HOMER CITY GENERATION, L.P.

Management Financial Statements

September 30, 2016

(Unaudited)

GLOSSARY

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

ARO(s)	Asset Retirement Obligation(s)
ASC	Accounting Standards Codification
BETM	Boston Energy Trading and Marketing, LLC
Btu	British thermal units
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CSAPR	Cross-State Air Pollution Rule
EFSHC	EFS Homer City, LLC
EGU	Electricity Generating Unit
EME Homer City	EME Homer City Generation, L.P.
EMMT	Edison Mission Marketing and Trading
EPC	Engineering, procurement, and construction
FGDs	Flue-gas desulfurization retrofit scrubber systems
FTRs	Financial Transmission Rights
GE Capital	General Electric Capital Corporation and its wholly owned subsidiaries
GECGH	GE Capital Global Holdings, LLC
GHG	greenhouse gas
GWh	gigawatt-hours
HAP(s)	hazardous air pollutant(s)
Homer City	Homer City Generation, L.P.
ICAP	ICAP Energy Limited
ISO(s)	independent system operator(s)
LIBOR	London Interbank Offered Rate
MATS	Mercury and Air Toxics Standards
MMBtu	million British thermal units
Moody’s	Moody’s Investors Service, Inc.
MW	megawatts
MWh	megawatt-hours
NAPP	Northern Appalachian
NGO	Non Governmental Organizations
NIDs	Novel Integrated Desulfurization System
NOx	Nitrogen Oxide
NERC	North American Electric Reliability Corporation
NPNS	Normal Purchase Normal Sale
NRG Energy	NRG Energy, Inc. and its wholly owned subsidiaries
NSR	New Source Review
NYISO	New York Independent System Operator
NYSEG	New York State Electric & Gas Corporation
PADEP	Pennsylvania Department of Environmental Protection
Penelec	Pennsylvania Electric Company
PJM	PJM Interconnection, LLC
PSD	Prevention of Significant Deterioration
RACT	Reasonably Achievable Control Technology
RPM	Reliability Pricing Model
S&P	Standard & Poor’s Rating Services
SIP(s)	state implementation plan(s)
SO_2	Sulfur Dioxide
US EPA	United States Environmental Protection Agency
US GAAP	United States generally accepted accounting principles

HOMER CITY GENERATION, L.P.

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HOMER CITY GENERATION, L.P.

Management's Discussion and Analysis of Financial Condition and Results of Operations

September 30, 2016 and 2015

Management's Overview

Homer City Generation, L.P. (Homer City and/or Facility) is a Pennsylvania limited partnership engaged in the business of operating and selling energy and capacity from its three coal-fired electric generating units and related facilities located near Pittsburgh, Pennsylvania with an aggregate net capacity of 1,884 MW. The Facility benefits from direct transmission access to PJM and the NYISO through high voltage lines that interconnect through a switchyard located on the Facility site. The Facility is a PJM capacity resource and primarily sells its capacity through PJM's annual capacity auction. Subject to certain restrictions, the Facility also has the ability to sell energy into NYISO. PJM and NYISO are regional transmission organizations that coordinate the transmission of electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, the District of Columbia and New York.

Homer City entered into an Energy Management Agreement with Boston Energy Trading and Marketing, LLC (BETM), formerly known as Edison Mission Marketing & Trading, Inc. (EMMT), a third-party marketing firm, to provide scheduling of energy from the Facility into PJM and NYISO and other related services. Additionally Homer City entered into (i) an Operations and Maintenance Agreement with NRG Energy for the operation, maintenance and management of the Facility; and (ii) an Asset Management Agreement with PurEnergy Management Services, LLC (PurEnergy) to provide certain asset management, fuel procurement and transportation services.

The accompanying financial statements include financial information for the legal subsidiary of GE Capital, Homer City Generation, L.P. The capital structure recorded reflects the impact of pushing down GE Capital's and MetLife's existing basis at the time of the legal transfer of the plant assets to Homer City, which occurred on December 14, 2012. The financial information presented is for the three and nine months ended September 30, 2016 and 2015.

It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2015.

Highlights of Operating Results

Operating income (loss) from the Homer City plant was $(802) thousand and $154 thousand for three months ended September 30, 2016 and 2015, respectively and $(2,967) thousand and $47,371 thousand for the nine months ended September 30, 2016 and September 30, 2015, respectively. The gross margin of the Facility (revenues less fuel cost) was $45,098 thousand and $39,510 thousand for three months ended September 30, 2016 and 2015, respectively and $139,387 thousand and $173,819 thousand for the nine months ended September 30, 2016 and September 30, 2015, respectively. Revenues for the three and nine months ended September 30, 2016 were lower than the three and nine months ended September 30, 2015 due to lower realized energy prices. Total operating expenses were lower for the three and nine months ended September 30, 2016 compared to the three and six months ended September 30, 2015 due to lower fuel expenses. Included in the operating results for the three months ended September 30, 2016, was a charge of $5,575 thousand in accordance with ASC 450, *Contingencies and Related Guidance*, for litigation related to the Facility's largest coal supplier. See "Contingencies" for a full description of the litigation.

Homer City Restructuring and Recapitalization

In December 2001, GE Capital entered into a sale-leaseback transaction with EME Homer City, for the Facility. The original lease was financed with both nonrecourse debt, through the issuance of bonds, and equity funded by GE Capital and MetLife. GE Capital funded 90% of the equity and MetLife funded the remaining 10% through a series of separate owner trusts. During 2011, EME Homer City attempted and failed to raise capital to fund construction of the FGDs, which would have been required due to upcoming environmental regulatory deadlines. Following the failure of the equity raise, EME Homer City and GE Capital began exploring ways to transfer EME Homer City's interest in the Facility and related property, as well as certain liabilities, to a new entity controlled by GE Capital, in exchange for releasing EME Homer City from its obligations under its lease of the Facility and under other documents related to the sale-leaseback transaction. On March 29, 2012, EME Homer City and GE Capital entered into an Implementation Agreement (the Implementation Agreement), pursuant to which EME Homer City agreed to enter into a transaction to transfer certain of its assets (including its leasehold interest in the Facility and its ownership interest in the Facility site) and certain liabilities to an assignee designated by GE Capital, in exchange for GE Capital agreeing to enter into, or to cause one of its Affiliates to enter into, the EPC Contract, and related agreements, for maintenance of the Facility and construction of FGDs for the Facility.

Around the same time, GE Capital began negotiations with a bondholder group that collectively held more than two-thirds of the principal outstanding from the sale-leaseback transaction (the Informal Bondholder Group) concerning the restructuring of the existing bonds and the sale-leaseback arrangement (the Restructuring). On April 2, 2012, EFSHC, an affiliate of GE Capital, entered into an EPC contract with Kiewit Corporation to complete the construction of the FGDs and also assumed certain other ancillary agreements, known as the "BOP Agreements," that support construction of the FGDs and maintenance of the Facility. On May 3, 2012, GE Capital and the Informal Bondholder Group agreed upon, and EME Homer City filed with the SEC, a nonbinding term sheet governing the Restructuring of the existing bonds that would take place pursuant to the Plan and in conjunction with the transaction contemplated by the Implementation Agreement. Subsequently, GE Capital and the Informal Bondholder Group proceeded to negotiate, among other things, the form of the newly secured bond indenture, the Plan Support Agreement, and the Plan.

As of September 2016, construction of the FGDs and related improvements, pursuant to the EPC Contract, the BOP Agreements, and other purchase orders and agreements to the Facility has been completed.

Pursuant to the Master Transaction Agreement, EME Homer City transferred to Homer City its leasehold interest in the Facility, its fee simple interest in the Facility site, and certain other rights and property used to operate the Facility – including the personal property of EME Homer City at the Facility, all inventories and emission allowances relating to the operation of the Facility, certain cash and cash equivalents and notes receivable (trade or otherwise), excluding the intercompany balances, all agreements and contracts relating to the operation of the Facility, certain cash amounts, Argo bond cash, Safeco bond cash and Post-Closing Cash Assets, all transferable permits, all unutilized emission reduction credits generated at the Facility, all unexpired and transferable warranties and guarantees from third parties with respect to any item of property transferred, certain intellectual property, substation equipment, the right to certain tax claims against third parties, all beneficial right, title and interest in and to the EME Homer City transmission and other property rights and all rights under any transactions which provided for the sale of commitment of capacity which had not been fully performed as of April 13, 2012 or which continue after December 13, 2012.

Under the Master Transaction Agreement, Homer City also assumed certain liabilities relating to the transferred assets, including, among other things, liabilities arising under the transferred agreements and transferable permits, trade payables relating to the operation of the Facility, and other potential liabilities arising on or after the closing relating to transferred employees, environmental matters, certain taxes (other than income taxes) on the ownership and operation of the transferred assets in taxable periods ending prior to, on or after December 14, 2012 that arise out of or relate to the ownership, operation or use of the transferred assets after the closing.

Simultaneous with the Restructuring of the Homer City entities, GE Capital made an additional equity contribution to Homer City in the form of the FGDs (the Recapitalization). GE Capital's limited partner, MetLife, chose not to participate alongside GE Capital in the funding of the FGDs and therefore the initial contribution of the FGDs and continued funding of the FGDs will increase GE Capital's proportionate interest in the Facility. The total equity contribution related to the FGDs that has been made by GE Capital through September 30, 2016 is $726,651 thousand.

The financial statements presented herein reflect the completion of the Restructuring and Recapitalization that occurred prior to and pursuant to the Master Transaction Agreement, including the relevant change in basis of the transferred assets and liabilities as required by US GAAP. The new basis reflected is based on the carrying value of GE Capital's and MetLife's existing basis as of December 14, 2012.

Environmental Regulation Developments

Environmental Issues and Capital Resource Limitations

GE Capital entered into an EPC contract on April 2, 2012 with Kiewit Corporation to construct Novel Integrated Desulfurization System (NIDs), the selected type of FGD to be installed in Units 1 and 2. NIDs are designed to reduce various emissions, including SO2 and particulate matter.

As of September 2016, construction of the FGDs and related improvements, pursuant to the EPC Contract, the BOP Agreements, and other purchase orders and agreements to the Facility has been completed.

Greenhouse Gas Regulations

There have been a number of federal and state legislative and regulatory initiatives to reduce greenhouse gas (GHG) emissions. Any climate change regulation or other legal obligation that would require substantial reductions in GHG emissions or that would impose additional costs or charges for the GHG emissions could significantly increase the cost of generating electricity from fossil fuels, and especially from coal-fired plants, which could adversely affect Homer City's results of operations and cash flows.

Significant developments include the following:

- In June 2010, the United States Environmental Protection Agency (EPA) issued the Prevention of Significant Deterioration (PSD) and Title V Greenhouse Gas Tailoring Rule, known as the "GHG tailoring rule." This regulation generally subjects newly constructed sources of GHG emissions and newly modified existing major sources to the PSD air permitting program (and later, to the Title V permitting program), beginning in January 2011. The current program, which applies to only new or newly modified sources, is not expected to have an immediate effect on the Homer City plant. However, regulation of GHG emissions pursuant to this program could affect efforts to modify the Homer City plant in the future, and could subject new capital projects to additional permitting and emissions control requirements that could delay such projects. Following the Supreme Court's decision that it was a reasonable construction of the Clean Air Act to allow the EPA to impose GHG Best Available Control Technology standards on plants that are already major sources for other pollutants, the EPA issued a Direct Final Rule on April 30, 2015 authorizing the EPA and delegated state and local permitting agencies to adopt regulation allowing them to rescind PSD permits that were issued to sources which were "major" only for GHG emissions.

- In September 2013, the EPA issued reproposed regulations governing GHG emissions from new electric generating stations. The GHG New Source Performance Standards (NSPS) rule for new electric generating stations was published in the Federal Register on January 8, 2014. The US EPA issued proposed GHG NSPS emission standards for modified and reconstructed electric generating stations on June 18, 2014. On January 7, 2015 the EPA announced that the new source rule would be issued together with the modified/reconstructed and existing rules in mid-summer 2015. The new source rule was published in the Federal Register on October 23, 2015. Twenty-four States have filed a Petition for Review before the U.S. Court of Appeals for the D.C. Circuit. Opening briefs on the existing rule were filed in February 2016 and EPA's response brief was filed on March 28, 2016.
- The EPA issued GHG NSPS for existing electric generating stations on August 3, 2015. This rule was published in the Federal Register on October 23, 2015. States are required to submit their initial state implementation plans (SIP) by September 7, 2016 and final plans by September 7, 2018. In light of the stay issued by the United States Supreme Court (the Stay) on Feburary 9, 2016, the Pennsylvania Department of Environmental Protection contnues to work on a draft SIP and meet with stakeholders, but at a much slower pace than before the Stay was issued. The rule calls for a 32% reduction of CO2 nationwide by 2030 based on a 2005 baseline. Using an emission performance standard, the rule establishes interim and final emission reduction targets (either mass or rate-based) for states based on each state's unique mix of power plants as of 2012. The rule calls for a reduction in Pennsylvania's CO2 emissions rate of 1,682 lbs/MWh in 2012 to 1,095 lbs/MWh in 2030 and a mass limit of 116,657,632 tons of CO2 in 2012 to 89,822,308 tons in 2030. The final rule is based on three "building blocks" consisting of (1) improved efficiency at power plants; (2) running combined gas-cycled-fired EGU's at a 75% capacity factor, and; (3) increasing deployment of zero/low carbon generation (e.g. nuclear and renewable energy). The rule eliminates the fourth building block in the proposed rule, which called for energy demand reduction savings, but still assumes a certain amount of GHG emissions reductions from energy demand reduction. The rule is subject to numerous legal challenges from states and industry groups. In addition, a group of 34 senators and 171 members of Congress filed an Amici Curiae brief with the D.C. Circuit on February 23, 2016, in support of the state and industry group opposing the rule. The EPA brief was due on March 28, 2016. The Stay will remain in effect until after the D.C. Circuit decides the merits of the rule and the Supreme Court decides to either grant certioriari or deny certioriari of the D.C. Circuit's decision on appeal. A decision by the D.C. Circuit is not expected unitl the end of 2016 at the earliest.

Cross-State Air Pollution Rule

The Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQs (CSAPR Update Rule) was published in the Federal Register on October 26, 2016 and takes effect on December 26, 2016. Homer City was allocated 1,678 tons of NOx during the Ozone Season under the final rule, which is up from 1,189 tons of NOx under the proposed rule. Assuming the Station was to operate at a 65% capacity rate, Homer City would need to reduce its

NOx emission during the Ozone Season to a rate of 0.078 lb/MMBtu, or allocate existing 2016 NOx allowances to 2017 or purchase allowances in the market place. Numerous parties, including Homer City and PADEP, commented on the proposed rule and we expect this rule to be subject to legal challenge once it is finalized and published in the Federal Register.

Hazardous Air Pollutant Regulations

In December 2011, the EPA announced the Mercury and Air Toxics Standards (MATS) rule, limiting emissions of hazardous air pollutants (HAPs) from coal- and oil-fired electrical generating units. The rule was published in the Federal Register on February 16, 2012, and became effective on April 16, 2012. Homer City was granted a one-year extension by PADEP and will be required to meet the MATS standards by April 16, 2016. Homer City does not expect that these standards will require the Facility to make additional capital expenditures beyond the NIDs already being installed in Units 1 and 2. Based on test date for all 3 units, Homer City is currently operating in compliance with Mercury emission limits. On July 14, 2014, 21 states and two industry trade associations filed a petition with the U.S. Supreme Court to review the decision by the D.C. Circuit that upheld the MATS decision. The U.S. Supreme Court granted certiorari to review the D.C. Circuit decision, and oral argument before the Supreme Court was held on March 25, 2015. On June 29, 2015, the Supreme Court ruled that that EPA had acted unreasonably when it deemed costs irrelevant to the decision to regulate power plants under MATS and the rule was remanded back to the D.C. Circuit. Despite efforts seeking to suspend MATS, the rule remains in place while the D.C. Circuit completes its evaluation. In February 2016, 20 States filed a request with the U.S. Supreme Court to stay implementation of the MATS rule following their granting of the stay of the Clean Power Plan. The U.S. Supreme Court denied this request. Coal Combustion Wastes

The EPA finalized the Coal Combustion Residue (CCR) Rule on December 19, 2014 and was published in the Federal Register on April 17, 2015. The CCR rule becomes effective on October 14, 2015. The CCR rule confirmed that coal ash would continue to be regulated as a solid waste product under Subtitle D of Resource Conservation Recovery Act. The CCR rule applies Subtitle D standards to landfill and surface impoundments that manage coal ash. The rule imposes robust groundwater monitoring and reporting requirements, which are required to be posted to a public database. Homer City has selected a contractor to assist the Facility with the monitoring and recordkeeping requirements of the CCR rule and has taken steps to meet those CCR requirements that apply to the Facility to date. The CCR rule is subject to a number of legal challenges from industry groups who fault a number of its provisions and from advocates who claim the rule is not strong enough. The D.C. Circuit has issued a briefing schedule for consolidated challenges to the rule that sets a deadline for final briefs by Q3 2016.

NPDES Permit Renewal and Modification

Homer City is authorized to discharge wastewaters to several streams in the vicinity of the Facility pursuant to a National Pollution Discharge Elimination System Permit (NPDES Permit) issued by the PADEP. A renewal application was submitted to PADEP on February 1, 2012, which automatically continues the terms and conditions of the permit until PADEP takes final action on the permit renewal application. Additionally, Homer City has submitted applications to modify a number of activities and outfalls authorized by the permit to add activities associated with operation of the FGD systems being installed on Units 1 and 2, to eliminate certain outfalls that are no longer needed and to consolidate certain other outfalls, and to increase recycling of wastewaters. The PADEP issued a draft renewal and modified permit, which was published in the PA Bulletin on July 26, 2014. The draft permit proposes to reduce affluent and temperature limits at various outfalls, to require increased samplings at storm water and emergency outfalls, and to impose a three-year compliance schedule.

Homer City as well as various NGO's and the EPA filed comments in connection with the draft permit. Until a final permit is issued, we are not in a position to know exactly what impact any such revisions to the station's existing waste water permit will have on the operations of the station, whether the file permit will be appealed to the Environmental Hearing Board, or what the ultimate outcome to any such challenge will be.

Pennsylvania's NOx RACT Rule

The Pennsylvania NOx RACT Rule requires Homer City on January 1, 2017 to meet a year-round NOx emissions rate of 0.12 lbs/MMBtu when the SCRs on Units 1-3 reach an inlet temperature of 600 F, unless an extension to come into compliance with the rule, is granted by PaDEP. Homer City submitted on October 21, 2016 a Petition seeking an extension to come into compliance with this rule. More specifically, Homer City has requested that the Station be permitted to operate at an interim NOx RACT rate of 0.3 lbs/MMBtu for Units 1 and 2 until new Low NOx Burners and/or modifications to the existing SCRs on these units are installed and the Units reach commercial operation. Unit 3 is already able to meet the NOx RACT limit. Homer City expects to hear from PADEP on its extension request before December 1, 2016, although this date may slip. Homer City received on October 25, 2016 bids from six different vendors for the Low Nox Burners and bids from 3 different vendors for potential SCR modifications. Homer City is in the process of evaluating these bids. Once detailed engineering is completed, Homer City will submit a Plan Approval application to the PADEP for the option that Homer City elects to install. PaDEP's approval of Homer City's Extension Petition and the Plan Approval will be subject to public notice and comment.

Clean Air Act Sec. 126 Petitions

The State of Delaware on November 10, 2016 and the State of Maryland on November 16, 2016 separately petitioned the U.S. Environmental Protection Agency ("EPA") to find that Homer City is emitting air pollutants in violation of Section 110 of the Clean Air Act with respect to the 2008 and 2015 Ozone National Ambient Air Quality Standards. By statute, the EPA is required within 60 days after receipt of any such petition and after a public hearing, to make such a finding or to deny the petition. While Homer City believes that there is little merit to the allegations contained in these petitions, Homer City is not in a position at this time to predict whether the EPA will make the findings requested by Delaware and Maryland, or whether it will deny their petitions.

Results of Operations

Summary

The table below summarizes total revenues as well as key performance measures related to the Homer City plant (in thousands).

		Three months ended September 30, 2016	Three months ended September 30, 2015
Operating Revenues	$	91,684	105,528
Statistics:			
Generation (in GWH)		2,041	2,177
Equivalent availability		69.9%	79.2%
Capacity factor		49.1%	52.5%
Load factor		70.2%	66.2%
Forced outage rate		26.1%	15.7%
Average realized energy price/MWH	$	30.51	37.32
Average fuel costs/MWh		22.83	30.33

		Nine months ended ended September 30, 2016	Nine months ended ended September 30, 2015
Operating Revenues	$	280,346	396,476
Statistics:			
Generation (in GWH)		5,327	7,478
Equivalent availability		71.5%	81.1%
Capacity factor		43.0%	60.4%
Load factor		60.2%	74.6%
Forced outage rate		14.9%	8.8%
Average realized energy price/MWH	$	38.78	43.50
Average fuel costs/MWh		26.46	29.77

Reconciliation of Non-U.S. GAAP Disclosures and Statistical Definitions

Average Realized Energy Price

The average realized energy price reflects the average price at which energy is sold into the market including the effects of real-time and day-ahead sales and PJM fees and ancillary services. It is determined by dividing

(i) operating revenues less nonenergy related revenues by (ii) generation as shown in the table below. Revenues related to capacity sales, unrealized gains from derivatives, and other revenue are excluded from the calculation of average realized energy price.

		Three months ended September 30, 2016	Three months ended September 30, 2015
Operating revenues	$	91,684	105,528
Less capacity and other revenue		29,422	24,284
Realized revenues from generation	$	62,262	81,244
Generation (in GWh)		2,041	2,177
Average realized energy price/MWh	$	30.51	37.32

		Nine months ended ended September 30, 2016	Nine months ended ended September 30, 2015
Operating revenues	$	280,346	396,476
Less capacity and other revenue		73,769	71,170
Realized revenues from generation	$	206,577	325,306
Generation (in GWh)		5,327	7,478
Average realized energy price/MWh	$	38.78	43.50

The average realized energy price is presented as an aid in understanding the operating results of the Homer City plant. Average realized energy price is a non-GAAP performance measure since such statistical measure excludes unrealized gains or losses recorded as operating revenues. Management believes that the average realized energy price is meaningful for investors as this information reflects the impact of any executed physical forward transactions at the time of actual generation in period-over-period comparisons or as compared to real-time market prices.

Statistical Definitions

- Equivalent availability reflects the impact of the unit’s inability to achieve full load, referred to as de-rating, as well as outages which result in a complete unit shutdown. The coal plants are not available during periods of planned and unplanned maintenance. The equivalent availability factor is defined as the number of MWh the coal plants are available to generate electricity divided by the product of the capacity of the coal plants (in MW) and the number of hours in the period.
- The capacity factor indicates how much power a unit actually generated compared to the maximum amount of power that could be generated according to its rating. It is defined as the actual net energy generated by the coal plants (in MWh) divided by the product of the capacity of the coal plants (in MW) and the number of hours in the period.

- The load factor indicates how much power a unit actually generated compared to the maximum amount of power that a unit was available to generate electricity. It is determined by dividing capacity factor by the equivalent availability factor.
- The forced outage rate refers to forced outages and de-ratings excluding events outside of management’s control as defined by NERC. Examples of events outside of management’s control include floods, tornado damage and transmission outages.

Operating Income

See “Highlights of Operating Results” on page 4.

Other Expense

Interest expense was $13,043 thousand and $39,646 thousand for the three and nine months ended September 30, 2016, respectively and $14,079 thousand and $42,757 thousand for the three and nine months ended September 30, 2015, respectively. Lower interest expense for the three and nine months ended September 30, 2016 compared to 2015 was due to the scheduled payments on the principal balance of the bonds related to the financing of the Homer City plant.

Income Taxes

Homer City is treated as a partnership for federal and state income tax purposes. As a result, the income or loss of Homer City is allocated to the individual partners and no provision for income taxes is included in the financial statements.

Related Party Transactions

GE Capital holds approximately $25,793 thousand of the outstanding 8.137% Bonds and $71,131 thousand of the outstanding 8.734% Bonds. Total interest expense accrued to the benefit of GE Capital was $2,078 thousand and $6,234 thousand for the three and nine months ended September 30, 2016, respectively and $2,253 thousand and $6,845 thousand for the three and nine months ended September 30, 2015, respectively.

Based on the terms of the Homer City partnership agreement, a wholly owned subsidiary of EFSHC receives a quarterly management fee of $750 thousand for reimbursement for certain management services provided to Homer City including asset management and legal services. The amount included in general and administrative expense was $750 thousand and $2,250 thousand for the three and nine months ended September 30, 2016 and 2015, respectively.

Homer City engages various GE subsidiaries in support of normal operations of the plant. The amount included in plant operations expense was $326 thousand and $1,058 thousand for the three and nine months ended September 30, 2016, respectively and $187 thousand and $641 thousand for the three and nine months ended September 30, 2015, respectively. Included in Other current assets were $110 thousand and $593 thousand for the nine months ended September 30, 2016 and 2015, respectively, of parts purchased from GE. Included in Accounts payable for the nine months ended September 30, 2016 and 2015, were $98 thousand and $28 thousand, respectively, related to these items.

Liquidity and Capital Resources

Liquidity

Homer City had $20,588 thousand and $25,793 thousand in cash and cash equivalents as of September 30, 2016 and December 31, 2015, respectively.

The current market environment continues to be challenging due to historically low natural gas prices, lower power generation and unseasonably mild weather. Homer City has taken several liquidity actions to mitigate the impact of the current market environment including enhancing its hedging program, reviewing the scope of its operating budget and rationalizing its plant capital investment program. However, despite these actions, the Facility was unable to generate sufficient liquidity through its sale of energy and capacity into the local markets to meet the October 3, 2016 debt service requirements for the 8.137% and 8.734% bonds.

Homer City entered into a forbearance agreement with certain holders of its outstanding bonds on October 3, 2016, pursuant to which such holders agreed to forbear from exercising any and all remedies available to them as a result of Homer City not making the payment due on the outstanding bonds on October 3, 2016. The original forbearance period ran through October 17, 2016, but has been extended multiple times and currently expires on November 30, 2016. Homer City believes the forbearance agreement provides it with additional time to engage in discussions with certain holders regarding a comprehensive financial restructuring with the intent to significantly deleverage Homer City's balance sheet and provide for an orderly transition of ownership.

On April 10, 2015 GE announced its intention to reduce the size of GE Capital. As part of this plan certain existing GE Capital legal entities, including those that directly and indirectly own an equity interest in Homer City, were reorganized. The reorganization involved a series of internal transactions culminating with a new holding company, GE Capital Global Holdings, LLC (GECGH). GECGH does not qualify as a "Permitted Holder" under the indenture agreement and therefore this transaction was defined as a "change of control". Under the indenture agreement, Homer City elected to qualify this transaction as an "Exempted Change of Control". The "Exempted Change of Control" was a one-time use provision. In addition to meeting certain conditions with respect to the construction and installation of the NIDS, the use of the "Exempted Change of Control" provision required that the $75 million working capital facility be terminated. In the fourth quarter of 2015, Homer City qualified the transaction as an "Exempted Change of Control" and terminated the working capital facility.

On March 13, 2014, EME Homer City entered into a settlement agreement (The Agreement) by and among EME Homer City, Homer City and GE Capital, (collectively, the Parties). The Agreement resolved certain disputes among the Parties arising out of a bankruptcy proceeding of EME Homer City filed May 2, 2013. The Agreement, among other things, determined each Parties' interest in certain cash collateral that had previously been posted by EME Homer City with Argonaut Insurance Company, Safeco Insurance Company and Associated Electric & Gas Insurance Services Limited. The Agreement was approved by the Bankruptcy Court for the Northern District of Illinois and payment was received in 2014.

Capital Investment Plan

Forecasted capital expenditures through 2018 by Homer City are as follows (in thousands):

		Oct - Dec 2016	2017	2018
Environmental	$	—	—	—
Plant capital		2,417	12,380	12,341
Total	$	2,417	12,380	12,341

Plant capital expenditures relate to non-environmental projects such as boiler and turbine controls, major boiler components, coal-cleaning plant refuse disposal, and ash disposal. To the extent available, Homer City plans to fund these expenditures with cash on hand or cash generated from operations.

Cash Flows

Homer City had $20,588 thousand and $103,682 thousand in cash and cash equivalents as of September 30, 2016 and 2015, respectively. Net cash from (used for) operating activities totaled $(1,640) thousand and $13,396 thousand for the three months ended September 30, 2016 and 2015, respectively. Net cash from (used for) operating activities totaled $21,131 thousand and $37,541 thousand for the nine months ended September 30, 2016 and 2015, respectively.

Net cash used for investing activities totaled $1,695 thousand and $16,601 thousand for the nine months ended September 30, 2016 and 2015, respectively and was attributable to planned capital expenditures at the plant.

Net cash used in financing activities totaled $24,644 thousand and $24,642 thousand in the nine months ended September 30, 2016 and 2015, respectively.

Credit Ratings

Credit ratings for Homer City as of September 30, 2016 are as follows:

	Moody's rating	S&P rating	Fitch rating
Homer City	Caa2	CCC-	N/A

Subsequent to September 30, 2016, the Facility experienced several credit rating downgrades. On October 5, 2016, Moody's downgraded the Homer City bonds from "Caa2" to "Ca". On October 10, 2016, S&P downgraded the Homer City bonds from "CCC-" to "CC", and then again on October 25, 2016, from "CC" to "D". These downgrades were driven primarily by Moody's and S&P's views that Homer City continues to face significant liquidity challenges, as evidenced by the Facility's inability to meet its October 3, 2016 debt service obligations.

Contractual Obligations, Commercial Commitments and Contingencies

Homer City has contractual obligations and other commercial commitments that represent prospective cash requirements. The following table summarizes Homer City's significant contractual obligations as of September 30, 2016 (in thousands):

		Total	Payments due by period less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long term debt	$	606,912	80,441	146,778	81,192	298,501
Interest on Long term debt		304,991	75,011	83,889	61,006	85,085
Fuel supply contracts		171,430	62,725	108,705		
Coal cleaning agreement		—	—			
Capital expenditures		—	—			
Other contractual obligations		17,546	10,421	7,125		
Total contractual obligations	$	1,100,879	228,598	346,497	142,198	383,586

Fuel Supply Contracts

At September 30, 2016, Homer City had commitments to purchase coal from third-party suppliers at fixed prices, subject to adjustment clauses. The contracts require Homer City to purchase a minimum quantity over the term of the contracts, with an option at Homer City's discretion to purchase additional amounts as stated in the agreements. These commitments are estimated to aggregate $171,430 thousand, summarized as follows: $62,725 thousand in 2016 and $108,705 thousand in 2017.

Coal Cleaning Agreement

Homer City entered into a coal cleaning agreement with Homer City Coal Processing Corporation (HCCP), an unrelated third party, to operate and maintain a coal cleaning plant owned by Homer City Coal Processing Corporation. On April 6, 2016, Homer City terminated the agreement with HCCP.

Operation and Maintenance Agreement

Homer City entered into an operation and maintenance agreement with NRG Energy on September 21, 2012 for the operation, maintenance and management of the Facility. This agreement expires in 2017. In addition to costs incurred in operating and maintaining the Facility, the agreement requires a fee of $2,000 thousand per year and an annual bonus upon the occurrence of certain operating targets, both of which are escalated if the Consumer Price Index exceeds 3%.

Marketing and Trading Agreement

Homer City entered into an energy management agreement with Boston Energy Trading and Marketing, LLC (BETM), formerly known as Edison Mission Marketing & Trading, Inc. (EMMT), on October 22, 2012 to provide scheduling of energy from the Facility into PJM and NYISO and other related services. At the end of the initial term (December 14, 2013) and any subsequent one year periods, the contract will be extended for an additional one-year term unless either party elects to terminate the agreement prior to the end of the then current term in accordance with the terms of the agreement. The agreement has been extended through 2017. The agreement provides for a base fee of $1,950 thousand per year.

On April 22, 2013, Homer City entered into an additional agreement with BETM to provide additional energy management services related to the forward sale contracts entered into between Homer City and a third-party energy supplier in the PJM market area. This agreement provided for a fee of $500 thousand per year payable in monthly increments and had an initial term expiring on April 22, 2014. For all subsequent one year periods, the contract will be extended for an additional one-year term unless either party elects to terminate the agreement prior to the end of the then current term in accordance with the terms of the agreement. The agreement has been extended through 2017.

Professional Services Agreement

Homer City has entered into a Professional Services Agreement with PurEnergy for the provision of certain asset management, fuel procurement and transportation services. In addition to personnel costs, the agreement provides for a fee of $100 thousand per year. At December 31, 2013, the end of the initial term, and on each one-year anniversary, the agreement is automatically extended for an additional one-year period unless either party elects to terminate the agreement prior to end of the current term in accordance with the terms of the agreement. The agreement has been extended automatically for 2016.

Interconnection Agreement

Effective as of December 14, 2012, Homer City became a party to the interconnection agreement dated as of August 1, 1998 with NYSEG and Penelec to provide interconnection services necessary to interconnect the Homer City plant with NYSEG’s and Penelec’s transmission systems. Unless terminated earlier in accordance with specified terms, the interconnection agreement will terminate on a date mutually agreed to by Homer City, NYSEG and Penelec. The termination date will not exceed the retirement date of the Homer City units. NYSEG and Penelec have agreed to extend the interconnection services (but not the expiration of the agreement) to modifications, additions or upgrades to, or repowering of the Homer City units. Homer City is required to compensate NYSEG and Penelec for all reasonable costs associated with any modifications, additions or replacements made to NYSEG’s or Penelec’s interconnection facilities or transmission systems in connection with any modification, addition or upgrade to, or repowering of the Homer City units. The interconnection agreement also designates certain of the transmission equipment at the site as “joint use facilities” and grants certain access rights among the parties to effectuate the purpose of the interconnection agreement and in the case of emergencies.

Contingencies

Set forth below is a description of Homer City’s material legal proceedings. Homer City believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. Pursuant to the requirements of ASC 450, *Contingencies and Related Guidance*, reserves for estimated losses from contingencies are recorded when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. In addition, legal costs are expensed as incurred. Management has assessed each of the following matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. Unless specified below, management is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities. As additional information becomes available, management adjusts its assessment and estimates of such contingencies accordingly. Because litigation is subject to inherent uncertainties and unfavorable rulings or developments, it is possible that the ultimate resolution of Homer City’s liabilities and contingencies could be at amounts that are different from its currently recorded reserves and that such difference could be material to the financial position, results of operations and cash flows of Homer City.

In addition to the matters disclosed below, Homer City is involved in other legal, tax and regulatory proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. Homer City believes the outcome of these other proceedings, individually and in the aggregate, will not materially affect its balance sheet, results of operations or liquidity.

Consol Complaint

On July 8, 2016, Consol Pennsylvania Coal Company LLC ("Consol") filed a complaint against Homer City, as well as GECGH, certain affiliates of GECGH and several John Doe entities, in the Court of Common Pleas of Allegheny County, Pennsylvania (Case No. GD-16-012415). Pursuant to the complaint, Consol is seeking monetary damages from the defendants in an unspecified dollar amount and certain injunctive relief. Homer City and the other defendants named in the complaint dispute the allegations therein and intend to assert defenses against Consol's claims. Publicly available case documents may be found at Allegheny County Court website: https://dcr.alleghenycounty.us/.

Ash Disposal Site

Homer City's ash disposal site is a permitted Class I Residual Waste Landfill, the most stringently regulated of the three categories of residual waste landfills authorized by the regulations of the PADEP. Homer City's permit allows it to dispose of coal combustion by-products, including fly ash, bottom ash, pyrites, gypsum, and miscellaneous plant wastes at the landfill. The wastes are deposited in compacted layers within lifts, or sections. Each lift where coal ash is disposed must be capped and covered when it reaches final grade. Homer City must also monitor groundwater quality at and adjacent to the ash disposal site through a network of monitoring wells and report the results to the PADEP on a periodic basis. In the event that a disposal facility's groundwater monitoring identifies degradation in any of its wells, the PADEP's regulations require the facility to first confirm the existence and nature of the degradation by conducting a groundwater assessment. If the assessment confirms groundwater degradation in excess of the applicable regulatory standards, the Facility is then required to prepare and implement an abatement plan that could include measures such as installing a liner in a previously unlined area. To date, no degradation has been found in the groundwater monitoring system at Homer City that would require the development of an assessment or abatement plan. Homer City also provides financial assurance in the form of a surety bond to guarantee its closure and post-closure obligations at the landfill. The estimated closure date is 2023. Based on the remaining capacity of the landfill and the estimated material requiring future disposal, Homer City has purchased two real property parcels adjacent to the Facility and has submitted a permit application to PADEP to expand the landfill. PADEP is in the process of reviewing this application. Management does not believe that the costs of maintaining and closing the ash disposal site will have a material impact on Homer City's financial statements under current regulations.

Insurance

Homer City maintains insurance policies that it believes are comparable to those carried by other electric generating facilities of a similar size. The insurance program includes real and personal property insurance, including coverage for losses from boiler and machinery breakdowns as well as earthquake and flood events, subject to certain sublimits. The property insurance program currently covers losses up to $1.0 billion inclusive of business interruption. Homer City also carries general liability, excess liability and automobile liability insurance covering liabilities to third parties for bodily injury or property damage resulting from operations.

Off-Balance Sheet Transactions

Homer City has no off-balance sheet transactions.

Market Risk Exposures

Introduction

Homer City's primary market risk exposures are associated with the sale of electricity and capacity from, and the procurement of fuel for, its electric generating facilities. These market risks arise from price fluctuations of electricity, capacity, fuel and emission allowances.

Commodity Price Risk

Introduction

Homer City's operations are exposed to commodity price risk, which reflects the potential impact of a change in the market value of a particular commodity. Commodity price risks are actively monitored, with oversight provided by a risk management committee, to ensure compliance with Homer City's risk management policies, through GE Capital. Despite this, there can be no assurance that all risks have been accurately identified, measured and/or mitigated.

Energy Price Risk

Homer City is a PJM capacity resource and therefore participates in PJM through the day-ahead and real-time markets. Energy from the Homer City plant is sold into the PJM and NYISO markets. BETM acts as Homer City's energy manager and schedules all energy sales in PJM and NYISO markets.

The following table depicts the average historical market prices for energy per megawatt-hour at the locations indicated:

		24hr Average Historical Market Prices[1]		24hr Average Historical Market Prices[1]	
		Three Months ended September 30, 2016	**Three Months ended September 30, 2015**	**Nine Months ended September 30, 2016**	**Nine Months ended September 30, 2015**
PJM West Hub	$	31.93	31.61	29.04	38.38
Homer City busbar		28.23	27.61	25.28	33.57

1 Energy prices were calculated at the Homer City busbar (delivery point) and the PJM West Hub using historical hourly day-ahead prices as published by PJM or provided on the PJM website.

During the nine month period ended September 30, 2016, Homer City entered into fixed price forward energy contracts for PJM and NYISO. Homer City accounts for derivative financial instruments under ASC 815, which requires the Partnership to record all derivatives on the balance sheet at fair value unless they qualify for an NPNS exception. The revenue that Homer City recognizes from PJM physical forward sales is based on PJM West Hub forward prices at the time the forward sale is entered into. As of September 30, 2016, Homer City recorded a fair value adjustment of $2,155 thousand for PJM West Hub physical forward sales contracts held by Homer City that did not qualify for the NPNS exception. The revenue that Homer City recognizes from NYISO physical forward sales is based on NYISO Zone P forward prices at the time the forward sale is entered into. As of September 30, 2016, Homer City did not hold any non-qualified NYISO forward sales contracts.

Capacity Price Risk

Under the RPM, capacity commitments are made in advance to provide a long-term pricing signal for construction of capacity resources. The following table summarizes the status of capacity sales through the RPM auction for Homer City at September 30, 2016:

	Installed capacity (ICAP) MW	capacity (UCAP) owned MW	Base Capacity committed MW	Capacity Performance committed MW	UCAP available[1] MW	Base Capacity Price Per MW-day	Capacity Performance Price per MW-day
June 1, 2016 to May 31, 2017	1,884	1,738	587	1,151	—	119.13	134.00
June 1, 2017 to May 31, 2018	1,884	1,738	544	1,199	(5)	120.00	151.50
June 1, 2018 to May 31, 2019	1,884	1,738	—	1,654	84	164.77	—
June 1, 2019 to May 31, 2020	1,884	1,738	—	1,361	377	100.00	—

1 Capacity not sold arises from: (i) capacity retained to meet forced outages under the RPM auction guidelines, and (ii) capacity that PJM does not purchase at the clearing price resulting from the RPM auction and available for sale.

Revenues from the sale of capacity from Homer City beyond the periods set forth above will depend upon the amount of capacity available and future market prices either in PJM or nearby markets if Homer City has an opportunity to capture a higher value associated with those markets.

Basis Risk

Forward market prices at the PJM West Hub fluctuate as a result of a number of factors, including natural gas prices, transmission congestion, changes in market rules, electricity demand (which in turn is affected by weather, economic growth, and other factors), plant outages in the region, and the amount of existing and planned power plant capacity.

Sales from the Homer City plant in the real-time or day-ahead market receive the actual real-time or day-ahead prices, as applicable, at the Homer City busbar. Basis risk exists in any transaction in which Homer City would enter into a contract to sell power to be delivered at a hub other than the Homer City busbar. Currently, a liquid market for entering into cash-settled future or forward contracts with counterparties for energy to be delivered in future periods does not exist at the Homer City busbar. A liquid market does exist at the PJM West Hub.

Homer City purchases FTRs in PJM to mitigate basis risk. An FTR is a financial instrument that entitles the holder to receive the difference between actual day-ahead prices for two delivery points in exchange for a fixed price. FTRs are designated as derivatives under ASC 815, which requires the Partnership to record all derivatives on the balance sheet at fair value. As of September 30, 2016, Homer City recognized an unrealized gain of $26 thousand related to these FTRs.

Coal Price Risk

The Homer City plant purchases coal primarily from mines located near the Facility in Pennsylvania. Coal purchases are made under a variety of supply agreements. The following table summarizes the amount of coal under contract at September 30, 2016:

	2016	2017	2018
Amount of coal under contract in thousands of equivalent tons[1]	1,298	2,500	—

[1] The amount of coal under contract in equivalent tons is calculated based on contracted tons and applying a 13,000 Btu equivalent.

Homer City is subject to price risk for purchases of coal that are not under contract. Market prices of NAPP coal are related to the price of coal purchased for the Homer City plant. The market price of NAPP coal based on 12,900 Btu per pound heat content and 3.8 to 4.2 pounds of SO2 per MMBtu sulfur content was $47.75 per ton at September 30, 2016, as reported by Coaldesk, LLC (Coaldesk).

Emission Allowances Price Risk

Under the Cross State Air Pollution Rule Homer City has been allocated allowance to cover 1,678 tons of NOx emissions during the Ozone Season. Assuming a capacity rate of 65% Homer City would be required to limit its NOx emissions during the Ozone Season to 0.078 lbs/MMBtu, or acquire additional Ozone Season allowances from the market place. Numerous parties, including Homer City and the Pennsylvania Department of Environmental Protection (“PADEP”) commented on the proposed rule and we expect the rule to be subject to legal challenge once it is finalized and published in the Federal Register.

Critical Accounting Estimates and Policies

Introduction

The accounting policies described below are considered critical to obtaining an understanding of Homer City’s financial statements because their application requires the use of significant estimates and judgments by management in preparing Homer City’s financial statements. Management estimates and judgments are inherently uncertain and may differ significantly from actual results achieved. Management considers an accounting estimate to be critical if the estimate requires significant assumptions and changes in the estimate, or if different estimates that could have been selected had been used, could have a material impact on Homer City’s results of operations or financial position.

Impairment of Long-Lived Assets

Nature of Estimates Required. Long-lived assets, including intangible assets, are evaluated for impairment in accordance with applicable authoritative guidance. Authoritative guidance requires that if the undiscounted expected future cash flows from a company's assets or group of assets (without interest charges) is less than its carrying value, an asset impairment must be recognized in the financial statements. The impairment charges, if applicable, are calculated as the excess of the asset's carrying value over its fair value, which represents the discounted expected future cash flows attributable to the asset or, in the case of assets expected to be sold, at fair value less costs to sell. Long-lived assets are evaluated for impairment whenever indicators exist or when there is a commitment to sell or dispose of the asset. These evaluations may result from significant decreases in the market price of an asset, a significant adverse change in the extent or manner in which an asset is being used in its physical condition, a significant adverse change in legal factors or in the business climate that could affect the value of an asset, as well as economic or operational analyses.

Key Assumptions and Approach Used. The assessment of impairment requires significant management judgment to determine: (1) if an indicator of impairment has occurred, (2) the forecast of undiscounted expected future cash flows over the asset's estimated useful life to determine if an impairment exists, and (3) if an impairment exists, the fair value of the asset or asset group. Factors that are considered important, which could trigger an impairment, include operating losses, projected future operating losses, the financial condition of counterparties, or significant negative industry or economic trends. The determination of fair value requires management to apply judgment in: (1) estimating future prices of energy and capacity in wholesale energy markets and fuel prices that are susceptible to significant change, (2) environmental and maintenance expenditures, and (3) the time period due to the length of the estimated remaining useful lives.

In preparing long-term cash forecasts, Homer City includes assumptions about future prices for electricity, capacity, fuel and related products and services, as applicable, future operations and maintenance costs and future capital expenditure requirements under different scenarios. As appropriate, Homer City uses a probability weighted approach when determining whether impairment indicators exist. Assumptions included in the long-term cash flow forecasts for merchant projects include:

- Observable market prices for electricity, fuel and related products and services to the extent available and long-term prices developed based on a fundamental price model;
- Long-term capacity prices based on the assumption that capacity markets would continue consistent with their current structure, with expected increases in revenues as a result of declines in reserve margins beyond the price of the latest auctions;
- Trends for additions and retirements for generation resources; and
- Plans for compliance with both existing and possible future environmental regulations.

Homer City's unit of account is at the plant level and, accordingly, the closure of one of Homer City's units would not result in an impairment of property, plant and equipment unless such condition were to affect an impairment assessment on the entire plant.

Effect if Different Assumptions Used. The estimates and assumptions used to determine whether impairment exists are subject to a high degree of uncertainty. The estimated fair value of an asset would change materially if different estimates and assumptions were used to determine the amounts or timing of future revenues, environmental compliance costs or operating expenditures.

Accounting for Contingencies, Guarantees and Indemnities

Nature of Estimates Required. Homer City records loss contingencies when it determines that the outcome of future events is probable of occurring and when the amount of the loss can be reasonably estimated. When a guarantee or indemnification subject to authoritative guidance is entered into, Homer City records a liability for the estimated fair value of the underlying guarantee or indemnification. Gain contingencies are recognized in the financial statements when they are realized.

Key Assumptions and Approach Used. The determination of a reserve for a loss contingency is based on management judgment and estimates with respect to the likely outcome of the matter, including the analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is a reasonable possibility, Homer City may consider the following factors, among others: the nature of the litigation, claim or assessment, available information, opinions or views of legal counsel and other advisors, and the experience gained from similar cases. Homer City provides disclosures for material contingencies when there is a reasonable possibility that a loss or an additional loss may be incurred. Some guarantees and indemnifications could have a significant financial impact under certain circumstances, and management also considers the probability of such circumstances occurring when estimating the liability.

Effect if Different Assumptions Used. Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenues and expenses recorded on the financial statements. In addition, for guarantees and indemnities actual results may differ from the amounts recorded and disclosed and could have a significant impact on Homer City’s financial statements.

HOMER CITY GENERATION, L.P.

Balance Sheets

Unaudited

(In thousands)

Assets		**September 30, 2016**	**December 31, 2015**
Current assets:			
Cash and cash equivalents	$	20,588	25,793
Accounts receivable		17,189	31,331
Inventory		70,735	75,995
Unrealized gain on derivative instruments		2,181	9,841
Other current assets		24,737	28,233
Total current assets		135,430	171,193
Property, plant and equipment, net of $145,675 at September 30, 2016 and $109,644 at December 31, 2015 of accumulated depreciation		1,867,790	1,864,819
Total assets	$	2,003,220	2,036,012
Liabilities and Partners' Equity			
Current liabilities:			
Accounts payable	$	7,329	16,737
Accrued liabilities		13,550	14,777
Interest payable		26,085	13,561
Current portion of long term debt		52,542	49,285
Total current liabilities		99,506	94,360
Long term debt, net of current portion		554,371	582,271
Asset retirement obligations		14,920	13,981
Total liabilities		668,797	690,612
Partners' equity		1,334,423	1,345,400
Total liabilities and partners' equity	$	2,003,220	2,036,012

HOMER CITY GENERATION, L.P.

Statements of Operations

Unaudited

(In thousands)

		Three months ended September 30, 2016	Three months ended September 30, 2015
Revenues:			
Capacity	$	27,282	26,282
Energy		62,262	81,244
Unrealized gains from derivatives		2,198	(2,199)
Other revenue		(58)	201
Total revenues		91,684	105,528
Operating expenses:			
Fuel		46,586	66,018
Plant operations		27,147	27,753
Depreciation and amortization		12,014	9,646
General and administrative		6,739	1,957
Total operating expenses		92,486	105,374
Operating income		(802)	154
Other expense:			
Interest expense		13,043	14,079
Other		5,575	—
Net income (loss)	$	(19,420)	(13,925)

		Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues:			
Capacity	$	81,259	71,598
Energy		206,577	325,306
Unrealized gains from derivatives		(7,660)	(754)
Other revenue		170	326
Total revenues		280,346	396,476
Operating expenses:			
Fuel		140,959	222,657
Plant operations		95,390	91,289
Depreciation and amortization		36,031	28,614
General and administrative		10,933	6,545
Total operating expenses		283,313	349,105
Operating income		(2,967)	47,371
Other expense:			
Interest expense		39,646	42,757
Other		5,575	—
Net income (loss)	$	(48,188)	4,614

HOMER CITY GENERATION, L.P.

Statements of Partners' Equity

Nine months ended September 30, 2016

Unaudited

(In thousands)

		GE Capital	MetLife	Total partners' equity
Balance at December 31, 2014		1,315,690	65,269	1,380,959
Net income		(46,286)	(2,418)	(48,704)
Capital contributions		13,145		13,145
Balance at December 31, 2015	$	1,282,549	62,851	1,345,400
Net income		(46,097)	(2,091)	(48,188)
Capital contributions		37,211	—	37,211
Balance at September 30, 2016	$	1,273,663	60,760	1,334,423

HOMER CITY GENERATION, L.P.

Statements of Cash Flows

Unaudited

(In thousands)

		Three months ended September 30, 2016	Three months ended September 30, 2015
Cash flows from operating activities:			
Net income (loss)	$	(19,420)	(13,925)
Depreciation, amortization, and accretion		12,422	10,014
Unrealized gains from derivatives		(2,198)	2,199
Noncash interest expense (PIK)		—	—
Decrease (increase) in accounts receivable		8,657	3,581
Decrease (increase) in inventory		(17,902)	4,519
Decrease (increase) in other current assets		8,930	(3,844)
Increase (decrease) in accounts payable		(6,881)	(2,713)
Increase (decrease) in accrued liabilities		1,710	(514)
Increase (decrease) in interest payable		13,043	14,079
Net cash from (used for) operating activities		(1,639)	13,396
Cash flows from investing activities:			
Capital expenditures		(535)	(2,448)
Net cash from (used for) investing activities		(535)	(2,448)
Cash flows from financing activities:			
Repayments of issued debt		—	—
Net cash from (used for) financing activities		—	—
Net increase (decrease) in cash and cash equivalents		(2,174)	10,948
Cash and cash equivalents at beginning of year		22,762	92,734
Cash and cash equivalents at end of year	$	20,588	103,682
Supplemental disclosures of cash flow information:			
Interest paid	$	—	—
Noncash investing and financing activities:			
Noncash investing activities from capital contributions to fund FGDs	$	18,818	2,878
Noncash investing activities from accrued capital expenditures		170	1,253

HOMER CITY GENERATION, L.P.

Statements of Cash Flows

Unaudited

(In thousands)

		Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flows from operating activities:			
Net income (loss)	$	(48,188)	4,614
Depreciation, amortization, and accretion		37,256	29,717
Unrealized gains from derivatives		7,660	754
Noncash interest expense (PIK)		—	—
Decrease (increase) in accounts receivable		14,142	3,361
Decrease (increase) in inventory		5,259	5,251
Decrease (increase) in other current assets		3,496	(13,917)
Increase (decrease) in accounts payable		(9,504)	(5,196)
Increase (decrease) in accrued liabilities		(1,513)	(604)
Increase (decrease) in interest payable		12,524	13,561
Net cash from (used for) operating activities		21,132	37,541
Cash flows from investing activities:			
Capital expenditures		(1,695)	(16,601)
Net cash from (used for) investing activities		(1,695)	(16,601)
Cash flows from financing activities:			
Repayments of issued debt		(24,644)	(24,642)
Net cash from (used for) financing activities		(24,644)	(24,642)
Net increase (decrease) in cash and cash equivalents		(5,207)	(3,702)
Cash and cash equivalents at beginning of year		25,795	107,384
Cash and cash equivalents at end of year	$	20,588	103,682
Supplemental disclosures of cash flow information:			
Interest paid	$	27,122	29,196
Noncash investing and financing activities:			
Noncash investing activities from capital contributions to fund FGDs	$	37,211	2,878
Noncash investing activities from accrued capital expenditures		96	(551)