



# **Platts 20<sup>th</sup> Annual Financing US Power Conference**

**Darren Olagues**

Senior Strategic Advisor

October 23, 2018

# Safe Harbor Statements

## **Cautionary Note Regarding Forward-Looking Statements:**

This presentation contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in filings with the Securities and Exchange Commission ("SEC") made by GenOn Energy, Inc. ("GenOn"), the indirect parent company of NRG REMA LLC ("REMA"). We make specific reference to the section entitled "Risk Factors" in GenOn's annual and quarterly reports filed with the SEC.

In addition to the risks and uncertainties set forth in GenOn's public filings made with the SEC, the forward-looking statements in this presentation could be affected by, among other things: any impacts on REMA as a result of the bankruptcy proceedings involving GenOn and certain of its subsidiaries and the change in indirect ownership of REMA proposed in such proceedings; prevailing governmental policies and regulatory actions; legal and administrative proceedings and settlements; weather conditions and other natural phenomena; economic conditions, including the impact of a recessionary environment; unanticipated population growth or decline, or changes in market demand and demographic patterns; changes in business strategy, development plans or vendor relationships; unanticipated changes in interest rates or rates of inflation; unanticipated changes in operating expenses, liquidity needs and capital expenditures; inability of various counterparties to meet their financial obligations to REMA, including failure of counterparties to perform under certain agreements; hazards customary to the industry and the possibility that REMA may not have adequate insurance to cover losses resulting from such hazards; changes in technology used by and services offered by REMA; significant changes in REMA's relationship with its employees; changes in assumptions used to estimate costs of providing employee benefits, including pension and other post-retirement employee benefits, and future funding requirements related thereto; significant changes in critical accounting policies material to REMA; commercial bank and financial market conditions, access to capital, the cost of such capital, and the results of financing and refinancing efforts, including availability of funds in the capital markets and the potential impact of disruptions in US credit markets; circumstances which may contribute to future impairment of goodwill, intangible or other long-lived assets; financial restrictions under REMA's operating leases; and REMA's ability to effectively execute its operational strategy. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made.

Our forecast is a forward-looking statement and reflects our best estimate and judgment as of the date of this presentation of the conditions we expect to exist and the course of action we expect to take with respect to our business. The forecast does not include the effects of, and we have not included any adjustments with respect to, any acquisitions we may complete during the periods covered by our forecast. It should be read together with the historical combined financial statements and the accompanying notes thereto included in GenOn's public filings made with the SEC. The assumptions and estimates underlying the forecast, as described herein, are inherently uncertain and, although we consider them reasonable as of the date of this presentation, they are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from forecasted results, including, among others, the risks and uncertainties described herein. For purposes of our forecast, we have assumed that no unexpected risks will materialize during the forecast periods. Any of the risks discussed in this presentation, to the extent they occur, could cause actual results of operations to vary significantly. We believe that we have a reasonable basis for these assumptions and that our actual results of operations will approximate those reflected in our forecast, but we can give no assurance that our forecasted results will be achieved. Accordingly, there can be no assurance that the forecast will be indicative of our future performance or that actual results will not differ materially from those presented in the forecast.

This presentation and the accompanying forecast were not prepared with a view toward complying with generally accepted accounting principles ("GAAP") with respect to prospective financial information. This presentation includes certain non-GAAP financial measures and comparable historical GAAP financials are not included herein. No independent accountants have compiled, examined or performed any procedures with respect to our forecast, nor have they expressed any opinion or any other form of assurance on our forecast or its achievability, and neither our independent auditors nor any other independent accountants assume responsibility for, and claim any association with, our forecast.

We do not undertake any obligation to release publicly any revisions or updates that we may make to the forecast or the assumptions used to prepare the forecast to reflect events or circumstances after the date of this presentation. Therefore, you are cautioned not to place undue reliance on this information.

# Management focused on three restructuring value creation themes

## Restructure invested capital and ownership



### Entering Restructuring

- Negotiated consensual RSA with support of over 90% of noteholders:
  - \$300 million of cash value to GenOn paid by parent (NRG)<sup>1</sup>
  - Over 50% reduction in shared services cost during bankruptcy
  - Equitized \$1.8 billion notes
  - Limited operational disruptions
  - NRG-owned tax obligations

### During Restructuring

- \$1.3 billion of cash to note holders<sup>2</sup>

### Emergence

- Optimized post-emergence capital structure with concentrated private ownership

## Drive operational efficiencies



### Addressing the Cost Structure

- Reduced G&A costs 70% below 2016 baseline (\$140 million per annum)
- Reduced annual O&M by almost 20% and reduced annual Capex by > 50%<sup>3</sup>
- Re-aligned workforce, including a ~300 person headcount reduction

### Maintained Safe Operations and Employee Commitment

- Continued emphasis on safety, with performance > industry average
- Drove continued employee alignment with 9 out of 10 employees “proud to be a part of” the new GenOn<sup>4</sup>

## Asset optimization through M&A



### Dual Path Restructuring

- Pursued a dual-path course consensual reorganization and asset sales effort
- Sales efforts encompassed more than 4,000 MW of operating units and included 7 non-op, development sites
- Managed dual-path course while separating from NRG and standing-up a new lean and flexible corporate center

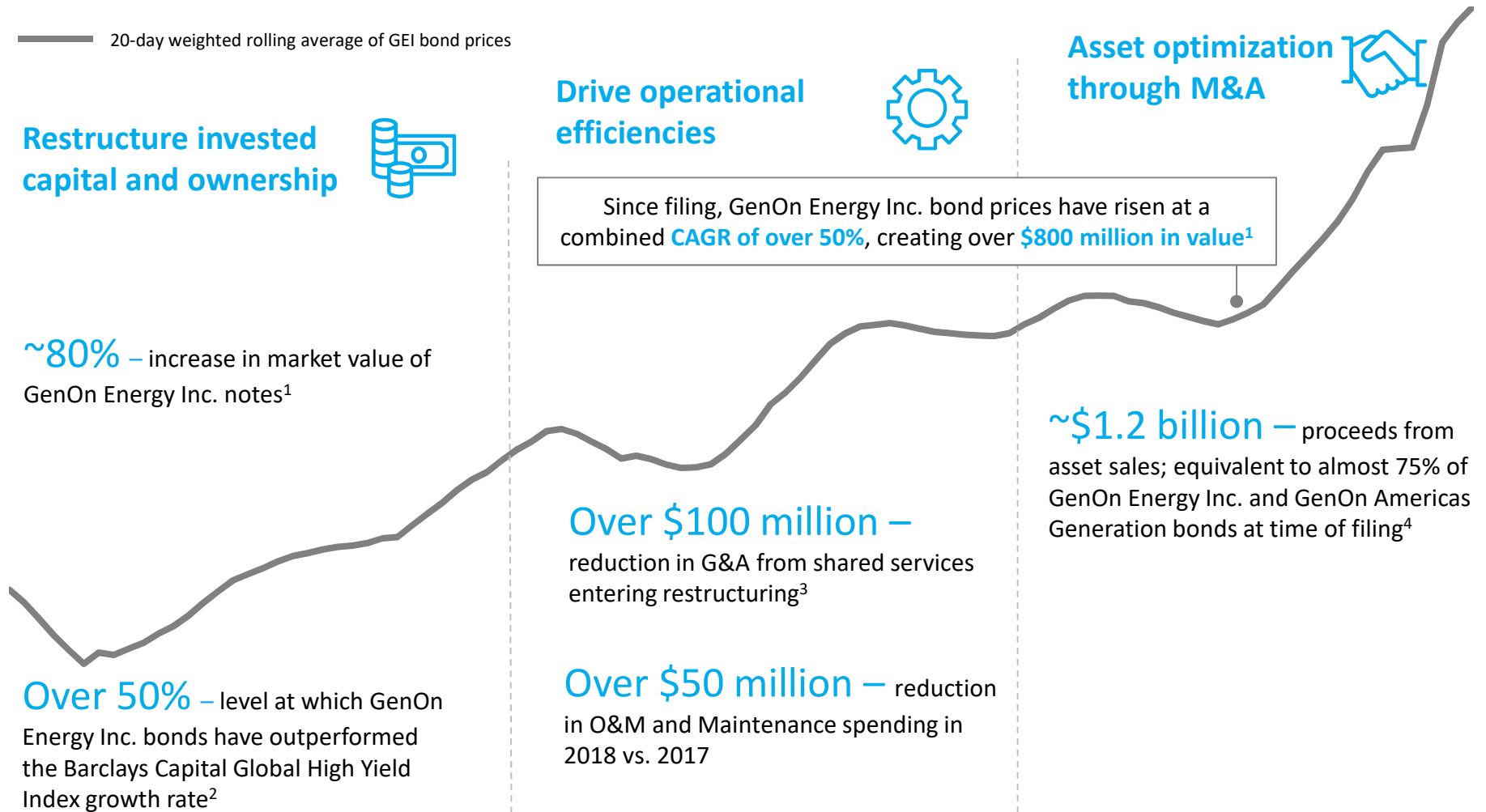
### Significant Cash Generation

- Executed \$1.2 billion of asset sales, strengthening the balance sheet while focusing the operating footprint
- Distributed \$600 million to GenOn Energy Inc. noteholders and repurchased \$695 million GenOn Americas Generation notes

Right-sized capital and cost structure with significant cash already distributed

<sup>1</sup> \$40 MM of pension, \$260 MM of cash | <sup>2</sup> \$660MM to GAG and \$600MM to GEI | <sup>3</sup> Measured from 2016-2018E; normalized for sale of Canal and Hunterstown CCGT assets and expected sale of Choctaw, Ormond Beach & Ellwood assets and Keystone & Conemaugh asset stakes | <sup>4</sup> Based on Sept. employee survey, “not proud” based on employees who disagreed with the statement

# GenOn restructuring by the numbers



**Significant value creation through restructuring**

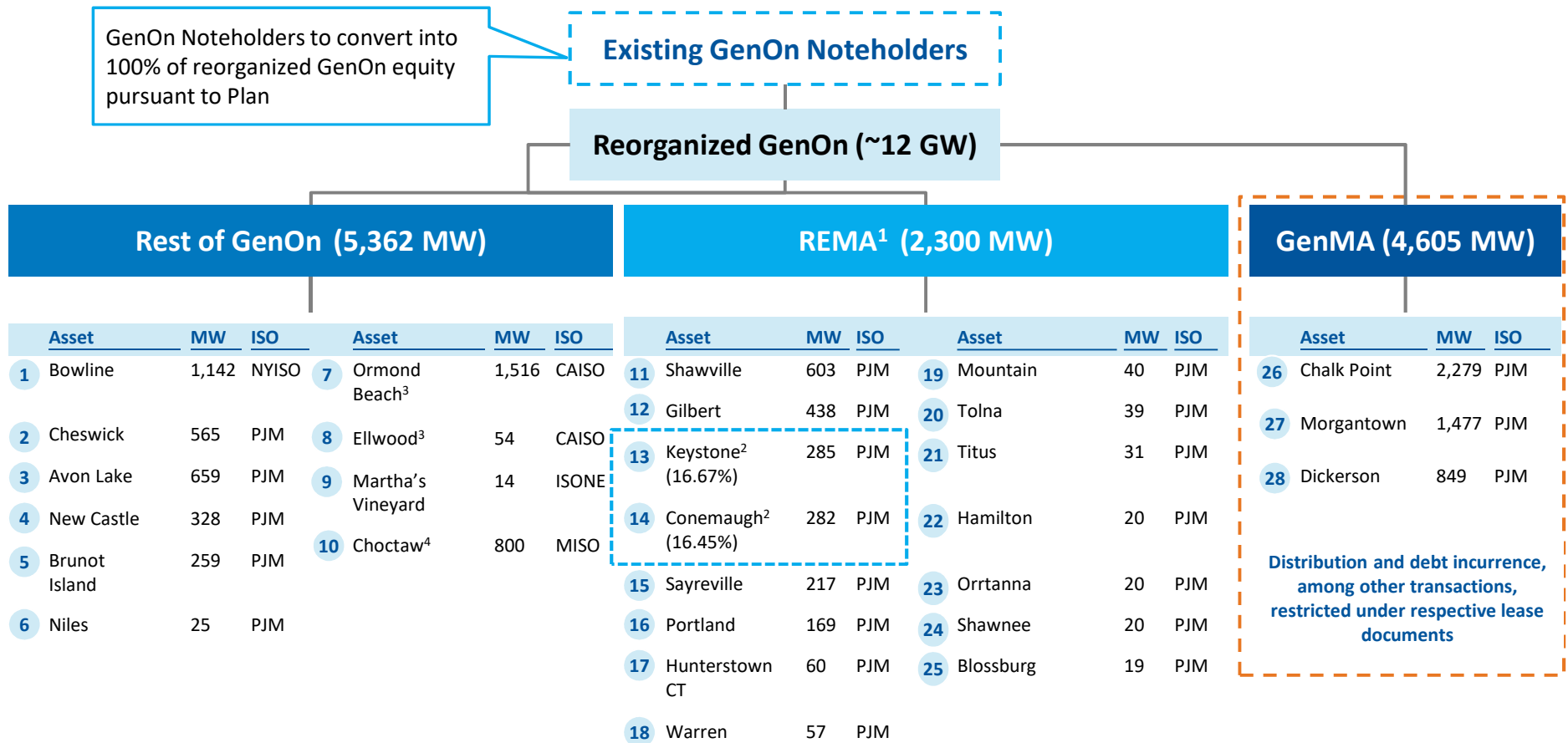
<sup>1</sup> based on change in market value of GEI bonds from \$1.038B to \$1.864B | <sup>2</sup> Using 3.5% CAGR of Barclays Capital Global High Yield Index value from June 14 2017 to Sept 1 2018, and 57% CAGR of GEI bond market value over the same period | <sup>3</sup> Based on pre-RSA spend of \$193MM and RSA spend of \$84MM per annum | <sup>4</sup> GAG bonds market value \$606MM and GEI bonds market value of \$1.038B at time of filing

# Introduction to GenOn Entering Restructuring

- Portfolio represented over 15 GW of net capacity across PJM, CAISO, ISONE, and NYISO
- Restructuring commenced June 2017
  - \$2.52 billion of total debt entering restructuring
    - \$1.83 billion at GenOn Energy Inc.
    - \$695 million at GenOn Americas Generation
- Individual lease structures at REMA and GenMA that trapped cash within each subsidiary
- Shared services agreement with parent NRG Energy at an annual rate of \$193 million

**Inefficient capital and cost structure with significant leverage  
at inception of restructuring**

# Corporate Structure and Asset Portfolios



Successful REMA restructuring will collapse REMA into GenOn

<sup>1</sup> Ability to mortgage owned REMA plants dependent on resolution of REMA stakeholder discussions | <sup>2</sup> Plant leased from Public Service Enterprise Group PSEG and will be given to creditors as part of REMA restructuring  
<sup>3</sup> Deactivation notices have been filed for Ormond Beach and Ellwood. On July 26th, 2018, Ormond Beach and Ellwood were designated as Reliability Must Run ("RMR") by CAISO | <sup>4</sup> Pending sale

# Restructuring Progress Overview

- GenOn successfully navigated a **complex, dual track** chapter 11 process of marketing assets and developing a Plan of Reorganization to stand-up an independent GenOn
- **De-levered** the business and **distributed cash proceeds**
  - Equitized \$1.8 billion of debt
  - Repaid \$695 million of GenOn Americas Generation subsidiary debt
  - **Distributed** \$600 million of cash to GenOn Energy Inc Notes
- **Settlement reached** with GenMA lease holders
- REMA restructuring support agreement **recently announced**

Significant cash distributions; right-sized capital structure

# Lease Restructuring

## REMA and GenMA Leases

- Lease structures at REMA and GenMA resulted in cash traps within both entities
- Leased subsidiary structure resulted in inefficient portfolio management
- Leases were struck during a different commodity environment; lease payments misaligned with current market environment
- Reached settlement with GenMA that resolved outstanding claims as well as preserves potential equity value for GenOn
  - Settlement of all pending litigation with the Owner Lessor Plaintiffs as well as releases certain claims among NRG, GenMA, and the Owner Lessor
  - Rationalizes credit support, cash position of the entities, and capital structure
- REMA filed prepack bankruptcy last week with over 90% of creditors supporting the RSA
  - Chapter 11 filing last week representing global resolution supported by 100% of impaired voting classes including PSEG as well as over 90% of Series C pass-through certificate (PTC) holders supporting the RSA
  - REMA will use \$110 million of cash on hand to settle Keystone and Conemaugh lease rejection, tax indemnity claims, and as consideration for Shawville lease amendment

**Resolution of the REMA and GenMA lease structures streamlines corporate structure and facilitates portfolio optimization**



# Asset Sales

## Hunterstown

- 810 MW CCGT in PJM sold for \$498 million, or ~\$615 per kW, plus adjustment for working capital and the assumption of GE LTSA agreement

## Canal Unit 1 and Unit 2

- 1,112 MW peaking facility in NE-ISO sold for \$320 million, or ~\$290 per kW, plus adjustments for Canal 3 (\$13.5 million) and working capital

## Choctaw

- 810 MW CCGT in MISO sold for \$314 million, or ~\$390 per kW, plus assumption of GE LTSA agreement
- Sale expected to close 3Q19

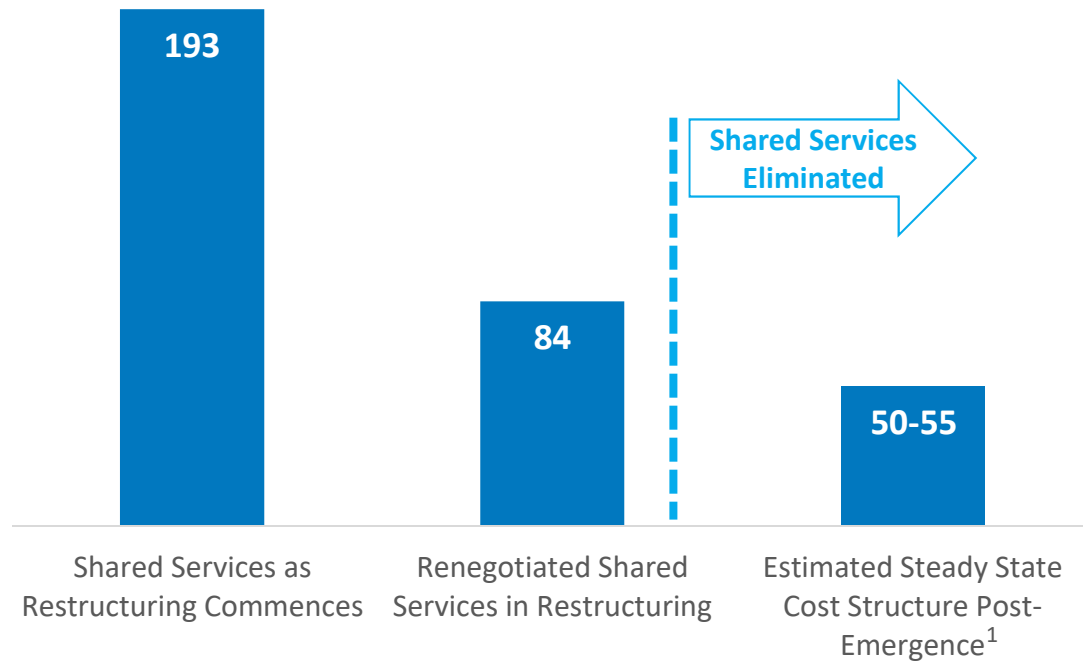
## Bowline

- Rejected \$240 million offer as offer did not reflect internal view of market fundamentals and asset value

**Generated \$1.2 billion in total proceeds from asset sales despite unsuccessful sale of the total portfolio**

# Rationalized G&A

Annual G&A Expense, in \$MM

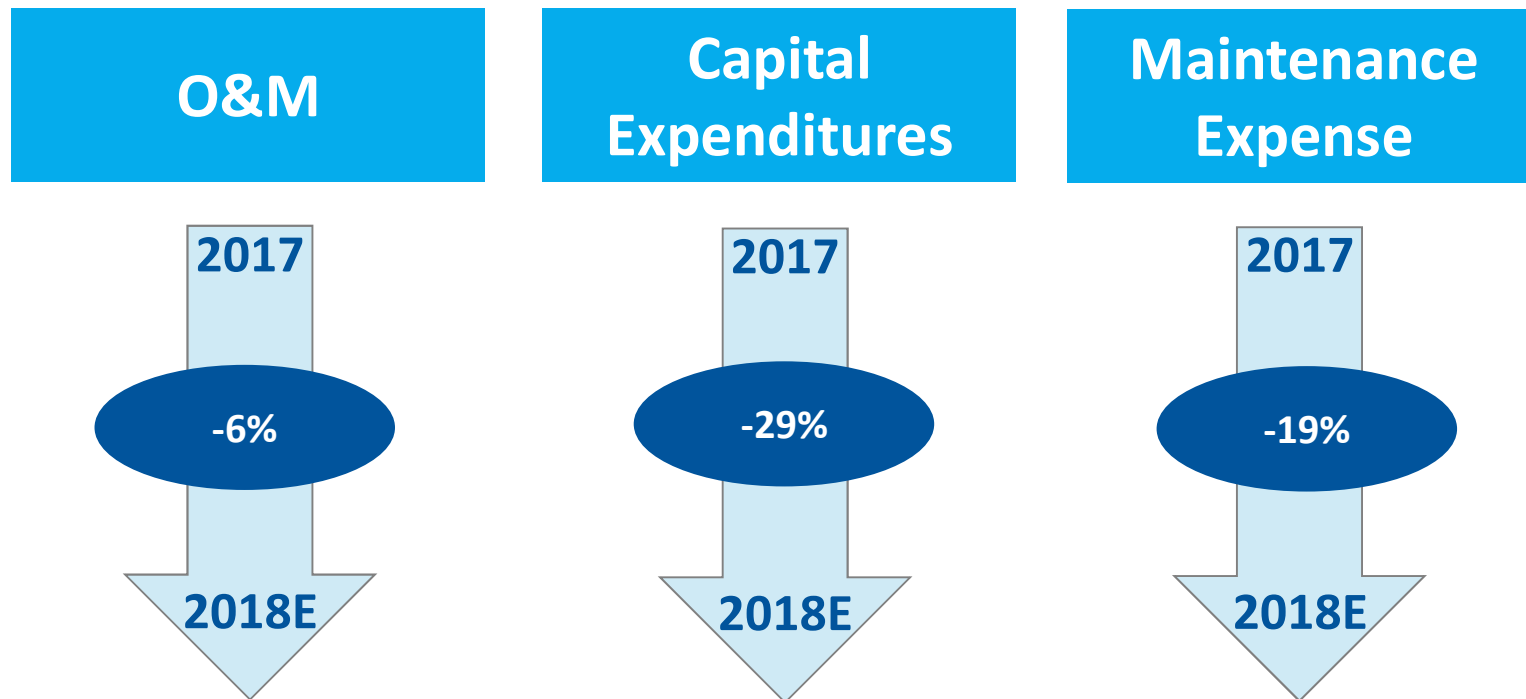


- Renegotiated shared services cost during restructuring
- Transitioned off of shared services agreement
- Transition off of shared services prior to emergence results in short-term residual contract and consulting expense; however, still at a reduced cost versus shared services

Successfully eliminated shared services G&A costs as of August 2018

<sup>1</sup> Energy management included in shared services charges, but reflected as a component of Gross Margin in current cost structure

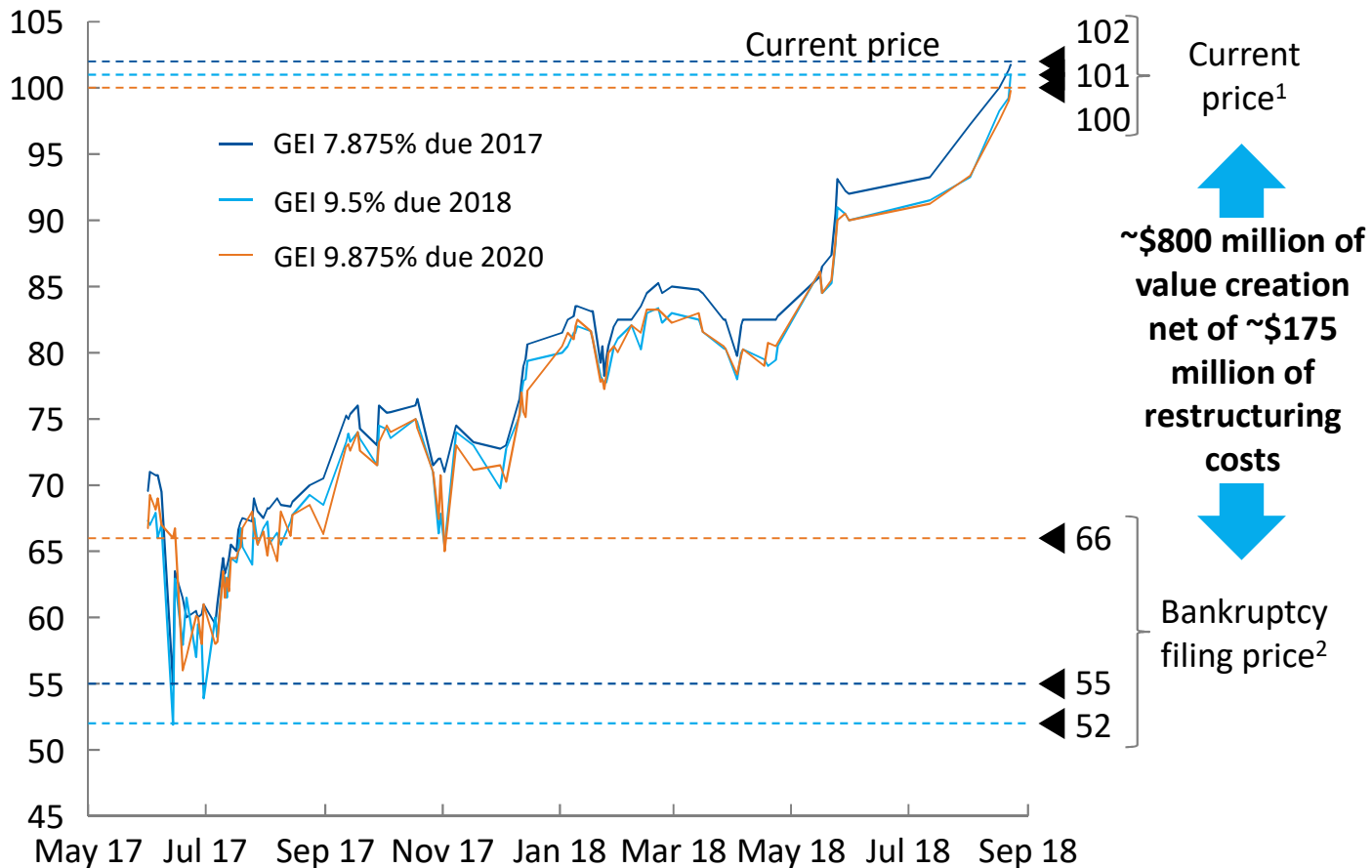
# Rationalized Operating Expense



Substantial recent investment in the plants by NRG results in favorable 3-4 year cycle of maintenance and capital spend

# Bond Prices

Bond trading performance<sup>1</sup>, Cents on the dollar

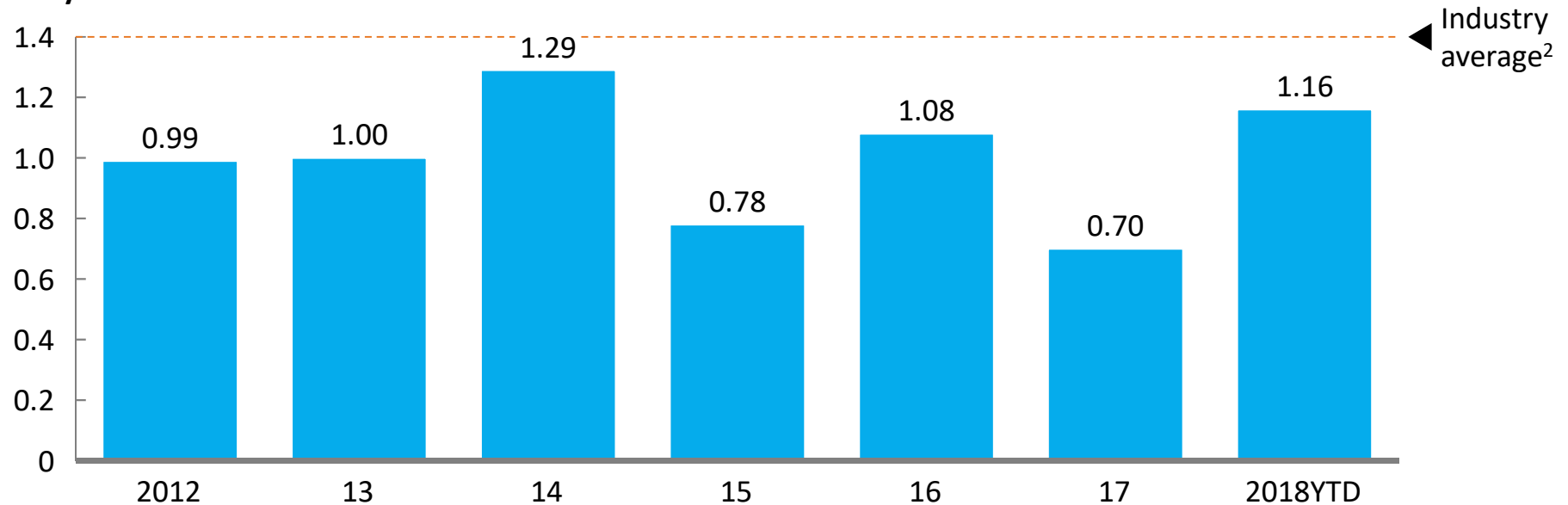


Rising GEI bond prices reflects market's growing confidence in the company

<sup>1</sup> As of Sept 1 2018 | <sup>2</sup> Based on bankruptcy filing date of June 14, 2017  
 SOURCE: Rothschild GEI bond price tracker

# Continuing to Work Safely

Safety Incident Rate<sup>1</sup>



- Safety continues to be a focus of the management team, and reinforced throughout the business, as demonstrated by the recent “Make It Personal” campaign that leveraged messages and letters from workforce family members

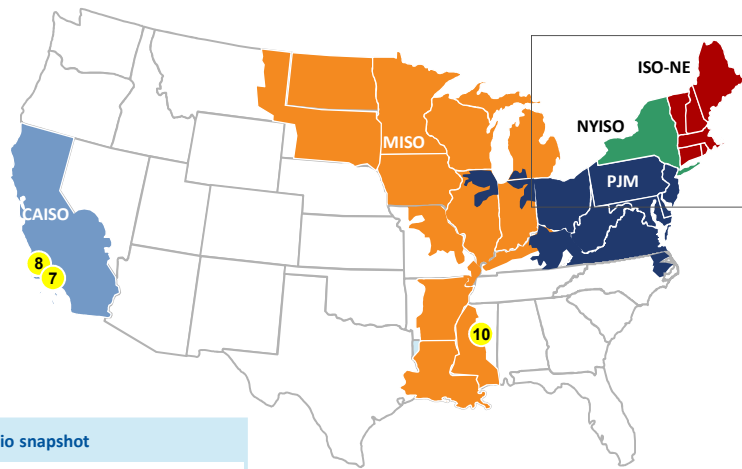
Worked safely when restructuring could have been a significant distraction

<sup>1</sup> Normalized for sales of Canal and Hunterstown assets and upcoming sale of Choctaw  
<sup>2</sup> Fossil fuel electric power generation incident rate of 1.4 - Bureau of Labor Statistics, 2016



**Post-Emergence**

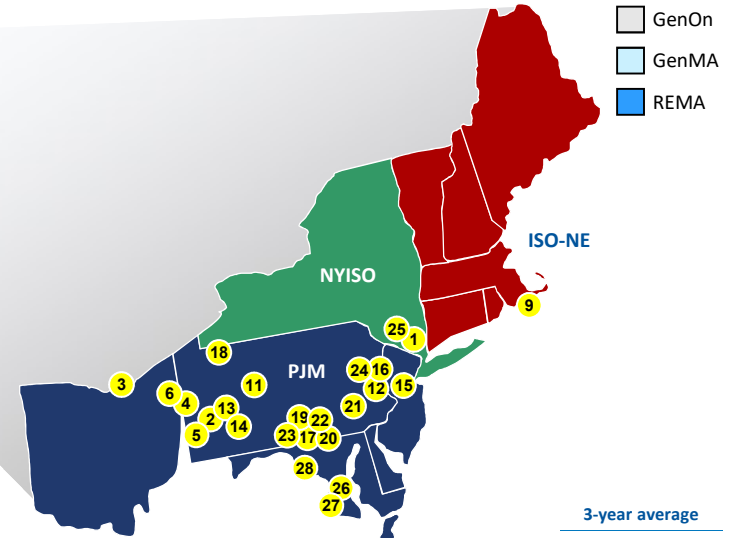
# Fleet Concentrated in PJM



### Portfolio snapshot

No. of facilities 28  
Full portfolio capacity<sup>1</sup> 12.3 GW

	#	Asset	COD	Fuel Type	Capacity (MW) <sup>1</sup>	3-year average	
						Capacity Factor	Heat rate
NYISO	1	Bowline	1972-1974	Gas	1,147	19.1	11
PJM	2	Cheswick	1970	Coal	565	51.7	10.8
	3	Avon Lake	1968-1970	Coal/Oil	659	38.9	10.1
	4	New Castle	1952-1968	Gas	328	11.6	11.0
	5	Brunot Island	1972-1974	Oil/Gas	259	2.3	12.6
	6	Niles	1972	Oil	25	0	N/A
CAISO	7	Ormond Beach	1971-1973	Gas	1,516	3.0	10.9
ISO-NE	8	Ellwood	1974	Gas	54	0.6	13.4
MISO	9	Martha's Vineyard	1969-1975	Oil	14	4.3	10.1
PJM	10	Choctaw <sup>3</sup>	2003	Gas	800	46.5	7.2
	11	Shawville	1954-1966	Gas/oil	603	37.9	10.8
	12	Gilbert	1974-1996	Gas	438	0.7	14.5
	13	Keystone <sup>2</sup>	1967-1968	Coal/oil	285	74.2	9.7
	14	Conemaugh <sup>2</sup>	1970-1971	Coal/oil	282	75.2	9.7
	15	Sayreville	1972-1973	Gas	217	0.1	19.1



	#	Asset	COD	Fuel Type	Capacity (MW) <sup>1</sup>	3-year average	
						Capacity Factor	Heat rate
PJM	16	Portland	1967-1997	Oil	169	3.8	12.1
	17	Hunterstown CT	1971	Gas	60	0.4	19.7
	18	Warren	1972	Gas	57	5.9	15.3
	19	Mountain	1972	Gas	40	0.9	16.9
	20	Tolna	1972	Oil	39	0.4	N/A
	21	Titus	1967-1970	Oil	31	4.7	12.1
	22	Hamilton	1971	Oil	20	0.3	17.7
	23	Orrtanna	1971	Oil	20	0.4	N/A
	24	Shawnee	1972	Oil	20	0.1	N/A
	25	Blossburg	1971	Gas	19	2.7	14.5
	26	Chalk Point	1964-1991	Gas/Coall/oil	2,279	13.0	11.3
	27	Morgantown	1970-1973	Coal/Oil	1,477	36.9	10.0
		28	Dickerson	1959-1992	Gas/Coal/Oil	849	14.3

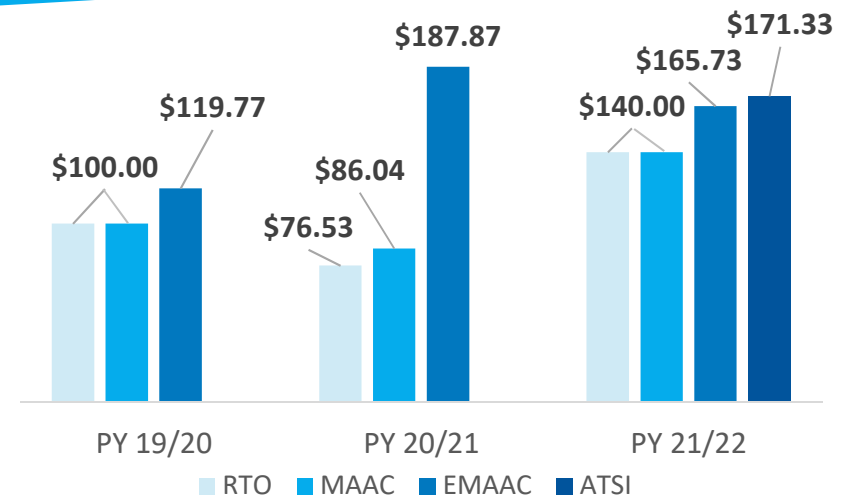
Note: Heat rate shown in MMBtu/MWh. Average heat rate for peakers calculated based on generation data where available. 3-Year average data for plants include units that have since been retired or mothballed.

1 Includes all plants shown on the page | 2 Keystone and Conemaugh run independently, not part of GenOn capacity, and will be given to creditors as part of REMA restructuring | 3 Choctaw asset pending sale

# Competitive Markets Overview

## PJM

- One of most advanced power markets in US
- Projected to need new capacity around the end of the decade<sup>1</sup>
- Ample Marcellus shale natural gas supply enables generators to source fuel at a discount
- GenOn has **significant capacity** in MAAC, EMAAC, and ATSI zones that can clear at premium capacity prices



## NYISO

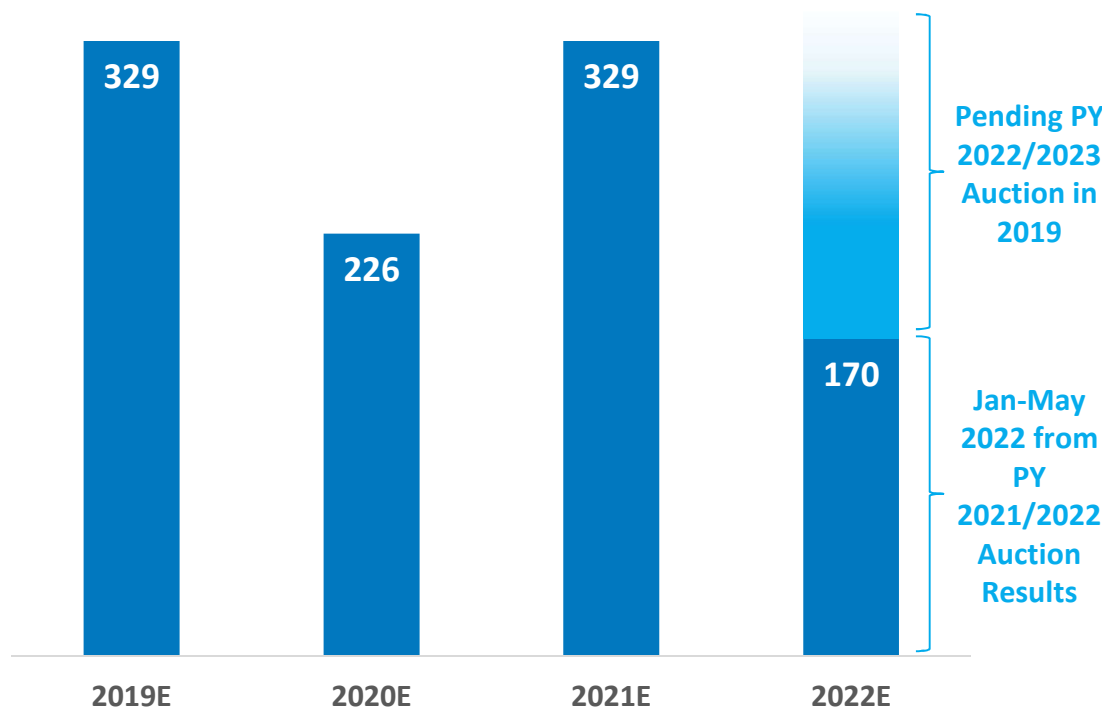
- Bowline is located ~30 miles from NYC in Zone G-J; created in 2014 to acknowledge that capacity in Lower Hudson Valley is more valuable than rest of the state
- Zone G-J **traditionally clears above** rest of the state
- New capacity entering market could reduce near-term capacity prices<sup>1</sup>
- Retirement of Indian Point expected to subsequently tighten the market and boost prices<sup>1</sup>

**PJM portfolio includes significant capacity that can clear at premium prices;  
Bowline in premium priced New York Zone G**



# Portfolio Underpinned by Capacity Payments

Known Capacity Revenue<sup>1</sup>, in \$MM



- Concentration of fleet in PJM provides three year visibility into capacity revenues due to PJM forward auction structure
- Known capacity payments at 1,142 MW Bowline plant in NYISO; however, shorter tenor given NYISO auction structure
- 2022E capacity revenue only reflects cleared auction period through May 2022

Significant known cash flow from secured capacity payments effectively hedges the portfolio and preserves energy market option value

# Post Emergence Opportunities

## Operating Performance

- Continued focus on safety and environmental performance
- Team in place to review operating characteristics and identify improvements

## Operating Expense

- Plant by plant deep dive on operating expenses
- Evaluate optimal insource/outsource mix

## G&A

- Significant reliance on outsourced resources immediately following emergence
- Optimal insource/outsource balance identified and transition underway

## Refinancing

- Optimizing capital structure leverage and costs

## Cash and Liquidity

- Scrub postings to release cash to the parent
- Refine and implement optimal collateral profile to release cash to the parent

## Tax Optimization

- Opportunity to reset tax basis at Fair Market Value
- Tax planning to maximize near-term cash flow

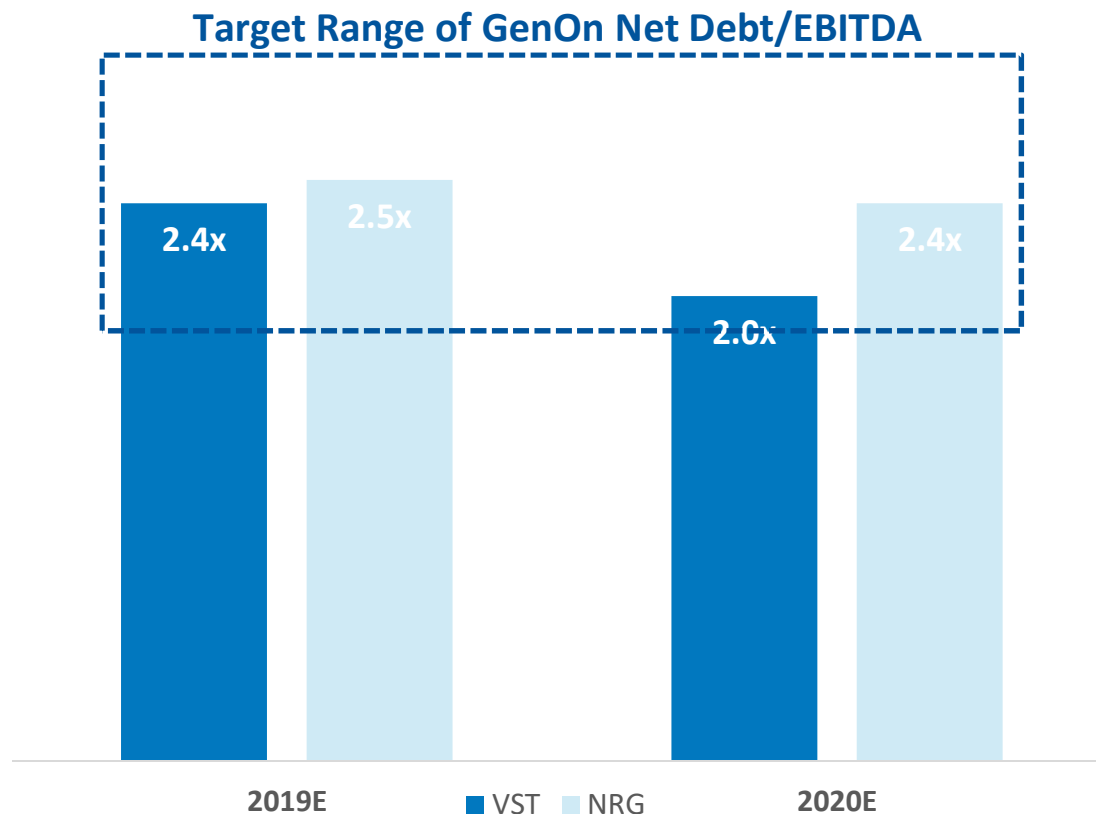
## Continuous Improvement Program

- Continuous Improvement Program launched post-emergence
- Cost will be a component, but not just a cost control undertaking

**Post-emergence leadership in place bringing a relentless focus on continuous improvement**

# Conservative Leverage

Net Debt/EBITDA<sup>1</sup>



- GenOn positioned to emerge from bankruptcy with conservative leverage that declines over time as the company generates FCF
- Credit metrics weaken in 2020 due to the trough in known capacity clears, but snap back sharply in subsequent years as known capacity revenues rebound
- Ongoing cost management effort from established management team continues to address shape of capacity payments

Leverage declines over time as the portfolio generates Free Cash Flow

<sup>1</sup> NRG and VST metrics provided by Wolfe Research

# Rationalize the Portfolio – Non Core Assets

## California Assets – Real Estate Value

- Approximately 2,800 MWs of natural gas-fired generation sites in California
- Sites are oceanfront or in otherwise attractive physical locations for real estate redevelopment

## California Assets – Redevelopment

- Sites have transmission interconnections that could be repurposed for renewables and/or storage development
- GenOn would consider partnering in renewable or storage development

## Other Assets

- Evaluate balance of non-core portfolio for best path to maximize monetization
- For example, mothballed 463 MW natural gas-fired Ocoala plant has relatively new vintage technology and is located in central Florida surrounded by regulated utilities

**Potential to realize significant potential value from a diligent process to monetize non-core assets**

# Rationalize the Portfolio – Core Assets

## Coal-Fired Assets

- Rigorous evaluation of cost structure and required environmental spend to maximize the value of the assets
- Assets must drive to reasonable FCF returns or face retirement

## Gas-Fired Assets and PJM Peaker Fleet

- Evaluate corporate structures that could facilitate monetization of the natural gas-fired and/or peaker fleet in its entirety
- Evaluate additional corporate structures that could facilitate monetizing a subset of the natural gas-fired and/or peaker fleet
- Evaluate potential sale of individual assets depending on valuation

## Bowline

- Dedicated Asset Manager to optimize asset and maximize value
- Will monetize asset position through ongoing cash flows if market will not recognize the fundamental value of the plant

Pursuing multiple simultaneous paths to maximize value from the core portfolio



**Conclusion**