the LIBOR rate is determined in advance of each interest period. The original notional amount of the swaps, which became effective April 3, 2013, was $15 million and will amortize in proportion to the term loan.

Marsh Landing Credit Agreement Term Conversion

In May 2013, Marsh Landing met the conditions under the credit agreement to convert the construction loan for the facility to a term loan which will amortize on a predetermined basis. Prior to term conversion, Marsh Landing drew the remaining funds available under the facility in order to pay costs due for construction. Marsh Landing issued a $24 million letter of credit under the facility in support of its debt service requirements. As of December 31, 2014, $108 million was outstanding under the Tranche A loan, $356 million was outstanding under the Tranche B loans, and $22 million of letters of credit in support of the project were issued.

On July 17, 2014, Marsh Landing amended its credit agreement to increase its borrowings by $34 million and to reduce the related interest rate for the Tranche A borrowings from 3 month LIBOR plus an applicable margin of 2.75% to 3 month LIBOR plus 1.75% through December 2017; and for the Tranche B to reduce the related interest rate from 3 month LIBOR plus 3.00% to 3 month LIBOR plus 1.875% through December 2017 and to 3 month LIBOR plus 2.125% through December 2020 and to 3 month LIBOR plus 2.375% thereafter. The proceeds from the borrowings were utilized to make a distribution of $29 million to NRG Yield Operating LLC and to fund the costs of the amendment.

TA High Desert Facility

The TA High Desert Facility is comprised of $53 million of fixed rate notes due 2033 at an interest rate of 5.15%, $7 million of floating rate notes due 2023, $22 million of bridge notes due the earlier of ten days after receipt of the cash grant or May 2014, and a revolving facility of $12 million. The floating rate notes have an interest rate of 3 month LIBOR plus 2.5% with LIBOR floor of 1.5%, while the bridge notes have an interest rate of 1 month LIBOR plus 2.50%. As described in Note 4, *Property, Plant and Equipment*, in April 2014, TA High Desert received payment of $20 million for its cash grant and utilized the proceeds, along with an additional $2 million of cash contributed by NRG to repay the cash grant bridge loan. The revolving facility can be used for cash or for the issuance of up to $9 million in letters of credit. As of December 31, 2014, $55 million of notes were outstanding and $8 million of letters of credit were outstanding under the revolving facility. The notes amortize on predetermined schedules and are secured by all of the assets of TA High Desert.

RE Kansas South Facility

The RE Kansas South Facility includes a $38 million term loan due 2031 and a $21 million cash grant bridge loan due ten days after receipt of the cash grant. The term loan has an interest rate of 6 month LIBOR plus an applicable margin of 2.625% and increases by 0.25% every 4 years. The cash grant bridge loan had an interest rate of 1 month LIBOR plus an applicable margin of 2.00%. The term loan amortizes on a predetermined schedule and is secured by all of the assets of RE Kansas South. As described in Note 4, *Property, Plant and Equipment*, in April 2014, the Company received payment of $21 million for the cash grant related to RE Kansas South and utilized the proceeds to repay the cash grant bridge loan. On September 26, 2014, RE Kansas South amended its credit agreement to change the interest rate to 6 month LIBOR plus 2.00% through September 30, 2019 and to 6 month LIBOR plus 2.250% thereafter. As of December 31, 2014, $35 million was outstanding under the term loan and $4 million of letters of credit were issued under the RE Kansas South Facility.

Avra Valley Credit Agreement

On July 9, 2014, Avra Valley amended its credit agreement to increase its borrowings by $3 million and to reduce the related interest rate from 3 month LIBOR plus an applicable margin of 2.25% to 3 month LIBOR plus 1.75%. The proceeds were primarily utilized to make a distribution to Yield Operating.

Alta Wind Financing Arrangements

As described in Note 3, *Business Acquisitions*, the Company acquired the Alta Wind Portfolio on August 12, 2014. In connection with the acquisition, the Company assumed the following debt arrangements:

Term Loan and Note Facilities

In June 2013, Alta Wind X entered into a credit agreement with several lenders for $337 million, which provided loans for the construction of the plant, letters of credit commitments to support certain obligations and a debt reserve loan commitment. The agreement contains a $300 million construction loan which converted to a term loan on March 31, 2014 and matures in March 2021. The term loan has an interest rate of 3 month LIBOR plus an applicable margin. The applicable margin was initially set at 2.00% for LIBOR-based loan increasing to 2.25% on the fourth anniversary of term loan conversion. The Company pays a commitment fee on the unused portion of all instruments of 0.75% quarterly in arrears on the last business day of March, June, September and December. The credit agreement also provides for a $20 million letter of credit facility to support obligations of the project, which expires on the term loan maturity date and a $17 million debt service loan commitments in the event the project is unable to meet its debt service obligations. As of December 31, 2014, $5 million of letters of credit were issued and no borrowings were made under the debt service loan commitments. In addition, a $3 million letter of credit to support a liquidity reserve requirement was issued under the Yield Credit Facility.

In June 2013, Alta Wind XI entered into a credit agreement with several lenders for $212 million, which provided loans for the construction of the plant, letters of credit commitments to support certain obligations and a debt reserve loan commitment. The agreement contains a $191 million construction loan which converted to a term loan on March 31, 2014 and matures in March 2021. The term loan has an interest rate of 3 month LIBOR plus an applicable margin. The applicable margin was initially set at 2.00% for LIBOR-based loan increasing to 2.25% on the fourth anniversary of term loan conversion. The Company pays a commitment fee on the unused portion of all instruments of 0.75% quarterly in arrears on the last business day of March, June, September and December. The credit agreement also provides for a $10 million letter of credit facility to support obligations under the PPA, which expires on the term loan maturity date and an $11 million in debt service loan commitments in the event the project is unable to meet its debt service obligations. As of December 31, 2014, no letters of credit were issued and no borrowings were made under the debt service loan commitments. In addition, a $3 million letter of credit to support a liquidity reserve requirement was issued under the Yield Credit Facility.

On May 22, 2013, AWAM entered into a credit agreement with a lender and borrowed a $20 million term loan. The proceeds from the issuance of the term loan were utilized to pay transactions costs and fund certain restricted cash accounts. AWAM has a $20 million term loan as of December 31, 2014, which has an interest rate of 3 month LIBOR plus an applicable margin of 2.375% and increases every four years to a maximum applicable margin of 2.88%. Principal and interest are payable quarterly on February 15, May 15, August 15 with a final maturity on May 15, 2031. The loan is secured by substantially all of the assets of AWAM. The term loan also has a debt service requirement, which is satisfied with a $1 million letter of credit issued under the Yield Credit Facility.

On January 31, 2011, Alta Realty entered into a $30 million note purchase agreement with a group of institutional investors with interest and principal payable quarterly on January 31, April 30, July 31, and October 31. The note has an interest rate of 7% and matures on January 31, 2031. The note purchase agreement also has a debt service requirement, which is satisfied with a $2 million letter of credit issued under the Yield Credit Facility. As of December 31, 2014, $34 million was outstanding under the note purchase agreement.

Lease financing arrangements

Alta Wind Holdings (Alta Wind II - V) and Alta I (operating entities) have finance lease obligations issued under lease transactions whereby the respective operating entities sold and leased back undivided interests in specific assets of the project. The sale and related lease transactions are accounted for as financing arrangements as the operating entities have continued involvement with the property. The terms and conditions of each facility lease are substantially similar. Each operating entity makes rental payments as stipulated in the facility lease agreements on a semiannual basis every June 30 and December 30 through the final maturity dates. In addition, the operating entities have a credit agreement with a group of lenders that provides for the issuance of letters of credit to support certain operating and debt service obligations. Certain O&M and rent reserve requirements are satisfied by letters of credit issued under the Yield Operating agreement. As of December 31, 2014, $1,036 million was outstanding under the finance lease obligations, and $114 million of letters of credit issued under the credit agreement and $29 million issued under the Yield Credit Facility.

Interest Rate Swaps — Project Financings

Many of the Company's project subsidiaries entered into interest rate swaps, intended to hedge the risks associated with interest rates on non-recourse project level debt. These swaps amortize in proportion to their respective loans and are floating for fixed where the project subsidiary pays its counterparty the equivalent of a fixed interest payment on a predetermined notional value and will receive quarterly the equivalent of a floating interest payment based on the same notional value. All interest rate swap payments by the project subsidiary and its counterparty are made quarterly and the LIBOR is determined in advance of each interest period. In connection with the acquisition of the Alta Wind Portfolio, as described in Note 3, *Business Acquisitions*, the Company acquired thirty one additional interest rate swaps.

The following table summarizes the swaps, some of which are forward starting as indicated, related to the Company's project level debt as of December 31, 2014.

	% of Principal	Fixed Interest Rate	Floating Interest Rate	Notional Amount at December 31, 2014 (In millions)	Effective Date	Maturity Date
NRG Marsh Landing LLC	75%	3.244%	3-Month LIBOR	$ 431	June 28, 2013	June 30, 2023
NRG West Holdings LLC	75%	2.417%	3-Month LIBOR	384	November 30, 2011	August 31, 2023
South Trent Wind LLC	75%	3.265%	3-Month LIBOR	48	June 15, 2010	June 14, 2020
South Trent Wind LLC	75%	4.95%	3-Month LIBOR	21	June 30, 2020	June 14, 2028
NRG Solar Roadrunner LLC	75%	4.313%	3-Month LIBOR	31	September 30, 2011	December 31, 2029
NRG Solar Blythe LLC	75%	3.563%	3-Month LIBOR	17	June 25, 2010	June 25, 2028
NRG Solar Avra Valley LLC	85%	2.333%	3-Month LIBOR	54	November 30, 2012	November 30, 2030
NRG Solar Alpine LLC	85%	2.744%	3-Month LIBOR	129	various	December 31, 2029
NRG Solar Alpine LLC	85%	2.421%	3-Month LIBOR	10	June 24, 2014	June 30, 2025
RE Kansas South LLC	75%	2.368%	3-Month LIBOR	26	June 28, 2013	December 31, 2030
NRG Solar Borrego LLC	75%	1.125%	3-Month LIBOR	11	April 3, 2013	June 30, 2020
Alta X	100%	various	3-Month LIBOR	174	December 31, 2013	December 31, 2015
Alta X	100%	various	3-Month LIBOR	126	December 31, 2013	December 31, 2025
Alta X	100%	various	3-Month LIBOR	162	December 31, 2015	December 31, 2020
Alta X	100%	various	3-Month LIBOR	103	December 31, 2020	December 31, 2025
Alta XI	100%	various	3-Month LIBOR	138	December 31, 2013	December 31, 2015
Alta XI	100%	various	3-Month LIBOR	54	December 31, 2013	December 31, 2025
Alta XI	100%	various	3-Month LIBOR	103	December 31, 2015	December 31, 2020
Alta XI	100%	various	3-Month LIBOR	65	December 31, 2020	December 31, 2025
AWAM	100%	2.47%	3-Month LIBOR	20	May 22, 2013	May 15, 2031
Total				$ 2,107		

Annual Maturities

Annual payments based on the maturities of the Company's debt, for the years ending after December 31, 2014 are as follows:

	(In millions)
2015	$ 160
2016	190
2017	200
2018	201
2019	550
Thereafter	2,760
Total	$ 4,061

Note 10 — Members' Equity

For all periods prior to the acquisition and Yield Inc.'s initial public offering, members' equity reflects the combined capital contributed by NRG, as well as its retained earnings and accumulated comprehensive loss.

The following table lists the distributions paid on the Company's Class A and Class B units during the year ended December 31, 2014:

	Fourth Quarter 2014	Third Quarter 2014	Second Quarter 2014	First Quarter 2014
Distributions paid by the Company on its Class A and Class B units	$ 0.375	$ 0.365	$ 0.35	$ 0.33

On February 17, 2015, the Company declared a quarterly distribution on its Class A and Class B units of $0.39 per share payable on March 16, 2015.

On June 30, 2014, the Company acquired the TA High Desert, RE Kansas South, and El Segundo projects, as discussed in Note 3, *Business Acquisitions*. The difference between the cash paid and historical value of the entities' equity of $113 million was recorded as a distribution to NRG and reduced the balance of its contributed capital. As the financial statements have been retrospectively adjusted as discussed in Note 1, *Nature of Business*, the cash paid for the historical value of the entities' equity of $244 million is also shown as a distribution to NRG and reduces the balance of its contributed capital. Prior to the date of acquisition, NRG contributed $2 million to TA High Desert and El Segundo made a distribution to NRG of $23 million. In addition, there were $16 million of non-cash contributions recorded in the year ended December 31, 2014.

Note 11 — Segment Reporting

The Company's segment structure reflects how management currently makes financial decisions and allocates resources. Its businesses are primarily segregated based on conventional power generation, renewable businesses which consist of solar and wind, and the thermal and chilled water business. The Corporate segment reflects the Company's corporate costs.

The Company generated more than 10% of its revenues from the following customers for the years ended December 31, 2014 and 2013. For the year ended December 31, 2012, there were no customers from whom the Company derived more than 10% of consolidated revenue.

	2014		2013	
Customer	Conventional (%)	Renewables (%)	Conventional (%)	Renewables (%)
Southern California Edison	21%	11%	15%	4%
Pacific Gas and Electric	21%	5%	22%	7%

(In millions)	Year ended December 31, 2014 Conventional Generation	Renewables	Thermal	Corporate	Total
Operating revenues	$ 244	$ 144	$ 195	$ —	$ 583
Cost of operations	41	34	139	—	214
Depreciation and amortization	66	52	18	—	136
General and administrative — affiliate	—	—	—	8	8
Acquisition-related transaction and integration costs	—	—	—	4	4
Operating income (loss)	137	58	38	(12)	221
Equity in earnings of unconsolidated affiliates	14	13	—	—	27
Other income, net	1	1	—	1	3
Interest expense	(43)	(86)	(7)	(25)	(161)
Net Income (Loss)	$ 109	$ (14)	$ 31	$ (36)	$ 90
Balance Sheet					
Equity investment in affiliates	$ 114	$ 113	$ —	$ —	$ 227
Capital expenditures[a]	5	(1)	7	—	11
Total assets	$ 1,516	$ 3,321	$ 437	$ 339	$ 5,613

(a) Includes accruals. Capital expenditures for Renewables include a sales tax refund received by Alpine in the first quarter of 2014.

(In millions)	Year ended December 31, 2013 Conventional Generation	Renewables	Thermal	Corporate	Total
Operating revenues	$ 138	$ 89	$ 152	$ —	$ 379
Cost of operations	23	11	110	—	144
Depreciation and amortization	20	26	15	—	61
General and administrative — affiliate	—	—	—	7	7
Operating income (loss)	95	52	27	(7)	167
Equity in earnings of unconsolidated affiliates	16	6	—	—	22
Other income, net	1	2	—	—	3
Interest expense	(25)	(20)	(7)	—	(52)
Net income before income tax	87	40	20	(7)	140
Income tax benefit	—	—	—	(3)	(3)
Net Income (Loss)	$ 87	$ 40	$ 20	$ (4)	$ 143
Balance sheet					
Equity investments in affiliates	$ 118	$ 109	$ —	$ —	$ 227
Capital expenditures [a]	168	30	15	—	213
Total assets	$ 1,584	$ 1,046	$ 436	$ 27	$ 3,093

(a) Includes accruals.

(In millions)	Year ended December 31, 2012 Conventional Generation	Renewables	Thermal	Corporate	Total
Operating revenues	$ —	$ 33	$ 142	$ —	$ 175
Cost of operations	2	9	103	—	114
Depreciation and amortization	—	10	15	—	25
General and administrative — affiliate	—	—	—	7	7
Operating income (loss)	(2)	14	24	(7)	29
Equity in earnings of unconsolidated affiliates	15	4	—	—	19
Other income, net	1	1	—	—	2
Interest expense	—	(20)	(8)	—	(28)
Net income (loss) before income taxes	14	(1)	16	(7)	22
Income tax expense	—	—	—	10	10
Net Income (Loss)	$ 14	$ (1)	$ 16	$ (17)	$ 12

Note 12 — Income Taxes

Effective Tax Rate

The income tax provision consisted of the following amounts:

	Year Ended December 31,	
	2013	2012
	(In millions, except percentages)	
Current		
U.S. Federal	$ —	$ 7
Total — current	—	7
Deferred		
U.S. Federal	(3)	1
State	—	2
Total — deferred	(3)	3
Total income tax expense	$ (3)	$ 10
Effective tax rate	(2.1)%	45.5%

A reconciliation of the U.S. federal statutory rate of 35% to the Company's effective rate is as follows:

	Year Ended December 31,	
	2013	2012
	(In millions, except percentages)	
Income Before Income Taxes	$ 140	$ 22
Tax at 35%	49	8
State taxes, net of federal benefit	—	2
Impact of change in tax status as of July 22, 2013	(52)	—
Income tax (benefit) expense	$ (3)	$ 10
Effective income tax rate	(2.1)%	45.5%

On July 22, 2013, Yield Inc. acquired a controlling interest in the Company and NRG Yield LLC. As of that date, the Company and NRG Yield LLC are disregarded entities of a partnership for federal and state income tax purposes; therefore, taxes recorded prior to the acquisition were reversed. Income tax expense represents proforma income tax expense for the Company for the years ended December 31, 2012 and the period from January 1, 2013 to July 22, 2013.

Note 13 — Related Party Transactions

Management Services Agreement by and between NRG and the Company

Since the Company has no employees, NRG provides the Company with various operation, management, and administrative services, which include human resources, accounting, tax, legal, information systems, treasury, and risk management, as set forth in the Management Services Agreement. As of December 31, 2014, the base management fee was approximately $6 million per year subject to an inflation based adjustment annually at an inflation factor based on the year-over-year U.S. consumer price index. The fee is also subject to adjustments following the consummation of future acquisitions and as a result of a change in the scope of services provided under the Management Services Agreement. During the year ended December 31, 2014, the fee was increased by approximately $2 million per year in connection with the acquisition of the Acquired ROFO Assets and Alta Wind Portfolio. Costs incurred under this agreement were approximately $8 million for the year ended December 31, 2014 and $3 million for the period beginning July 23, 2013 and ending December 31, 2013. These costs included certain direct expenses incurred by NRG on behalf of the Company in addition to the base management fee, $5 million of which was unpaid as of December 31, 2014 and bears no interest. The balance was classified as a liability under accounts payable — affiliate in the Company's consolidated balance sheets as of December 31, 2014, and repaid in February 2015.

Operation and Maintenance Services (O&M) Agreements by and between NRG and Thermal Entities

On October 1, 2014, NRG entered into Plant O&M Services Agreements with certain wholly-owned subsidiaries of the Company. NRG provides necessary and appropriate services to operate and maintain the subsidiaries' plant operations, businesses and thermal facilities. NRG is to be reimbursed for the provided services, as well as for all reasonable and related expenses and expenditures, and payments to third parties for services and materials rendered to or on behalf of the parties to the agreements. NRG is not entitled to any management fee or mark-up under the agreements. Prior to October 1, 2014, NRG provided same services to Thermal entities on an informal basis. For the years ended December 31, 2014 and 2013, total fees incurred under the agreements were $27 million and $24 million, respectively. There was a balance of $22 million due to NRG in accounts payable — affiliate as of December 31, 2014.

O&M Services Agreements by and between NRG and GenConn

GenConn incurs fees under two O&M agreements with wholly-owned subsidiaries of NRG. The fees incurred under the agreements were $6 million, $5 million and $5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Power Sales and Services Agreement by and between NRG and NRG Energy Center Dover LLC

NRG Energy Center Dover LLC, or NRG Dover, a subsidiary of the Company is party to a Power Sales and Services Agreement with NRG Power Marketing LLC, or NRG Power Marketing, a wholly-owned subsidiary of NRG. The agreement is automatically renewed on a month-to-month basis unless terminated by either party upon at least 30 day written notice. Under the agreement, NRG Power Marketing has the exclusive right to (i) manage, market and sell power, (ii) procure fuel and fuel transportation for operation of the Dover generating facility, to include for purposes other than generating power, (iii) procure transmission services required for the sale of power, and (iv) procure and market emissions credits for operation of the Dover generating facility.

In addition, NRG Power Marketing has the exclusive right and obligation to direct the output from the generating facility, in accordance with and to meet the terms of any power sales contracts executed against the power generation of the Dover facility. Under the agreement, NRG Power Marketing pays NRG Dover gross receipts generated through sales, less costs incurred by NRG Power Marketing related to providing such services as transmission and delivery costs, as well as fuel costs. During 2011, the existing coal purchase contract expired and NRG Power Marketing entered into a new contract, which expired in December 2012, to purchase coal for the Dover Facility. For the year ended December 31, 2012, NRG Dover purchased approximately $2 million under this agreement. In July 2013, the originally coal-fueled plant was converted to a natural gas facility. For the years ended December 31, 2014, and 2013, NRG Dover purchased approximately $10 million and $5 million, respectively, of natural gas from NRG Power Marketing.

O&M Services Agreements by and between El Segundo and NRG El Segundo Operations

El Segundo incurs fees under an O&M agreement with NRG El Segundo Operations, Inc., a wholly-owned subsidiary of NRG. Under the O&M agreement, NRG El Segundo Operations, Inc. manages, operates and maintains the El Segundo facility for an initial term of ten years following the commercial operations date. For the years ended December 31, 2014, 2013, and 2012, the costs incurred under the agreement were approximately $4 million, $5 million, and $1 million, respectively. For the years ended December 31, 2013 and 2012, $2 million and $1 million of the costs incurred were capitalized and recorded to property, plant and equipment in the Company's consolidated balance sheets.

Ground Lease and Easement Agreement by and between El Segundo and El Segundo Power, LLC

El Segundo incurred lease expense under a ground lease and easement agreement with El Segundo Power, LLC, a wholly-owned subsidiary of NRG, for a parcel of real property in the city of El Segundo, California. The nonexclusive easements are for the support infrastructure for the project. The initial term of the agreement was over the construction of the project through the twentieth anniversary of the commercial operations date. For the years ended December 31, 2014, 2013, and 2012, the Company incurred costs of approximately $1 million for each year. The costs are included in cost of operations in the Company's consolidated statements of operations.

Construction Management Services Agreement by and between El Segundo and NRG Construction Services LLC

El Segundo incurred fees under a construction management services agreement with NRG Construction Services LLC, a wholly-owned subsidiary of NRG, to act as construction manager of the project to manage the design, engineering, procurement and construction, commissioning, testing initial start-up and closeout of construction activities for the facility. For the years ended December 31, 2013 and 2012, total costs incurred were $4 million, and $4 million, respectively. The costs were capitalized and recorded to property, plant and equipment in the Company's consolidated balance sheets. El Segundo achieved commercial operations in August 2013.

Energy Marketing Services Agreement with NRG Power Marketing LLC

El Segundo was a party to an energy marketing services agreement with NRG Power Marketing LLC, a wholly-owned subsidiary of NRG, to procure fuel and market capacity, energy and ancillary output of the facility prior to the start of the PPA with Southern California Edison. The agreement began in April 2013 and ended at the commercial operations date in August 2013. For the years ended December 31, 2014 and 2013, the Company recorded approximately $1 million and $12 million, respectively, in costs related to this agreement of which $9 million was recorded to property, plant and equipment in 2013, with remaining amount recorded to cost of operations in the Company's statement of operations.

Administrative Services Agreement by and between Marsh Landing and GenOn Energy Services, LLC

Marsh Landing is a party to an administrative services agreement with GenOn Energy Services, LLC, a wholly owned subsidiary of NRG, which provides with processing and paying invoices services on behalf of Marsh Landing. Marsh Landing reimburses GenOn Energy Services, LLC for the amounts paid by it. The Company reimbursed costs under this agreement of approximately $13 million, $36 million, and $2 million for the years ended December 31, 2014, 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, $2 million, $29 million and $2 million, respectively, were capitalized. There was a balance of $4 million and $2 million due to GenOn Energy Services, LLC in accounts payable — affiliate. as of December 31, 2014 and 2013, respectively.

Accounts Payable to NRG Renew LLC

During the third quarter of 2013, NRG Renew LLC (formerly known as NRG Solar LLC), a wholly-owned subsidiary of NRG, made 100% of the required capital contributions to CVSR, including the Company's 48.95% portion, of which $14 million was outstanding as of December 31, 2013. This balance was repaid to NRG Renew LLC during the quarter ended March 31, 2014.

Accounts Payable to NRG Repowering Holdings LLC

During 2013, NRG Repowering Holdings, LLC, a wholly-owned subsidiary of NRG, made payments to BA Leasing BSC, LLC, or BA Leasing, of $18 million, which were expected to be repaid with the proceeds of the cash grant received by BA leasing with respect to the PFMG DG Solar Projects, in connection with a sale-leaseback arrangement between the PFMG DG Solar Projects and BA Leasing. As of December 31, 2013, PFMG DG Solar Projects had a corresponding receivable for the reimbursement of the cash grant from BA Leasing and related payable to NRG Repowering Holdings, LLC. In the first quarter of 2014, the PFMG DG Solar Projects received $11 million from BA Leasing and reduced the remaining receivable with an offset to the deferred liability recorded in connection with the sale - leaseback arrangement. The PFMG DG Solar Projects utilized the $11 million to repay NRG Repowering Holdings LLC.

Note 14 — Commitments and Contingencies

Operating Lease Commitments

The Company leases certain facilities and equipment under operating leases, some of which include escalation clauses, expiring on various dates through 2048. The effects of these scheduled rent increases, leasehold incentives, and rent concessions are recognized on a straight-line basis over the lease term unless another systematic and rational allocation basis is more representative of the time pattern in which the leased property is physically employed. Lease expense under operating leases was $3 million for the year ended December 31, 2014 and $2 million for each of the years ended 2013 and 2012.

Future minimum lease commitments under operating leases for the years ending after December 31, 2014, are as follows:

Period	(In millions)
2015	$ 6
2016	5
2017	5
2018	5
2019	5
Thereafter	103
Total	$ 129

Gas and Transportation Commitments

The Company has entered into contractual arrangements to procure power, fuel and associated transportation services. For the years ended December 31, 2014, 2013 and 2012, the Company purchased $55 million, $40 million, and $30 million, respectively, under such arrangements.

As of December 31, 2014, the Company's commitments under such outstanding agreements are estimated as follows:

Period	(In millions)
2015	$ 15
2016	4
2017	3
2018	3
2019	2
Thereafter	26
Total	$ 53

Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management expects that these various litigation items will not have a material adverse effect on the Company's results of operations or financial position.

Note 15 — Environmental Matters

In 2013, NRG Energy Center San Francisco LLC, a wholly owned indirect subsidiary of the Company, received a notice of violation from the San Francisco Department of Public Health alleging improper monitoring of three underground storage tanks. The tanks have not leaked. The Company settled the matter in July 2014 for $123,000.

Note 16 — Unaudited Quarterly Data

Refer to Item 15 - Note 2, *Summary of Significant Accounting Policies* and Note 3, *Business Acquisitions* for a description of the effect of unusual or infrequently occurring events during the quarterly periods. Summarized unaudited quarterly financial data is as follows:

	Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
	2014			
	(In millions, except per share data)			
Operating Revenues	$ 148	$ 161	$ 134	$ 140
Operating Income	46	70	51	54
Net (Loss) Income	$ (20)	$ 43	$ 37	$ 30

	Quarter Ended			
	December 31, [(a)]	September 30, [(a)]	June 30, [(a)]	March 31, [(a)]
	2013			
	(In millions, except per share data)			
Operating Revenues	$ 118	$ 126	$ 82	$ 53
Operating Income	54	63	38	12
Net Income Before Taxes	$ 41	$ 53	$ 35	$ 11

Note 17 — Condensed Consolidating Financial Information

On August 5, 2014, Yield Operating issued $500 million of Senior Notes as shown in Note 9, *Long - Term Debt*. These Senior Notes are guaranteed by the Company, as well as certain of the Company's subsidiaries, or guarantor subsidiaries. These guarantees are both joint and several. The non-guarantor subsidiaries include the rest of the Company's subsidiaries, including the ones that are subject to project financing.

Unless otherwise noted below, each of the following guarantor subsidiaries fully and unconditionally guaranteed the Senior Notes as of December 31, 2014:

NRG Yield LLC
NRG Energy Center Omaha Holdings LLC
NRG Energy Center Omaha LLC
NRG South Trent Holdings LLC

In addition, the condensed parent company financial statements are provided in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of Yield LLC's subsidiaries exceed 25 percent of the consolidated net assets of Yield LLC. These statements should be read in conjunction with the consolidated statements and notes thereto of NRG Yield LLC. For a discussion of Yield LLC's long-term debt, see Note 9, *Long - Term Debt* to the consolidated financial statements. For a discussion of Yield LLC's commitments and contingencies, see Note 14, *Commitments and Contingencies* to the consolidated financial statements. For a discussion of Yield LLC's distributions to Yield, Inc. and NRG Energy, see Note 10, *Members' Equity* to the consolidated financial statements.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2014

	NRG Yield LLC [a]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[b]	Consolidated
			(In millions)			
Operating Revenues						
Total operating revenues	$ —	$ 24	$ 559	$ —	$ —	$ 583
Operating Costs and Expenses				—		
Cost of operations	—	16	198	—	—	214
Depreciation and amortization	—	4	132	—	—	136
General and administrative — affiliate	—	—	—	8	—	8
Acquisition-related transaction and integration costs	—	—	—	4	—	4
Total operating costs and expenses	—	20	330	12	—	362
Operating Income (Loss)	—	4	229	(12)	—	221
Other Income (Expense)						
Equity in earnings of consolidated affiliates	89	1	—	99	(189)	—
Equity in earnings of unconsolidated affiliates	—	—	—	27	—	27
Other income, net	1	—	2	—	—	3
Interest expense	—	—	(136)	(25)	—	(161)
Total other income (expense), net	90	1	(134)	101	(189)	(131)
Net Income	$ 90	$ 5	$ 95	$ 89	$ (189)	$ 90

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2014

	NRG Yield LLC [(a)]	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Net Income	$ 90	$ 5	$ 95	$ 89	$ (189)	$ 90
Other Comprehensive Loss						
Unrealized loss on derivatives	(33)	—	(33)	(33)	65	(34)
Other comprehensive loss	(33)	—	(33)	(33)	65	(34)
Comprehensive Income	$ 57	$ 5	$ 62	$ 56	$ (124)	$ 56

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2014

ASSETS	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Current Assets						
Cash and cash equivalents	$ 328	$ —	$ 63	$ —	$ —	$ 391
Restricted cash	—	—	22	—	—	22
Accounts receivable — trade	—	3	64	—	—	67
Accounts receivable — affiliate	(257)	17	66	268	(94)	—
Inventory	—	2	16	—	—	18
Notes receivable	—	—	6	—	—	6
Prepayments and other current assets	—	—	19	—	—	19
Total current assets	71	22	256	268	(94)	523
Net property, plant and equipment	—	56	3,431	—	—	3,487
Other Assets						
Investment in consolidated subsidiaries	1,259	19	—	1,640	(2,918)	—
Equity investments in affiliates	—	—	—	227	—	227
Notes receivable	—	—	15	—	—	15
Intangible assets, net of accumulated amortization $26	—	58	1,208	—	—	1,266
Derivative instruments	—	—	1	—	—	1
Other non-current assets	—	—	84	10	—	94
Total other assets	1,259	77	1,308	1,877	(2,918)	1,603
Total Assets	$ 1,330	$ 155	$ 4,995	$ 2,145	$ (3,012)	$ 5,613

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS
(Continued)

December 31, 2014

LIABILITIES AND MEMBERS' EQUITY	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
	(In millions)					
Current Liabilities						
Current portion of long-term debt	$ —	$ —	$ 160	$ —	$ —	$ 160
Accounts payable	—	1	17	1	—	19
Accounts payable — affiliate	—	8	98	32	(95)	43
Derivative instruments	—	—	31	—	—	31
Accrued expenses and other current liabilities	—	2	25	16	—	43
Total current liabilities	—	11	331	49	(95)	296
Other Liabilities						
Long-term debt — external	—	—	3,064	500	—	3,564
Long-term debt — affiliate	—	—	—	337	—	337
Derivative instruments	—	—	46	—	—	46
Other non-current liabilities	—	—	39	—	—	39
Total non-current liabilities	—	—	3,149	837	—	3,986
Total Liabilities	—	11	3,480	886	(95)	4,282
Commitments and Contingencies						
Members' Equity						
Contributed capital	1,237	143	1,431	1,169	(2,768)	1,212
Retained earnings	128	4	102	125	(205)	154
Accumulated other comprehensive loss	(35)	(3)	(18)	(35)	56	(35)
Total Members' Equity	1,330	144	1,515	1,259	(2,917)	1,331
Total Liabilities and Members' Equity	$ 1,330	$ 155	$ 4,995	$ 2,145	$ (3,012)	$ 5,613

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2014

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Net Cash Provided by Operating Activities	$ 100	$ 12	$ 26	$ 85	$ —	$ 223
Cash Flows from Investing Activities						
Intercompany transactions from Yield LLC to subsidiaries	(630)	—	—	630	—	—
Acquisition of business, net of cash acquired	—	—	—	(901)	—	(901)
Payment to NRG for Acquired ROFO assets	—	—	—	(357)	—	(357)
Capital expenditures	—	—	(33)	—	—	(33)
Decrease in restricted cash	—	—	60	—	—	60
Decrease in notes receivable, including affiliates	—	—	6	2	—	8
Proceeds from renewable energy grants	—	—	137	—	—	137
Investments in unconsolidated affiliates	—	—	—	7	—	7
Other	—	—	11	—	—	11
Net Cash (Used in) Provided by Investing Activities	(630)	—	181	(619)	—	(1,068)
Cash Flows from Financing Activities						
Capital contributions from NRG	—	—	2	—	—	2
Distributions and returns of capital to NRG	—	—	(23)	—	—	(23)
Proceeds from the issuance of Class A units	630	—	—	—	—	630
Proceeds from (payments for) intercompany loans	326	(12)	—	(314)	—	—
Payment of dividends and distributions	(101)	—	—	—	—	(101)
Proceeds from issuance of long-term debt — external	—	—	78	501	—	579
Proceeds from issuance of long-term debt — affiliate	—	—	—	337	—	337
Payment of debt issuance costs	—	—	(9)	(10)	—	(19)
Payments for long-term debt — external	—	—	(228)	—	—	(228)
Net Cash Provided by (Used in) Financing Activities	855	(12)	(180)	514	—	1,177
Net Increase (Decrease) in Cash and Cash Equivalents	325	—	27	(20)	—	332
Cash and Cash Equivalents at Beginning of Period	3	—	36	20	—	59
Cash and Cash Equivalents at End of Period	$ 328	$ —	$ 63	$ —	$ —	$ 391

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2013

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Operating Revenues						
Total operating revenues	$ —	$ —	$ 379	$ —	$ —	$ 379
Operating Costs and Expenses						
Cost of operations	—	—	144	—	—	144
Depreciation and amortization	—	—	61	—	—	61
General and administrative — affiliate	—	—	—	7	—	7
Total operating costs and expenses	—	—	205	7	—	212
Operating Income (Loss)	—	—	174	(7)	—	167
Other Income (Expense)						
Equity in earnings of consolidated affiliates	140	3	—	125	(268)	—
Equity in earnings of unconsolidated affiliates	—	—	—	22	—	22
Other income, net	—	—	3	—	—	3
Interest expense	—	—	(52)	—	—	(52)
Total other income (expense)	140	3	(49)	147	(268)	(27)
Net Income Before Income Taxes	140	3	125	140	(268)	140
Income tax benefit	(3)	—	—	—	—	(3)
Net Income	$ 143	$ 3	$ 125	$ 140	$ (268)	$ 143

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2013

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Net Income	$ 143	$ 3	$ 125	$ 140	$ (268)	$ 143
Other Comprehensive Income						
Unrealized gain on derivatives	47	3	56	64	(123)	47
Other comprehensive income	47	3	56	64	(123)	47
Comprehensive Income	$ 190	$ 6	$ 181	$ 204	$ (391)	$ 190

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2013

ASSETS	NRG Yield LLC (a)	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations (b)	Consolidated
			(In millions)			
Current Assets						
Cash and cash equivalents	$ 3	$ —	$ 36	$ 20	$ —	$ 59
Restricted cash	—	—	67	—	—	67
Accounts receivable — trade	—	2	49	—	—	51
Accounts receivable — affiliate	67	—	21	—	(82)	6
Inventory	—	2	13	—	—	15
Derivative instruments	—	—	1	—	—	1
Notes receivable	—	—	6	—	—	6
Renewable energy grant receivable	—	—	147	—	—	147
Prepayments and other current assets	—	—	27	—	—	27
Total current assets	70	4	367	20	(82)	379
Net property, plant and equipment	—	60	2,231	—	—	2,291
Other Assets						
Investment in consolidated subsidiaries	1,036	18	—	866	(1,920)	—
Equity investments in affiliates	—	—	—	227	—	227
Notes receivable	—	—	21	—	—	21
Notes receivable — affiliate	—	—	—	3	(1)	2
Intangible assets, net of accumulated amortization of $7	—	59	44	—	—	103
Derivative instruments	—	—	20	—	—	20
Other non-current assets	—	—	48	1	1	50
Total other assets	1,036	77	133	1,097	(1,920)	423
Total Assets	$ 1,106	$ 141	$ 2,731	$ 1,117	$ (2,002)	$ 3,093

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS
(Continued)

December 31, 2013

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations [(b)]	Consolidated
LIABILITIES AND MEMBERS' EQUITY				(In millions)		
Current Liabilities						
Current portion of long-term debt	$ —	$ —	$ 214	$ —	$ —	$ 214
Accounts payable	—	2	40	—	—	42
Accounts payable — affiliate	—	—	54	81	(84)	51
Derivative instruments	—	—	31	—	—	31
Accrued expenses and other current liabilities	—	—	30	—	—	30
Total current liabilities	—	2	369	81	(84)	368
Other Liabilities						
Long-term debt — external	—	—	1,569	—	—	1,569
Derivative instruments	—	—	16	—	—	16
Other non-current liabilities	—	—	32	—	—	32
Total non-current liabilities	—	—	1,617	—	—	1,617
Total Liabilities	—	2	1,986	81	(84)	1,985
Commitments and Contingencies						
Members' Equity						
Contributed capital	960	145	602	893	(1,656)	944
Retained earnings	147	(3)	128	144	(251)	165
Accumulated other comprehensive (loss) income	(1)	(3)	15	(1)	(11)	(1)
Total Members' Equity	1,106	139	745	1,036	(1,918)	1,108
Total Liabilities and Members' Equity	$ 1,106	$ 141	$ 2,731	$ 1,117	$ (2,002)	$ 3,093

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2013

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations[(b)]	Consolidated
			(In millions)			
Net Cash Provided by Operating Activities	$ 57	$ 26	$ 24	$ 13	$ —	$ 120
Cash Flows from Investing Activities						
Acquisition of businesses, net of cash acquired	—	—	—	(120)	—	(120)
Capital expenditures	—	—	(353)	—	—	(353)
Increase in restricted cash, net	—	—	(43)	—	—	(43)
Decrease in notes receivable including affiliates, net	—	—	8	2	—	10
Proceeds from renewable energy grants	—	—	25	—	—	25
Investments in unconsolidated affiliates	—	—	—	(34)	—	(34)
Net Cash Used in Investing Activities	—	—	(363)	(152)	—	(515)
Cash Flows from Financing Activities						
Capital contributions from NRG	—	—	171	—	—	171
Distributions and returns of capital to NRG	(395)	—	(312)	—	—	(707)
Proceeds from the issuance of Class A units	468	—	—	—	—	468
Payment of dividends and distributions	(15)	—	—	—	—	(15)
Proceeds from issuance of long-term debt - external	—	—	594	—	—	594
Proceeds from (payments for) intercompany loans	(112)	—	—	112	—	—
Distributions from project companies, net of contributions	—	—	(48)	48	—	—
Payments of long-term debt- external	—	(26)	(46)	—	—	(72)
Payment for long-term debt - affiliate	—	—	(2)	—	—	(2)
Payment of deferred debt issuance costs	—	—	(4)	(1)	—	(5)
Net Cash (Used in) Provided by Financing Activities	(54)	(26)	353	159	—	432
Net Increase in Cash and Cash Equivalents	3	—	14	20	—	37
Cash and Cash Equivalents at Beginning of Period	—	—	22	—	—	22
Cash and Cash Equivalents at End of Period	$ 3	$ —	$ 36	$ 20	$ —	$ 59

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.

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

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2012

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations [(b)]	Consolidated
				(In millions)		
Operating Revenues						
Total operating revenues	$ —	$ —	$ 175	$ —	$ —	$ 175
Operating Costs and Expenses						
Cost of operations	—	—	114	—	—	114
Depreciation and amortization	—	—	25	—	—	25
General and administrative — affiliate	—	—	—	7	—	7
Total operating costs and expenses	—	—	139	7	—	146
Operating Income (Loss)	—	—	36	(7)	—	29
Other Income (Expense)						
Equity in earnings of consolidated affiliates	22	3	—	10	(35)	—
Equity in earnings of unconsolidated affiliates	—	—	—	19	—	19
Other income, net	—	—	2	—	—	2
Interest expense	—	—	(28)	—	—	(28)
Total other income (expense), net	22	3	(26)	29	(35)	(7)
Net Income Before Income Taxes	22	3	10	22	(35)	22
Income tax expense	10	—	—	—	—	10
Net Income	$ 12	$ 3	$ 10	$ 22	$ (35)	$ 12

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Year Ended December 31, 2012

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations [(b)]	Consolidated
				(In millions)		
Net Income	$ 12	$ 3	$ 10	$ 22	$ (35)	$ 12
Other Comprehensive Loss						
Unrealized loss on derivatives	(20)	—	(20)	(20)	40	(20)
Other comprehensive loss	(20)	—	(20)	(20)	40	(20)
Comprehensive (Loss) Income	$ (8)	$ 3	$ (10)	$ 2	$ 5	$ (8)

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

NRG YIELD LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2012

	NRG Yield LLC [(a)]	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	NRG Yield Operating LLC (Note Issuer)	Eliminations [(b)]	Consolidated
				(In millions)		
Net Cash Provided by Operating Activities	$ —	$ —	$ 54	$ 2	$ —	$ 56
Cash Flows from Investing Activities						
Capital expenditures	—	—	(564)	—	—	(564)
Increase in restricted cash	—	—	(12)	—	—	(12)
Increase in notes receivable, including affiliates	—	—	(17)	—	—	(17)
Proceeds from renewable energy grants	—	—	28	—	—	28
Investments in unconsolidated affiliates	—	—	—	(27)	—	(27)
Other	—	—	(2)	—	—	(2)
Net Cash Used in Investing Activities	—	—	(567)	(27)	—	(594)
Cash Flows from Financing Activities						
Capital contributions from NRG	—	—	355	—	—	355
Distributions and returns of capital to NRG	—	—	(72)	—	—	(72)
Proceeds from issuance of long-term debt — external	—	—	308	—	—	308
Proceeds from (payments for) intercompany loans	—	—	(25)	25	—	—
Payments for long-term debt — external	—	—	(37)	—	—	(37)
Payment for long-term debt-affiliate	—	—	(6)	—	—	(6)
Payment of debt issuance costs	—	—	(12)	—	—	(12)
Net Cash Provided by Financing Activities	—	—	511	25	—	536
Net Decrease in Cash and Cash Equivalents	—	—	(2)	—	—	(2)
Cash and Cash Equivalents at Beginning of Period	—	—	24	—	—	24
Cash and Cash Equivalents at End of Period	$ —	$ —	$ 22	$ —	$ —	$ 22

(a) Shown separately from the other guarantors in lieu of preparing Schedule I pursuant to the requirements of Rule 5-04(c) of Regulation S-X.
(b) All significant intercompany transactions have been eliminated in consolidation.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Management Committee of GCE Holding LLC:

We have audited the accompanying consolidated financial statements of GCE Holding LLC and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statement of operations, of changes in partnership equity and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GCE Holding LLC and its subsidiaries at December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the "Related Party Transaction" note to the consolidating financial statements, GCE Holding LLC has entered into significant transactions with The United Illuminating Company and NRG Connecticut Peaking Development LLC, which are related parties.

/s/ PricewaterhouseCoopers LLP

April 26, 2013

GCE HOLDING LLC

Consolidated Statement of Operations

For the Year Ended December 2012

(In thousands)

	2012
Operating revenues	$ 77,816
Operating expense	11,528
Depreciation and amortization expense	16,762
Taxes other than income	4,763
Income from operations	44,763
Other income and (deductions)	(1)
Interest expense	15,513
Income	$ 29,249

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

GCE Holding LLC

Consolidated Balance Sheet

As of December 31, 2012

(In thousands)

Assets	
Current assets:	
Cash	$ —
Restricted cash	11,351
Regulatory assets	6,699
Accounts receivable	11,350
Other current assets	627
Fuel oil inventory	3,620
Materials & supplies inventory	2,039
Unamortized debt expense	1,502
	37,188
Property, plant and equipment:	
In-service	478,598
Accumulated depreciation and amortization	(30,663)
Net property, plant & equipment	447,935
Long term assets:	
Unamortized debt expense	3,593
Regulatory assets	7,665
	11,258
Total assets	$ 496,381
Liabilities and Equity	
Current liabilities:	
Accounts payable	$ 6,436
Accrued liabilities	1,973
Regulatory liabilities	1,242
Current portion of long term debt	8,100
Interest payable on long term debt	24
Derivative liability	6,538
Other current liabilities	92
	24,405
Long term liabilities:	
Long term debt	220,295
Regulatory liability	1,640
Asset retirement obligation	565
Other	9
	222,509
Equity:	
Paid-in capital	249,322
Retained earnings	145
	249,467
Total liabilities and equity	$ 496,381

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

GCE Holding LLC

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2012

(In thousands)

		2012
Income	$	29,249
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation & amortization expense		15,975
Amortization of debt issuance costs		1,502
Amortization of regulatory assets		874
Net regulatory asset/liability		1,967
Net derivative asset/liability		(1,967)
Changes in:		
Accounts receivable		(2,031)
Other current assets		(582)
Fuel oil inventory		213
Materials & supplies inventory		(21)
Accounts payable		1,927
Accrued liabilities		(467)
Other current liabilities		(2)
Interest payable on long term debt		—
Regulatory asset/liability		(1,990)
Total cash provided by (used in) operating activities		44,647
Plant expenditures including AFUDC debt		(984)
Changes in restricted cash		8,122
Other		(330)
Total cash provided by (used in) investing activities		6,808
Borrowings of long term debt		—
Repayments of long term debt		(8,280)
Debt issuance costs		(87)
Distribution of capital		(43,090)
Contribution of capital		2
Total cash provided by (used in) financing activities		(51,455)
Net change for the period		—
Balance at beginning of period		—
Balance at end of period		—
Cash paid during the period for:		
Interest	$	12,804
Non-cash investing activity:		
Plant expenditures included in ending payables	$	1,698

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

GCE Holding LLC

Consolidated Statement of Changes in Partnership Equity

For the Year Ended December 31, 2012

(In thousands)

Paid-in Capital		**Consolidated**
Balance as of December 31, 2011	$	253,063
Contribution of capital		2
Distribution of capital.		(3,741)
Balance as of December 31, 2012		249,323
Retained Earnings		
Balance as of December 31, 2011	$	10,245
Income for 2012		29,249
Distribution to partners.		(39,349)
Balance as of December 31, 2012	$	145

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

GCE Holding LLC

Notes to the Consolidated Financial Statements

Organization

GCE Holding LLC (GCE) is a 50-50 joint venture between The United Illuminating Company (UI) and NRG Connecticut Peaking Development LLC, an indirect subsidiary of NRG Yield LLC. GenConn Energy LLC (GenConn) is a wholly-owned subsidiary of GCE. GenConn consists of two peaking generation plants, GenConn Devon LLC (GenConn Devon) and GenConn Middletown LLC (GenConn Middletown), which were chosen by the Connecticut Public Utilities Regulatory Authority (PURA), formerly the Department of Public Utility Control (DPUC), to help address the state's growing need for more power generation during the heaviest load periods. The two peaking generation plants, each with a nominal capacity of 200 megawatts (MW), are located the existing Connecticut plant locations in Devon and Middletown of NRG Energy, Inc. (NRG). GenConn Devon became operational in June 2010 and GenConn Middletown became operational in June 2011.

Basis of Presentation

The accounting records of GenConn are maintained in conformity with accounting principles generally accepted in the United States of America (GAAP).

The accounting records for GenConn are also maintained in accordance with the uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and PURA.

The preparation of financial statements in conformity with GAAP requires management to use estimates and assumptions that affect (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts reported in the Consolidated Financial Statements in previous periods have been reclassified to conform to the current presentation, primarily related to the presentation of intercompany receivables and payables.

GenConn has evaluated subsequent events through the date its financial statements were available to be issued, April 26, 2013.

Consolidation

The consolidated financial statements of GCE include the results of operations and financial position of its wholly-owned subsidiaries GenConn Devon and GenConn Middletown. Intercompany accounts and transactions have been eliminated in consolidation.

New Accounting Standards

In May 2011, the Financial Accounting Standards Board issued amendments to authoritative guidance on fair value measurements and disclosures which did not have an impact on GenConn's consolidating financial statements.

Regulatory Accounting

GenConn bid its full capacity of the GenConn Devon and GenConn Middletown facilities into the ISO-New England, Inc. (ISO-NE) locational forward reserve market (LFRM) for the winter 2011/2012 period (October 1, 2011—May 31, 2012), for the summer 2012 period (June 1, 2012—September 30, 2012) and for the winter 2012/2013 period (October 1, 2012—May 31, 2013). GenConn bids the full capacity of the facilities into the ISO-NE forward capacity market (FCM), once per year, three years in advance and currently has capacity supply obligations through May 31, 2016.

GenConn filed a revenue requirements application with PURA on July 27, 2012, seeking approval of its 2013 revenue requirements for both the GenConn Devon and GenConn Middletown facilities. A final decision (2013 Decision) was issued by PURA on January 9, 2013, approving revenue requirements of $73.3 million for GenConn ($33.1 million for the Devon facility and $40.2 million for the Middletown facility, respectively). Additionally, GenConn was granted a 9.75% Return on Equity (ROE) for 2013 in the 2013 Decision. PURA also ruled in the 2013 Decision that the GenConn project costs that were in excess of the costs originally submitted in 2008, were prudently incurred and are recoverable. Recovery of these costs is included in the determination of the 2013 approved revenue requirements. The increase in project costs was driven in large part by increased financing costs and the cost to build interconnection facilities at GenConn Middletown.

Certain ISO-NE revenues and charges that were not included in the Contract for Differences (CfD) calculation were recorded and collected or paid through the ISO-NE settlement process from June 2010 through September 2011. In GenConn's 2011 revenue requirements proceeding, parties in that proceeding questioned the treatment of the revenues and charges with respect to the CfD calculation. The parties reached a settlement, which was approved by PURA, wherein GenConn reimbursed Connecticut Light & Power (CL&P) $3.0 million during the first quarter of 2012. This amount was fully accrued as of December 31, 2011.

Management has determined that GenConn meets the criteria for an entity with regulated operations as defined by the authoritative guidance on accounting for the effects of certain types of regulation. As such, GenConn has established regulatory assets for certain costs deferred if it is probable that it will be able to recover such costs in future revenues, and has established regulatory liabilities for certain obligations recognized if it is probable that it will be relieved of such liabilities in future revenues based on the criteria outlined in the PURA decisions related to the types of costs that are recoverable. Furthermore, GenConn has received approval from PURA in its final revenue requirements decisions allowing for the recovery and/or return of property taxes, transmission related operating costs and interest expense. GenConn's regulatory assets and liabilities as of December 31, 2012 included the following (in 000's):

Regulatory Assets:	**Remaining Period**	**As of December 31, 2012**
Mark-to-market adjustments related to interest rate swaps	(a) 4 years	$ 6,539
Property taxes	1 year	665
Deferred project costs	(b)	5,769
Financing costs	27 years	1,229
Operating costs	(c)	41
Interest expense	(d)	121
Bonus depreciation	(e)	—
Total Regulatory Assets		14,364
Less current portion of Regulatory Assets		6,699
Regulatory Assets, long-term		$ 7,665
Regulatory Liabilities:		
Interest expense	(d)	43
Property tax expense	(f)	—
Operating costs	(c)	2,215
Maintenance costs	(g)	624
Bonus depreciation	(e)	—
Total Regulatory Liabilities		2,882
Less current portion of Regulatory Liabilities		1,242
Regulatory Liabilities, long-term		$ 1,640

(a) Related to debt agreement which expires in April 2016. Balance classified as current as it adjusts with the market.

(b) Represents project repair costs. Recovery to be determined in future revenue requirements.

(c) Represents a true-up of actual transmission related operating costs to amounts allowed in revenue requirements. The current portion will be recovered or returned in 2013 as allowed in PURA final decisions. The recovery or return of the long-term portion will be determined in future revenue requirements proceedings.

(d) Represents a true-up of actual interest costs to amounts allowed in revenue requirements. The current portion will be recovered or returned in 2013 as allowed in PURA final decisions. The recovery or return of the long-term portion will be determined in future revenue requirements proceedings.

(e) True-up of the actual partners' deferred tax effects related to bonus depreciation to amounts allowed in revenue requirements were fully amortized as of December 31, 2012.

(f) True-up of property taxes to amounts allowed in revenue requirements were fully amortized as of December 31, 2012.

(g) Represents current collections for future anticipated large equipment maintenance costs.

Cash and Temporary Cash Investments

GenConn considers all of its highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash and temporary cash investments.

Restricted Cash

The use of all cash, including amounts derived from borrowings of notes payable and long-term debt as well as from the collection of accounts receivable, is restricted per the project financing agreements as certain payments, such as scheduled payments of long-term debt, are required to be made prior to dividend payments. Payments made outside the provisions of the project financing require prior approval from the bank.

Inventory

Inventory primarily consists of fuel oil and materials and supplies. Fuel oil is stated primarily at the lower of cost or market value under the weighted average cost method. Materials and supplies inventory is valued at weighted average cost and is expensed to operating expense or capitalized to property, plant and equipment as the parts are utilized and consumed.

Accrued Liabilities

Accrued liabilities primarily consist of accrued property tax expense relating to GenConn Devon and GenConn Middletown which have entered into 30 year tax stabilization agreements with the City of Milford and the City of Middletown, respectively.

Asset Retirement Obligation

The fair value of the liability for an asset retirement obligation is recorded in the period in which it is incurred and the cost is capitalized by increasing the carrying amount of the related long-lived asset. The liability is adjusted to its present value periodically over time, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement, the obligation is settled either at its recorded amount or a gain or a loss is incurred.

Revenue Recognition

Operating revenues are recognized when contractually earned in the period provided and consist of revenues received from power and capacity sales into the ISO-NE markets and from CL&P under the CfD based on authorized rates approved by regulatory bodies and can be changed only through formal proceedings

Property, Plant and Equipment (PP&E)

PP&E is reflected in the accompanying Balance Sheet at cost. Provisions for depreciation on in-service PP&E are computed on a straight-line basis over a 30 year life which was determined by the term of the CfD (see below) and is representative of the economic life of the plant. The costs of current repairs, major maintenance projects and minor replacements are charged to appropriate operating expense accounts as incurred. Other plant includes other project costs primarily related to civil, mechanical, and electrical site work.

GCE's in-service property, plant and equipment were comprised as follows (in 000's):

		2012
Gas Turbines	$	139,027
Other Plant		304,310
Capitalized Interest (AFUDC)		35,261
Gross PP&E In-service	$	478,598

Impairment of Long-Lived Assets and Investments

The authoritative guidance on property, plant, and equipment requires the recognition of impairment losses on long-lived assets when the book value of an asset exceeds the sum of the expected future undiscounted cash flows that result from the use of the asset and its eventual disposition. If impairment arises, then the amount of any impairment is measured based on estimated fair value.

The authoritative guidance on property, plant, and equipment also requires that rate-regulated companies recognize an impairment loss when a regulator excludes all or part of a cost from rates, even if the regulator allows the company to earn a return on the remaining costs allowed. The probability of recovery and the recognition of regulatory assets under the criteria of the authoritative guidance on accounting for the effects of certain types of regulation must be assessed on an ongoing basis. At December 31, 2012, GenConn (as a rate regulated entity) did not have any assets that were impaired under this standard.

Allowance for Funds Used During Construction (AFUDC)

In accordance with the uniform system of accounts prescribed by the FERC and PURA, GenConn capitalizes AFUDC, which represents the approximate cost of debt and equity devoted to plant under construction and is included in Interest Expense for the portion related to debt and Other Income and Deductions for the portion related to equity in the accompanying Consolidated Statements of Operations.

Contract for Differences

GenConn recovers its costs under two PURA-approved CfD agreements which are cost of service based and settle on a monthly basis. GenConn has signed CfDs for both facilities with CL&P both with terms of 30 years beginning upon the operations of each plant. Under the terms of the CfD, CL&P will either pay GenConn Devon and GenConn Middletown for the under-recovery or will be reimbursed by those entities for the over-recovery of revenues based on their participation in the ISO-NE markets.

These contracts are accounted for on an accrual basis. Under the CfDs, GenConn agrees that the PURA will determine its cost-of service rate in accordance with the related decisions. Also under the CfD, GenConn agrees to have the units participate and to bid all of the units in ISO-NE Markets as directed by the PURA.

Long-Term Debt

GenConn obtained project financing from a consortium of banks on April 24, 2009 that made $243 million available for construction and related activities, and $48 million for a working capital facility (collectively, the "Project Financing"). The working capital facility also permits the issuance of letters of credit. The interest rate on the Project Financing is equal to either the Base Rate or Eurodollar Rate plus the Applicable Margin, as each is defined in the related agreements. The effective interest rate as of December 31, 2012 was 4.03%.

The availability under the working capital facility was reduced to $30 million on December 29, 2011 (90 days after the GenConn Middletown completion date). On March 22, 2012, the working capital facility was increased to $35 million. As of December 31, 2012, there were no borrowings under the working capital facility and there were letters of credit outstanding totaling $11.1 million and $22.0 million related to GenConn Devon and GenConn Middletown, respectively.

The maturity date of the Project Financing is April 24, 2016, provided that the working capital facility is paid in full on its maturity date of April 24, 2014. Principal payments are required to be made quarterly on the original $243 million borrowed. Borrowings on the Project Financing are reflected as Long-Term Debt in the accompanying Consolidated Balance Sheet.

Substantially all of the assets of GenConn serve as collateral for the Project Financing. As of December 31, 2012, the carrying value of the Long-Term Debt approximated fair value. Under the Project Financing, GenConn is required to comply with certain covenants including the requirement to maintain a historical debt service coverage ratio (as defined) of at least 1.1 to 1.0. As of December 31, 2012, GenConn's historical debt service coverage ratio was 2.59. In addition, GenConn is subject to a dividend payment test whereby quarterly dividends are permitted if the debt service coverage ratio for the last twelve months and the next twelve months are at least 1.3 to 1.0. As of December 31, 2012, GenConn had met all of its debt service coverage ratios to date. Information regarding repayments is set forth below (in 000's):

During the twelve months ended December 31st:	**Total**
2013	$ 8,100
2014	8,100
2015	8,100
2016	204,095
	$ 228,395

GenConn filed an application with PURA on June 28, 2012, seeking approval to refinance its long-term debt. In the application, GenConn requested the flexibility to execute a refinancing in order to access credit and/or bank markets when market conditions are deemed favorable by issuing notes in the private placement market or executing a bank loan in the bank market or a combination of notes and bank debt during the financing period, which would end on April 24, 2016, the maturity of the existing project financing. The working capital facility matures on April 24, 2014. PURA issued a final decision on August 13, 2012 granting approval of GenConn's application.

Unamortized Debt Expense

GCE and GenConn deferred debt issuance costs incurred on the bank and project financings, which are being amortized over the term of the related debt and allocated evenly to both GenConn Devon and GenConn Middletown. The amortization and associated unamortized debt issuance cost balances are accounted for at GenConn Devon and GenConn Middletown as such amounts are recovered in rates. The unamortized debt issuance costs are included in Unamortized Debt Expense in the accompanying Consolidated Balance Sheet as of December 31, 2012.

Related Party Transactions

There are no employees of GCE or any of its subsidiaries. UI and NRG (the Partners) are paid, through GCE, for services to GenConn which include administration, plant operations, construction and energy management pursuant to contractual arrangements. As of December 31, 2012, amounts owed to the Partners for services of $0.8 million are included in Accounts Payable in the accompanying Consolidated Balance Sheet. For the year ended December 31, 2012, amounts paid to the Partners for services was $9.3 million.

For the year ended December 31, 2012, amounts paid to the Partners, through GCE, for interest was zero.

For the year ended December 31, 2012, interest expense on the related party notes from the Partners was zero and is included in the accompanying Consolidated Statements of Operations.

GenConn made distributions, through GCE, to the Partners of $39.3 million for the year ended December 31, 2012.

GenConn returned a portion of the Partner's investment, through GCE, of $3.7 million for the year ended December 31, 2012.

GenConn Devon and GenConn Middletown lease both facilities and land from Devon Power LLC (Devon Power) and Middletown Power LLC (Middletown Power), respectively, both of which are subsidiaries of NRG. See the Lease Obligations section for additional details.

Income Taxes

GCE is not subject to federal or state income taxes. UI and NRG are required to report on their federal and, as required, state income tax return its share of GCE's income, gains, losses, deductions and credits. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

Derivatives

In connection with the Project Financing, in April 2009, GenConn entered into an interest rate swap agreement with each of the five of the banks participating in the syndication to reduce the risk of unfavorable changes in variable interest rates related to a portion of the Project Financing. The swaps have the effect of converting variable rate payments to fixed rate payments on approximately $42 million to $121 million principal amount outstanding of Project Financing debt through December 31, 2014 with quarterly settlements that began on March 31, 2010. Any income generated from the agreement is expected to be credited to customers and any expense generated is expected to be recovered from customers through PURA-approved revenue requirements. GenConn is accounting for the interest rate swap agreement as an economic hedge. As such, GenConn established a regulatory liability or asset for the mark-to-market adjustments related to the interest rate swaps. As of December 31, 2012, $6.5 million was recorded as a Derivative Liability offset by a Regulatory Asset in the accompanying Consolidated Balance Sheet. The fair value hierarchy levels are Level 1 (quoted prices in active markets for identical assets and liabilities), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

GenConn utilizes an income approach valuation technique to value the interest rate swap derivatives measured and reported at fair value. As required by the authoritative guidance on fair value measurements, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The interest rate swaps are valued based on the annual London Interbank Offering Rate (LIBOR) index. GenConn's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. GenConn has determined that the fair value of its interest rate swap derivatives is measured using Level 2 inputs.

Contingencies

In the ordinary course of business, GCE and its subsidiaries are involved in various proceedings, including legal, tax, regulatory and environmental matters, which require management's assessment to determine the probability of whether a loss will occur and, if probable, an estimate of probable loss. When assessments indicate that it is probable that a liability has been incurred and an amount can be reasonably estimated, GCE accrues a reserve and discloses the reserve and related matter. GCE discloses matters when losses are probable for which an estimate is reasonably possible. Subsequent analysis is performed on a periodic basis to assess the impact of any changes in events or circumstances and any resulting need to adjust existing reserves or record additional reserves.

In April 2011, a circuit interconnecting two of the four units at the GenConn Middletown facility to the gas insulated substation failed. The circuit was replaced; however, it continued to exhibit persistent partial discharge and was monitored via periodic testing. In March 2012, GenConn filed a lawsuit seeking damages against the electrical contractor responsible for the design and installation of the defective circuit. Please refer to Deferred Project Costs included in the Regulatory Accounting table for further information for costs incurred as of December 31, 2012 regarding the defective equipment.

On July 13, 2012, two of the four units at the GenConn Middletown facility were taken out of service due to further partial discharge testing results on the related cable and terminal interconnection equipment within the circuit to address operational and safety concerns. On August 8, 2012, the remaining two units at the GenConn Middletown facility were taken out of service due to similar partial discharge test results. GenConn hired another electrical contractor to undertake the replacement of the defective equipment. The defective equipment was replaced during the second half of 2012 and all four units were returned to service on January 19, 2013. As a result of the outage, GenConn incurred penalties for not achieving availability in the LFRM in the amount of $0.1 million during the twelve months ended December 31, 2012. Penalties incurred from January 1 through January 19, 2013 were minor. The penalties incurred are included in the Operating Expenses in the accompanying Consolidated Statements of Operations. The amount is net of the amount of coverage GenConn obtained for the unavailable capacity.

In March 2012, the former electrical contractor responsible for the failed installation filed a mechanic's lien on the GenConn Middletown project in the amount of $1.8 million. In order to comply with certain covenants under the project financing, GenConn Middletown was required to post a surety bond for the total amount which discharged the lien. As of December 31, 2012, GenConn Middletown recorded $0.4 million as a regulatory asset and accrued $0.7 million, which was included in Property, Plant and Equipment, related to the $1.8 million claim. GenConn Middletown is currently awaiting a response from the former electrical contractor for detailed support for the remaining $0.7 million claim. Until a response is received, GenConn Middletown cannot presently assess the merit of this claim. To the extent that GenConn is required to satisfy any of the claims, recovery of such costs would be expected through future rates.

In July 2011, GenConn Devon and the former general contractor responsible for the construction of the GenConn Devon facility entered into a settlement agreement with respect to change order requests and delay and impact claims and pursuant to which GenConn Devon paid a settlement amount of $10.5 million upon satisfaction of certain conditions performed by the former general contractor. In April 2011, GenConn Middletown settled a claim by the former general contractor for work at the GenConn Middletown facility and entered into a settlement agreement pursuant to which GenConn Middletown paid a settlement amount of $3.0 million which is included in Property, Plant and Equipment in the accompanying Consolidated Balance Sheet. PURA has approved GenConn's recovery of the associated costs.

In December 2010, GenConn Middletown was required to provide a $1.4 million Letter of Credit (LC) to the owner of the transmission facilities to which GenConn Middletown connects. The LC is related to remaining work on the transmission facilities. Correspondingly, GenConn Middletown has a $3.5 million performance bond from the contractor required to complete the remaining work. In April 2011, GenConn Middletown was required to provide an additional $0.9 million LC for additional work on the same transmission facilities. In February 2013, the $0.9 million LC was reduced to $0.05 million and the $3.5 million performance bond from the contractor was reduced to $0.1 million as a significant portion of the work on the transmission facilities has been completed. The $1.4 million LC was released by the owner of the transmission facilities during the first quarter of 2013.

Lease Obligations

Operating leases with Devon Power and Middletown Power consist primarily of leases of facilities and land for both GenConn Devon and GenConn Middletown. For the year ended December 31, 2012, operating lease expense for GenConn Devon and GenConn Middletown was $0.6 million. The future minimum lease payments under these operating leases are estimated to be as follows (in 000's):

Twelve months ended December 31st:	**GenConn Devon**	**GenConn Middletown**
2013	$ 579	$ 668
2014	579	668
2015	579	668
2016	579	668
2017	579	668
2018 and thereafter	12,980	15,643
	$ 15,875	**$ 18,983**