

EDISON MISSION ENERGY
 Form 10-Q
 November 08, 2013

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

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Exact name of registrants as specified in their charters, addresses of principal executive offices, telephone numbers and states of incorporation	I.R.S. Employer Identification No.
333-68630	EDISON MISSION ENERGY 3 MacArthur Place, Suite 100 Santa Ana, California 92707 714-513-8000 State of Incorporation: Delaware	95-4031807
333-59348	MIDWEST GENERATION, LLC 235 Remington Boulevard, Suite A Bolingbrook, Illinois 60440 630-771-7800 State of Incorporation: Delaware	33-0868558

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

Edison Mission Energy YES NO Midwest Generation, LLC YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Edison Mission Energy YES NO Midwest Generation, LLC YES NO

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

Edison Mission Energy	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
-----------------------	---	---	--	---

Edgar Filing: EDISON MISSION ENERGY - Form 10-Q

Midwest Generation, Large accelerated Accelerated Non-accelerated Smaller reporting
LLC filer filer filer company

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

Edison Mission Energy YES NO Midwest Generation, LLC YES NO

Number of shares outstanding of Edison Mission Energy's Common Stock as of November 8, 2013: 100 shares (all shares held by an affiliate of Edison Mission Energy).

This combined Form 10-Q is filed separately by two registrants: Edison Mission Energy and Midwest Generation, LLC. Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrant.

TABLE OF CONTENTS

<u>GLOSSARY</u>	v
<u>EXPLANATORY NOTE</u>	1
<u>PART I</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
Edison Mission Energy	
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	3
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</u>	4
<u>CONSOLIDATED BALANCE SHEETS</u>	5
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	6
Midwest Generation, LLC	
<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	7
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</u>	8
<u>CONSOLIDATED BALANCE SHEETS</u>	9
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	10
<u>COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	11
<u>Note 1. Summary of Significant Accounting Policies</u>	11
<u>Note 2. Consolidated Statements of Changes in Equity (EME)</u>	14
<u>Note 3. Variable Interest Entities (EME)</u>	14
<u>Note 4. Fair Value Measurements</u>	15
<u>Note 5. Debt and Credit Agreements (EME)</u>	20
<u>Note 6. Derivative Instruments and Hedging Activities</u>	22
<u>Note 7. Income Taxes</u>	28
<u>Note 8. Compensation and Benefit Plans</u>	29
<u>Note 9. Commitments and Contingencies</u>	31
<u>Note 10. Environmental Developments</u>	35
<u>Note 11. Accumulated Other Comprehensive Loss</u>	36
<u>Note 12. Supplemental Cash Flows Information</u>	37
<u>Note 13. Impairment of Long Lived Assets</u>	38
<u>Note 14. Discontinued Operations (EME)</u>	38
<u>Note 15. Restructuring Activities</u>	39
<u>Note 16. Condensed Combined Debtors' Financial Information (EME)</u>	41
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	43
<u>EDISON MISSION ENERGY OVERVIEW</u>	44
<u>Highlights of Operating Results</u>	45
<u>Midwest Generation Environmental Compliance Plans and Costs</u>	47
<u>MIDWEST GENERATION, LLC</u>	48
<u>Results of Operations</u>	48
<u>Operating Income (Loss)</u>	49
<u>Reconciliation of Non-GAAP Disclosures and Statistical Definitions</u>	50
<u>Average Realized Energy Price</u>	50
<u>Average Realized Fuel Costs</u>	51

<u>Statistical Definitions</u>	<u>51</u>
<u>Other Income (Expense)</u>	<u>51</u>
<u>Income Taxes</u>	<u>52</u>
<u>EDISON MISSION ENERGY</u>	<u>53</u>
<u>Results of Operations</u>	<u>53</u>
<u>Midwest Generation Plants</u>	<u>53</u>
<u>Renewable Energy Projects</u>	<u>54</u>
<u>Interest Income (Expense)</u>	<u>55</u>
<u>Income Taxes</u>	<u>55</u>
<u>Results of Discontinued Operations</u>	<u>55</u>
<u>Seasonality</u>	<u>55</u>
<u>LIQUIDITY AND CAPITAL RESOURCES</u>	<u>56</u>
<u>Available Liquidity</u>	<u>56</u>
<u>Capital Investment Plan</u>	<u>56</u>
<u>Historical Consolidated Cash Flow (EME)</u>	<u>57</u>
<u>Cash Flows From Operating Activities</u>	<u>57</u>
<u>Cash Flows From Financing Activities</u>	<u>58</u>
<u>Cash Flows From Investing Activities</u>	<u>58</u>
<u>Historical Consolidated Cash Flow (Midwest Generation)</u>	<u>59</u>
<u>Cash Flows From Operating Activities</u>	<u>59</u>
<u>Cash Flows From Financing Activities</u>	<u>59</u>
<u>Cash Flows From Investing Activities</u>	<u>59</u>
<u>Margin, Collateral Deposits and Other Credit Support for Energy Contracts</u>	<u>59</u>
<u>EME's Intercompany Tax-Allocation Agreement</u>	<u>60</u>
<u>Dividend Restrictions in Major Financings</u>	<u>60</u>
<u>Contractual Obligations, Commercial Commitments and Contingencies</u>	<u>60</u>
<u>Contractual Obligations</u>	<u>60</u>
<u>Commercial Commitments</u>	<u>60</u>
<u>Contingencies</u>	<u>60</u>
<u>Off-Balance Sheet Transactions</u>	<u>61</u>
<u>Environmental Matters and Regulations</u>	<u>61</u>
<u>MARKET RISK EXPOSURES</u>	<u>62</u>
<u>Derivative Instruments</u>	<u>62</u>
<u>Unrealized Gains and Losses</u>	<u>62</u>
<u>Fair Value Disclosures</u>	<u>62</u>
<u>Commodity Price Risk</u>	<u>62</u>
<u>Energy Price Risk</u>	<u>62</u>
<u>Capacity Price Risk</u>	<u>64</u>
<u>Coal Price Risk</u>	<u>64</u>
<u>Basis Risk</u>	<u>64</u>
<u>Credit Risk</u>	<u>65</u>
<u>Interest Rate Risk</u>	<u>65</u>
<u>CRITICAL ACCOUNTING ESTIMATES AND POLICIES</u>	<u>66</u>

<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>66</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>66</u>
<u>PART II - OTHER INFORMATION</u>	<u>67</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>67</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>67</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>68</u>
<u>ITEM 6. EXHIBITS</u>	<u>68</u>
<u>SIGNATURES</u>	<u>69</u>

(This page has been left blank intentionally.)

iv

Table of Contents

GLOSSARY

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

2010 Tax Relief Act	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
Acquisition Agreement	a sale of certain assets of EME to NRG pursuant to an Asset Purchase Agreement
Adjusted EBITDA	adjusted earnings before interest, taxes, depreciation and amortization
Ambit	American Bituminous Power Partners, L.P. or its waste coal facility
AOCI	accumulated other comprehensive income (loss)
ARO(s)	asset retirement obligation(s)
BACT	best available control technology
Bankruptcy Code	Chapter 11 of the United States Bankruptcy Code
Bankruptcy Court	United States Bankruptcy Court for the Northern District of Illinois, Eastern Division
bcf	billion cubic feet
Big 4 Projects	Kern River, Midway-Sunset, Sycamore and Watson natural gas power projects
Btu	British thermal units
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
Certificate Holders	certain of the holders of the pass-through certificates of Midwest Generation's lessor debt
Chapter 11 Cases	Initial Debtors' chapter 11 cases and the Homer City Debtors chapter 11 cases, collectively
CO ₂	carbon dioxide
Commonwealth Edison	Commonwealth Edison Company
CPS	Combined Pollutant Standard
CPUC	California Public Utilities Commission
CSAPR	Cross-State Air Pollution Rule
Debtor Entities	collectively 19 debtors composed of the Initial Debtors and the Homer City Debtors
EIX	Edison International
EME	Edison Mission Energy
EMMT	Edison Mission Marketing & Trading, Inc.
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
GAAP	United States generally accepted accounting principles
GECC	General Electric Capital Corporation
GHG	greenhouse gas
GWh	gigawatt-hours
Homer City	