EDISON MISSION ENERGY
Form 10-K
March 12, 2014

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

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

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

Registrant	Title of each Class	Name of each exchange on which registered
Edison Mission Energy	None	not applicable
Midwest Generation, LLC	None	not applicable

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

Registrant	Title of each Class	Name of each exchange on which registered
Edison Mission Energy	Common Stock, par value $0.01 per share	not applicable
Midwest Generation, LLC	None	not applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Edison Mission Energy YES o NO x   Midwest Generation, LLC YES o NO x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Edison Mission Energy YES o NO x   Midwest Generation, LLC YES o NO x
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 x NO o   Midwest Generation, LLC YES x NO o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Edison Mission Energy x   Midwest Generation, LLC x
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 (§232.405 of this chapter) 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 x NO o   Midwest Generation, LLC YES x NO o

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. (Check one):

Edison Mission Energy	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o
Midwest Generation, LLC	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o

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 o NO x   Midwest Generation, LLC YES o NO x

Aggregate market value of the registrant's Common Stock held by non-affiliates of Edison Mission Energy as of June 30, 2013: $0. Number of shares outstanding of Edison Mission Energy's Common Stock as of March 12, 2014: 100 shares (all shares held by an affiliate of Edison Mission Energy).

This combined Form 10-K 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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Amendment No. 1 to Edison Mission Energy's and Midwest Generation's Form 10-K for the fiscal year ended December 31, 2013, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this annual report on Form 10-K, are incorporated by reference into Part III, Items 10, 11, 12 and 13 hereof.

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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
Confirmation Order	The confirmation order issued by the Bankruptcy Court in March 2014
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	EME Homer City Generation L.P.

Homer City Debtors	three additional EME subsidiaries that filed during the second quarter 2013
Initial Debtors	EME and 16 of its wholly owned subsidiaries, including Midwest Generation
ISO(s)	independent system operator(s)
LIBOR	London Interbank Offered Rate
LSTC	liabilities subject to compromise
MATS	Mercury and Air Toxics Standards
Midwest Generation	Midwest Generation, LLC
MISO	Midwest Independent Transmission System Operator
MMBtu	million British thermal units
Moody's	Moody's Investors Service, Inc.
MW	megawatts
MWh	megawatt-hours
NAAQS	National Ambient Air Quality Standard(s)
NERC	North American Electric Reliability Corporation
NO_X	nitrogen oxide
NRG	NRG Energy, Inc.
NRG Sale	Sale of substantially all of EME's assets, including its equity interest in substantially all of its debtor and non-debtor subsidiaries, to a wholly owned subsidiary of NRG Energy Inc., upon Bankruptcy Court confirmation and consummation of a plan of reorganization
NSR	New Source Review
OCI	other comprehensive income (loss)
PJM	PJM Interconnection, LLC
Powerton and Joliet Cure Amount	Payment of cure amount as set forth in Asset Purchase Agreement
Powerton and Joliet Sale Leaseback	a sale leaseback transaction for the Powerton Station and Units 7 and 8 of the Joliet Station with third-party lessors in August 2000
PRB	Powder River Basin
PSA	Plan Sponsor Agreement
PSD	Prevention of Significant Deterioration
Purchaser	NRG Energy Holdings Inc., a wholly owned subsidiary of NRG
Reorganization Trust	A new entity to be formed which will make distributions pursuant to the Plan for the benefit of EME's existing creditors
RPM	Reliability Pricing Model
RTO(s)	regional transmission organization(s)
S&P	Standard & Poor's Ratings Services
SCE	Southern California Edison Company
SIP(s)	state implementation plan(s)
SO_2	sulfur dioxide
Settlement Transaction	A proposed settlement transaction with Edison International as contemplated in the Support Agreement
Support Agreement	Transaction Support Agreement dated as of December 16, 2012 by and among EME, Edison International, and

certain holders of EME's senior unsecured notes

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The Plan	The Third Amended Plan of Reorganization filed by the Debtor Entities with the Bankruptcy Court
US EPA	United States Environmental Protection Agency
US Treasury Grant(s)	Cash grants, under the American Recovery and Reinvestment Act of 2009
VIE(s)	variable interest entity(ies)

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EXPLANATORY NOTE

This annual report combines the annual reports on Form 10-K for the year ended December 31, 2013 of Edison Mission Energy (EME) and Midwest Generation, LLC (Midwest Generation).

EME, an indirect subsidiary of Edison International (EIX), is a holding company whose subsidiaries and affiliates are engaged in the business of owning, leasing, operating and selling energy and capacity from independent power production facilities. Midwest Generation, an indirect wholly owned subsidiary of EME, operates and sells energy and capacity at four coal-fired generating stations and two oil-fired generating peakers in Illinois.

As of the date of this filing, EME and 19 of its wholly owned subsidiaries, including Midwest Generation, have filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). Information on the cases, including each item filed on the docket, is available at www.edisonmissionrestructuring.com. The information set forth on this web site shall not be deemed to be a part of, or incorporated by reference into, EME's and Midwest Generation's annual report on Form 10-K.

The consolidated financial statements of EME reflect the accounts of EME and its subsidiaries, including Midwest Generation, and are labeled debtor-in-possession to reflect EME's status. Midwest Generation's consolidated financial statements include the accounts of Midwest Generation and its subsidiaries and are labeled debtor-in-possession to reflect Midwest Generation's status. All significant intercompany balances and transactions have been eliminated for each reporting entity. The discussion in this annual report and in the notes to the consolidated financial statements generally applies to both EME and Midwest Generation unless otherwise specified as indicated parenthetically next to each corresponding disclosure.

This annual report also includes separate sections under Item 9A. Controls and Procedures and separate Exhibit 31 and Exhibit 32 certifications for EME and Midwest Generation.

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect EME and Midwest Generation's current expectations and projections about future events based on EME's and Midwest Generation's knowledge of present facts and circumstances and assumptions about future events and include any statement that does not directly relate to a historical or current fact. Other information distributed by EME and Midwest Generation that is incorporated in this annual report, or that refers to or incorporates this annual report, may also contain forward-looking statements. In this annual report and elsewhere, the words "expects," "believes," "anticipates," "estimates," "projects," "intends," "plans," "probable," "may," "will," "could," "would," "should," and variations of such words and similar expressions, or discussions of strategy or plans, are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ from those currently expected, or that otherwise could impact EME or Midwest Generation or their respective subsidiaries, include but are not limited to:

- their ability to consummate the Plan with respect to the Chapter 11 Cases, and to consummate the NRG Sale;
- the existence and duration of the Chapter 11 Cases, and the impact of orders and decisions of the Bankruptcy Court;
- beliefs and assumptions regarding their ability to continue as going concerns;
- their ability to meet liquidity requirements during periods of operating losses and capital spending programs, and Midwest Generation's ability to fund cash flow deficits and environmental retrofits;
- their significant cash requirements and limited ability to borrow funds and access the capital markets on reasonable terms;
- EME's continued ability to monetize tax benefits generated by it and its subsidiaries, either through the Settlement Agreement or otherwise;
- the impact of reduced natural gas prices resulting from, among other things, shale gas technology on electric capacity and energy prices;
- supply and demand for electric capacity and energy, and the resulting prices and dispatch volumes;
- volatility of market prices for energy and capacity;
- the difficulty of predicting wholesale prices, transmission congestion, energy demand, and other aspects of the wholesale power generation market;
- environmental laws and regulations, or changes in the application of those laws and regulations, that could require additional expenditures or otherwise affect the cost and manner of business operations, including compliance with the CPS, the CAIR, the MATS rules and thermal discharge and other water quality standards;
- the cost and availability of fuel, sorbents, and other commodities used for power generation and emission controls, and of related transportation services;
- the cost and availability of emission credits or allowances;
- transmission congestion in and to each market area and the resulting differences in prices between delivery points;
- the availability and creditworthiness of counterparties, their ability to pay amounts owed in excess of collateral provided in support of obligations, and the resulting effects on liquidity in power and fuel markets;
- governmental, statutory, regulatory or administrative changes or initiatives, including the market structure rules applicable to each market and price mitigation strategies adopted by ISOs and RTOs;
- market volatility and other market conditions that could increase their obligations to post collateral beyond the amounts currently expected, and the potential effect of such conditions on the ability of EME, Midwest Generation and their respective subsidiaries to provide sufficient collateral in support of their hedging activities and purchases of fuel;
- completion of permitting and construction of their capital projects;
- weather conditions, natural disasters and other unforeseen events;
- the extent of additional supplies of capacity, energy and ancillary services from current competitors or new market entrants, including the development of new generation facilities, and technologies that may be able to produce electricity

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at a lower cost than their generating facilities and/or increased access by competitors to their markets as a result of transmission upgrades;

- competition in all aspects of their business;
- operating risks, including equipment failure, availability, heat rate, output, costs of repairs and retrofits, and availability and cost of spare parts;
- creditworthiness of suppliers and other project participants and their ability to deliver goods and services under their contract obligations or to pay damages if they fail to fulfill those obligations;
- effects of legal proceedings, changes in or interpretations of tax laws, rates or policies, and changes in accounting standards;
- general political, economic and business conditions; and
- their ability to attract and retain skilled people, particularly during the pendency of the Chapter 11 Cases.

Certain of the risk factors listed above are discussed in more detail in "Item 1A. Risk Factors" and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Exposures." Additional information about the risk factors listed above and other risks and uncertainties is contained throughout this annual report. Readers are urged to read this entire annual report, including the information incorporated by reference, and carefully consider the risks, uncertainties and other factors that affect EME's and Midwest Generation's businesses. Forward-looking statements speak only as of the date they are made, and EME and Midwest Generation are not obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by EME and Midwest Generation with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

Overview

EME is a holding company whose subsidiaries and affiliates are engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also sells energy and capacity under contracts to specific purchasers or on a merchant basis in the marketplace and into wholesale markets. It also engages in hedging and energy trading activities in power markets, and provides scheduling and other services through its Edison Mission Marketing & Trading, Inc. (EMMT) subsidiary.

EME's subsidiaries or affiliates typically have been formed to own full or partial interests in one or more power generation facilities and ancillary facilities, with each plant or group of related plants being individually referred to by EME as a project. EME's operating projects primarily consist of coal- and gas-fired generating facilities and wind energy facilities. As of December 31, 2013, EME's subsidiaries and affiliates owned or leased interests in 42 operating projects with an aggregate net physical capacity of 9,381 megawatts (MW) of which EME's pro rata share was 7,944 MW.

Midwest Generation, an indirect wholly owned subsidiary of EME, was formed in 1999 for the purpose of owning or leasing, making improvements to, and operating and selling the energy and capacity of the power generation assets it purchased from Commonwealth Edison Company (Commonwealth Edison). EME's coal-fired facilities are primarily owned or leased and operated by Midwest Generation. As of December 31, 2013, Midwest Generation operated 4,619 megawatts (MW) of power plants in Illinois (the Midwest Generation plants):

- the Powerton, Joliet, Will County, and Waukegan coal-fired generating plants consisting of 4,314 MW; and
- the Fisk and Waukegan on-site, oil-fired generating peakers consisting of 305 MW.

Midwest Generation leases the Powerton Station and Units 7 and 8 of the Joliet Station from third-party lessors pursuant to a sale-leaseback transaction completed in August 2000 (the Powerton and Joliet Sale Leaseback). Midwest Generation's obligations under these leases are guaranteed by EME. In connection with the Powerton and Joliet Sale Leaseback, Midwest Generation facilitated the issuance of lessor debt of $1.147 billion in the form of pass-through certificates (the Senior Lease Obligation Bonds).

Midwest Generation is a party to a contract with EMMT under which, EMMT acting as an agent for Midwest Generation, sells energy and capacity from the Midwest Generation plants into the wholesale market, engages in hedging activities, and provides scheduling and other services. EMMT has the ability to enter into fuel hedging arrangements on Midwest Generation's behalf.

EME was formed in 1986 and is incorporated under the laws of the State of Delaware. EME is an indirect subsidiary of EIX. Midwest Generation, a Delaware limited liability company, is a wholly owned subsidiary of Edison Mission Midwest Holdings Co. Edison Mission Midwest Holdings is a wholly owned subsidiary of Midwest Generation EME, LLC, which is in turn a wholly owned subsidiary of EME.

Chapter 11 Cases

On December 17, 2012, EME and 16 of its wholly owned subsidiaries, Camino Energy Company, Chestnut Ridge Energy Company, Edison Mission Energy Fuel Services, LLC, Edison Mission Fuel Resources, Inc., Edison Mission Fuel Transportation, Inc., Edison Mission Holdings Co., Edison Mission Midwest Holdings Co., Midwest Finance Corp., Midwest Generation EME, LLC, Midwest Generation, Midwest Generation Procurement Services, LLC, Midwest Peaker Holdings, Inc., Mission Energy Westside, Inc., San Joaquin Energy Company, Southern Sierra Energy Company, and Western Sierra Energy Company (the Initial Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On May 2, 2013, 3 additional EME subsidiaries, EME Homer City Generation L.P. (Homer City), Homer City Property Holdings Inc., and Edison Mission Finance Company (collectively, the Homer City Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Initial Debtors' and the Homer City Debtors' chapter 11 cases (collectively, the Chapter 11 Cases) are being jointly administered under case No. 12-49219 (JPC). The Initial Debtors and the Homer City Debtors are collectively referred to as the

Debtor Entities. The Debtor Entities filed the Chapter 11 Cases due to a combination of pending debt maturities, low realized energy and capacity prices, high fuel costs and low generation, and capital requirements associated with retrofitting the Midwest Generation plants to comply with governmental regulations.
The Debtor Entities remain in possession of their property and continue their business operations uninterrupted as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the

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Bankruptcy Code and orders of the Bankruptcy Court. Other than the Debtor Entities, none of EME's other direct or indirect subsidiaries is a debtor in the Chapter 11 Cases. The filing of the Chapter 11 Cases automatically stayed most actions against the Debtor Entities, including actions to enforce the payment of EME's $3.7 billion of unsecured senior notes and Midwest Generation's obligations related to the Powerton and Joliet Sale Leaseback.

In October 2013, EME entered into an Asset Purchase Agreement (the Acquisition Agreement) and the Debtor Entities entered into a Plan Sponsor Agreement that, upon completion, would implement a reorganization of the Debtor Entities through a sale of substantially all of EME’s assets, including its equity interests in substantially all of its debtor and non-debtor subsidiaries, to a wholly owned subsidiary of NRG Energy Inc. (the Purchaser). The sale transaction (the NRG Sale) is a key component of EME's plan of reorganization.

In February 2014, EME entered into a Settlement Agreement with EIX and certain of its unsecured creditors holding a majority of its outstanding senior unsecured notes (the Settlement Agreement). Under the Settlement Agreement, EME filed a Third Amended Plan of Reorganization (the Plan) under which, on the effective date of the Plan (the Effective Date), EME will emerge from bankruptcy free of liabilities but will remain an indirect wholly-owned subsidiary of EIX. A new entity (the Reorganization Trust) will be formed and will make distributions pursuant to the Plan for the benefit of EME’s existing creditors. All assets and liabilities of EME that are not otherwise discharged in the bankruptcy or transferred to NRG as part of the NRG Sale will be transferred to the Reorganization Trust, with the exception of (i) EME’s income tax benefits generated as of the Effective Date which had not previously been paid to EME under tax-allocation agreements with EIX (EME Tax Attributes), estimated at $1.19 billion, which will be retained by the EIX consolidated tax group, (ii) liabilities totaling $241 million associated with the qualified pension plan, the executive retirement plan, the executive deferred compensation plan and uncertain federal and state tax positions, which are being assumed by EIX and (iii) EME’s indirect interest in Capistrano Wind Partners. EIX has disclosed that they have estimated their exposure to the qualified pension plan, executive retirement plan, executive deferred compensation plan and uncertain federal and state tax positions to be approximately $350 million. EIX will pay the Reorganization Trust amounts equal to 50% of the EME Tax Attributes as follows: $225 million payable on the Effective Date in cash, with one half of the balance payable on each of September 30, 2015 and September 30, 2016, together with interest at 5% per annum from the Effective Date. EME and the Reorganization Trust will release EIX and its subsidiaries, officers, directors, and representatives from all claims, except for those deriving from commercial arrangements between Southern California Edison Company (SCE) and certain of EME’s subsidiaries and obligations under the Settlement Agreement.

The Bankruptcy Court issued a Confirmation Order in March 2014, which confirmed the Plan. The completion of the NRG Sale is expected in April 2014.

The accompanying consolidated financial statements have been prepared assuming that EME and Midwest Generation will continue as going concerns. Financial statements prepared on this basis assume the realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date of the financial statements. EME's and Midwest Generation's ability to continue as going concerns is dependent on the successful completion of the NRG Sale and an emergence from bankruptcy. However, there is no assurance that these events will occur within their expected time frames or at all.

For further discussion of these matters, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Edison Mission Energy Overview—Management's Overview."

Location and Available Information

EME's headquarters and principal executive offices are located at 3 MacArthur Place, Suite 100, Santa Ana, California 92707, and its telephone number is (714) 513-8000. Midwest Generation's principal executive offices are located at 235 Remington Boulevard, Suite A, Bolingbrook, Illinois 60440, and its telephone number is (630) 771-7800.

EME's and Midwest Generation's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, are electronically filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and are available on the Securities and Exchange Commission's internet web site at http://www.sec.gov.

Unless indicated otherwise or the context otherwise requires, references to EME in this annual report include EME and its consolidated subsidiaries and the partnerships or limited liability entities through which EME and its partners own and manage their project investments. In addition, references to Midwest Generation in this annual report include Midwest Generation and its consolidated subsidiaries.

Information on the Chapter 11 Cases, including each item filed on the docket, is available at www.edisonmissionrestructuring.com. The information set forth on this web site shall not be deemed to be a part of, or incorporated by reference into, this Annual Report on Form 10-K.

Electric Power Industry

EME and Midwest Generation are both impacted by changes in the United States electric industry. The electric power industry, including companies engaged in providing generation, transmission, distribution and retail sales and service of electric power, has undergone significant deregulation over the last three decades, which has led to increased competition, especially in the generation sector. For further discussion of these regulations, see "Regulatory Matters."

In areas served by independent system operators (ISOs) and regional transmission organizations (RTOs), market participants have open access to transmission service typically at a system-wide rate. ISOs and RTOs may also operate real-time and day-ahead energy and ancillary service markets, which are governed by Federal Energy Regulatory Commission (FERC) approved tariffs and market rules. The development of such organized markets into which independent power producers are able to sell has reduced their dependence on bilateral contracts with electric utilities. In addition, capacity markets in various regional wholesale power markets compensate supply resources for the capability to supply electricity when needed, and demand resources for the electricity they avoid using.

Wholesale Markets

EME's largest power plants are the Midwest Generation plants. Power generated at the Midwest Generation plants is primarily sold into PJM Interconnection, LLC (PJM), an RTO which includes all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. Sales may also be made from PJM into the Midwest Independent Transmission System Operator (MISO) RTO, which includes all or parts of Illinois, Wisconsin, Indiana, Michigan and other states in the region.

PJM operates a wholesale spot energy market and determines the market-clearing price for each hour based on bids submitted by participating generators indicating the minimum prices at which a bidder is willing to dispatch energy at various incremental generation levels. PJM requires all load-serving entities and generators, such as the Midwest Generation plants, to maintain prescribed levels of capacity, including a reserve margin, to ensure system reliability. PJM's capacity markets have a single market-clearing price for each capacity zone. In May of each year, PJM conducts a capacity auction (RPM - Reliability Pricing Model) to commit generation, energy efficiency and demand side resources three years forward, and to provide a long-term pricing signal for the construction of capacity resources.

Competition

Developments in shale gas technology have dramatically reduced natural gas prices which in turn has created downward pressure on power prices. As a result, the Midwest Generation plants face increased competition from power generation facilities fueled by natural gas.

State and local environmental regulations, particularly those that impose stringent state specific emission limits, could put the Midwest Generation plants at a disadvantage compared with competing power plants operating in nearby states and subject to less stringent state emission limits or to federal emission limits alone. The Combined Pollutant Standard (CPS) puts the Midwest Generation plants at a disadvantage compared with competing plants not subject to similar regulations, and federal air quality regulations, such as the Mercury and Air Toxics Standards (MATS) rule, put the Midwest Generation plants at a disadvantage compared to plants utilizing other fuels. Potential future climate change regulations could also put the Midwest Generation plants at a disadvantage compared to power plants utilizing other fuels as well as utilities that may be able to recover climate change compliance costs through rate-base mechanisms. The ability of the Midwest Generation plants to compete can also be affected by future environmental regulations and by governmental and regulatory activities designed to support the construction and operation of power generation facilities fueled by renewable energy sources.

EME and Midwest Generation are subject to competition from energy marketers, public utilities, government-owned power agencies, industrial companies, financial institutions, and other independent power producers. These companies may have competitive advantages as a result of scale, the location of their generation facilities or other factors. Some of EME's and Midwest Generation's competitors have a lower cost of capital and, in the case of utilities, may be able to recover fixed costs through rate base mechanisms, allowing them to build, buy and upgrade generation facilities without relying exclusively on market clearing prices to recover their investments.

Operating Segments

EME

EME operates in one line of business, independent power production, with all its continuing operations located in the United States, except Doga Enerji, which is located in the Republic of Turkey. Operating revenues are primarily derived from the generation and sale of energy and capacity from coal-fired, natural gas-fired and wind power plants and energy trading.

Midwest Generation

Midwest Generation operates in one line of business, independent power production, with all its operations located in the United States. Operating revenues are primarily derived from sales of energy and capacity generated from coal-fired generating plants and oil-fired generating peakers.

Overview of EME Facilities

As of December 31, 2013, EME's operations consisted of ownership or leasehold interests in the following operating projects:

Power Plants	Location	Primary Electric Purchaser[2]	Fuel Type	Ownership Interest		Net Physical Capacity (in MW)	EME's Capacity Pro Rata Share (in MW)
MERCHANT POWER PLANTS							
Midwest Generation plants[1, 7, 8]	Illinois	PJM	coal	100	%	4,314	4,314
Midwest Generation plants[1, 7]	Illinois	PJM	oil	100	%	305	305
Merchant Natural Gas							
Sunrise[1, 7]	California	CAISO	natural gas	50	%	586	293
Merchant Wind							
Goat Wind	Texas	ERCOT	wind	99.9	%[3]	150	150
Lookout	Pennsylvania	PJM	wind	100	%	38	38
Big Sky[7]	Illinois	PJM	wind	100	%	240	240
CONTRACTED POWER PLANTS – Domestic							
Natural Gas							
Big 4 Projects							
Kern River[1]	California	SCE	natural gas	50	%	305	153
Midway-Sunset[1]	California	PG&E	natural gas	50	%	225	113
Sycamore[1, 7]	California	SCE	natural gas	50	%	318	159
Watson[4, 7]	California	SCE	natural gas	49	%	416	204
Westside Projects[1]							
Coalinga	California	PG&E	natural gas	50	%	38	19
Mid-Set	California	PG&E	natural gas	50	%	38	19
Salinas River	California	PG&E	natural gas	50	%	38	19
Sargent Canyon	California	PG&E	natural gas	50	%	38	19

Power Plants	Location	Primary Electric Purchaser[2]	Fuel Type	Ownership Interest		Net Physical Capacity (in MW)	EME's Capacity Pro Rata Share (in MW)
Walnut Creek[7]	California	SCE	natural gas	100	%	479	479
Renewable Energy							
Capistrano Wind Partners[5]							
Broken Bow I	Nebraska	NPPD	wind	16	%	80	13
Cedro Hill	Texas	CSA	wind	31	%	150	46
Crofton Bluffs	Nebraska	NPPD	wind	20	%	40	8
Mountain Wind I	Wyoming	PC	wind	31	%	61	19
Mountain Wind II	Wyoming	PC	wind	31	%	80	25
Tapestry Wind							
Buffalo Bear	Oklahoma	WFEC	wind	100	%	19	19
Pinnacle	West Virginia	MDGS/USM	wind	100	%	55	55
Taloga	Oklahoma	OGEC	wind	100	%	130	130
Viento Funding II							
Elkhorn Ridge[7]	Nebraska	NPPD	wind	67	%[5]	80	53
San Juan Mesa[7]	New Mexico	SPS	wind	75	%[5]	120	90
Wildorado	Texas	SPS	wind	99.9	%[3]	161	161
Community Wind North	Minnesota	NSPC	wind	99	%[3]	30	30
Crosswinds	Iowa	CBPC	wind	99	%[3]	21	21
Forward	Pennsylvania	CECG	wind	100	%	29	29
Hardin	Iowa	IPLC	wind	99	%[3]	15	15
High Lonesome	New Mexico	APSC	wind	100	%	100	100
Jeffers	Minnesota	NSPC	wind	99.9	%[3]	50	50
Laredo Ridge	Nebraska	NPPD	wind	100	%	80	80
Minnesota Wind projects[6]	Minnesota	NSPC/IPLC	wind	99	%[3]	50	50
Odin	Minnesota	MRES	wind	99.9	%[3]	20	20
Sleeping Bear	Oklahoma	PSCO	wind	100	%	95	95
Spanish Fork	Utah	PC	wind	100	%	19	19
Storm Lake[1]	Iowa	MEC	wind	100	%	108	108
Coal							
American Bituminous	West Virginia	MPC	waste coal	50	%	80	40
CONTRACTED POWER PLANTS – International							
Doga[1]	Republic of Turkey	TEDAS	natural gas	80	%	180	144
Total						9,381	7,944

1 Plant is operated under contract by an EME operations and maintenance subsidiary or the plant is operated or managed directly by an EME subsidiary.

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[2] Electric purchaser abbreviations are as follows:

APSC	Arizona Public Service Company	NSPC	Northern States Power Company
CAISO	California Independent System Operator	OGEC	Oklahoma Gas and Electric Company
CBPC	Corn Belt Power Cooperative	PC	PacifiCorp
CECG	Constellation Energy Commodities Group, Inc.	PG&E	Pacific Gas & Electric Company
CSA	City of San Antonio	PJM	PJM Interconnection, LLC
ERCOT	Electric Reliability Council of Texas	PSCO	Public Service Company of Oklahoma
IPLC	Interstate Power and Light Company	SCE	Southern California Edison Company
MDGS	Maryland Department of General Services	SPS	Southwestern Public Service
MEC	Mid-American Energy Company	TEDAS	Türkiye Elektrik Dagitim Anonim Sirketi
MPC	Monongahela Power Company	USM	University System of Maryland
MRES	Missouri River Energy Services	WFEC	Western Farmers Electric Cooperative
NPPD	Nebraska Public Power District		

[3] Represents EME's current ownership interest. If the project achieves a specified rate of return, EME's interest will decrease.

[4] A dispute exists with one of EME's offtakers at this facility, and currently the facility is only being paid for an output of 397 MW.

[5] Ownership percentages are calculated based on the partners' investment into each project.

[6] Composed of four individual wind projects.

[7] Material properties owned or leased by EME's subsidiaries and affiliates. Each property represents at least five percent of EME's income before tax, excluding asset impairment charges, or is one in which EME has an investment balance greater than $40 million. Most of these properties are subject to mortgages or other liens or encumbrances granted to the lenders providing financing for the plant or project.

[8] Certain of these sites are leased pursuant to the Powerton and Joliet Sale Leaseback.

At December 31, 2013, the fuel sources for these projects were as follows:

Fuel Source	Percentage of EME's Generation Capacity
Coal	55%
Natural gas/oil	24%
Renewable energy	21%

Seasonality

Due to fluctuations in electric demand resulting from warm weather during the summer months and cold weather during the winter months, electric revenues from Midwest Generation's coal-fired plants normally vary substantially on a seasonal basis. In addition, maintenance outages generally are scheduled during periods of lower projected electric demand (spring and fall), further reducing generation and increasing major maintenance costs which are recorded as an expense when incurred. Accordingly, Midwest Generation's income is seasonal and has significant variability from quarter to quarter. Seasonal fluctuations may also be affected by changes in market prices. For further discussion regarding market prices, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Exposures—Commodity Price Risk—Energy Price Risk."

EME's third quarter equity in income from its unconsolidated energy projects is normally higher than equity in income related to other quarters of the year due to seasonal fluctuations and higher energy contract prices during the summer months.

Merchant Power Plants

A description of EME's larger power plants and major investments in energy projects is set forth below. In addition to the facilities and power plants that EME owns, EME uses the term "its" in regard to facilities and power plants that

EME or an EME subsidiary operates under sale leaseback arrangements.

Midwest Generation Plants

The Midwest Generation plants consist of the following:

Operating Plant or Site	Location	Leased/ Owned	Fuel	Megawatts
Electric Generating Facilities				
Joliet Unit 6	Joliet, Illinois	owned	coal	290
Joliet Units 7 and 8	Joliet, Illinois	leased	coal	1,036
Powerton Station	Pekin, Illinois	leased	coal	1,538
Waukegan Station[1]	Waukegan, Illinois	owned	coal	689
Will County Station[2]	Romeoville, Illinois	owned	coal	761
Peaking Units				
Fisk	Chicago, Illinois	owned	oil	197
Waukegan	Waukegan, Illinois	owned	oil	108
Total				4,619
Non-Operating Plant or Site	Location			
Crawford Station[3]	Chicago, Illinois			
Fisk Station[4]	Chicago, Illinois			
Collins Station[5]	Grundy County, Illinois			
Crawford peaker[5]	Chicago, Illinois			
Joliet peaker[5]	Joliet, Illinois			
Calumet peaker[5]	Chicago, Illinois			
Electric Junction peaker[5]	Aurora, Illinois			
Lombard peaker[5]	Lombard, Illinois			
Sabrooke peaker[5]	Rockford, Illinois			

1 The Waukegan Station is composed of Units 7 and 8. Midwest Generation permanently shut down Waukegan Station Unit 6 (100 MW) on December 21, 2007.

2 The Will County Station is composed of Units 3 and 4. Midwest Generation permanently shut down Will County Station Units 1 and 2, totaling 299 MW of capacity, on December 29, 2010 in accordance with the CPS.

3 Midwest Generation permanently shut down Crawford Station Unit 7 (213 MW) on August 28, 2012 and Crawford Station Unit 8 (319 MW) on August 24, 2012.

4 Midwest Generation permanently shut down Fisk Station Unit 19 (326 MW) on August 30, 2012.

5 Ceased operations before December 31, 2005.

Midwest Generation and Commonwealth Edison have various reciprocal permanent and temporary easements over Midwest Generation's parcels for the location, use, maintenance and repair of those facilities and equipment that are used in connection with the operations of Midwest Generation and Commonwealth Edison.

The Joliet and Powerton Stations

The Joliet Station is located in Joliet, Will County, Illinois, approximately 40 miles southwest of Chicago on an approximately 467-acre site. The operating units comprising the Joliet Station are referred to as Units 6, 7 and 8. The operation of Units 6, 7 and 8 began in 1959, 1965 and 1966, respectively. Joliet Unit 6 is a 290 MW coal-fired unit located adjacent to, but across the Des Plaines River from, Joliet Units 7 and 8. Joliet Units 7 and 8 are coal-fired and have a combined capacity of 1,036 MW. The Powerton Station is a 1,538 MW coal-fired station located in Pekin, Tazewell County, Illinois on an approximately 568-acre site. The site also includes an approximately 1,440-acre lake. The operating units comprising the Powerton Station are referred to as Units 5 and 6 and began operations in 1972 and 1975, respectively.

In conjunction with the Powerton and Joliet Sale Leaseback, Midwest Generation leased substantially all the property on which the generating units are located to the owner trusts under site leases, and the owner trusts in turn subleased their undivided ground interest in the property back to Midwest Generation under site subleases. The terms of the site subleases

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are 33.75 years for the Powerton property and 30 years for the Joliet property, with renewal options. Rent is due under the leases on each January 2 and July 2.

The filing of the Chapter 11 Cases constitutes an event of default under the Powerton and Joliet Sale Leaseback and during the pendency of the Chapter 11 Cases, Midwest Generation did not make any of the three scheduled lease payments of $76 million due on January 2, 2013, July 2, 2013 and January 2, 2014. Midwest Generation did pay the ratable portion of the rent due under the leases attributable to the period between December 17, 2012 and January 2, 2013 of $7 million and beginning in July 2013, EME and Midwest Generation agreed, among other things, to make monthly rental payments of $3.75 million. For additional information, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9—Commitments and Contingencies—Powerton and Joliet Sale Leaseback."

The Waukegan Station

The Waukegan Station is a 689 MW coal-fired power plant located in Waukegan, Lake County, Illinois, on Lake Michigan. The Waukegan Station occupies approximately 194 acres, inclusive of the switchyard. The operating units comprising the Waukegan Station are referred to as Units 7 and 8 and began operations in 1958 and 1962, respectively.

The Will County Station

The Will County Station is a 761 MW coal-fired power plant located in Romeoville, Will County, Illinois. The Will County Station is located on approximately 215 acres, inclusive of the switchyard. The operating units comprising the Will County Station are referred to as Units 3 and 4 and began operations between 1955 and 1963.

On-Site Peaking Facilities

The on-site peaking units consist of 305 MW at Fisk and Waukegan, which were commissioned in 1968. The Fisk and Waukegan peaking units burn fuel oil. Natural gas is used by the Fisk peaking unit for ignition.

Power Sales

Energy and capacity from the Midwest Generation plants are sold under terms, including price, duration and quantity, arranged by EMMT, an EME subsidiary engaged in power marketing and trading activities, with customers through a combination of forward energy sales, spot market sales and bilateral agreements (resulting from negotiations or from auctions). Power generated at the Midwest Generation plants is sold into the PJM market.

Fuel Supply

Midwest Generation purchases coal from several suppliers located in the Southern Powder River Basin (PRB) of Wyoming. The total volume of coal consumed annually depends on the amount of electricity generated. Excluding consumption from retired stations, historical consumption has ranged between 13.4 million to 16.5 million tons. Coal consumption in the current low natural gas price environment may be lower than the historical range. Coal is transported under transportation agreements with Union Pacific Railroad and various short-haul carriers. In late 2011, Midwest Generation signed agreements, effective January 1, 2012, to provide such fuel transportation on a long-term basis. As of December 31, 2013, Midwest Generation leased approximately 2,400 railcars to transport the coal from the mines to the generating stations under leases with various termination dates through 2015. For additional information, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies."

Emission Allowances for the Coal Plants

The federal Acid Rain Program requires electric generating stations to hold sulfur dioxide (SO_2) allowances sufficient to cover their annual emissions. Pursuant to Illinois' implementation of the Clean Air Interstate Rule (CAIR), the Midwest Generation plants are required to hold seasonal and annual NO_X allowances. The CAIR remains in effect until a replacement regulation becomes effective.

Cross-State Air Pollution Rule (CSAPR), like the CAIR, is an allowance-based regulation that provides for emissions trading. If CSAPR were to become effective, the amount of actual SO_2 or NO_X emissions from plant operations would need to be matched by a sufficient amount of SO_2 or NO_X allowances that were either allocated or purchased in the open market. SO_2 allowances under the federal Acid Rain Program could not be used to satisfy the requirements under CSAPR. Midwest Generation believes its current environmental remediation plan developed to comply with the CPS, along with the allowances allocated to it under the CAIR, will be sufficient to comply with the requirements of either the CAIR or CSAPR (as applicable). For additional information, see "Environmental Matters and Regulations—Air

Quality."

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Natural Gas
Sunrise Project
EME owns a 50% interest in Sunrise Power Company, LLC, which owns a 586 MW natural gas-fired combined cycle facility in Kern County, California (Sunrise). The project operates on a merchant basis selling into the California ISO market and dispatch depends on market conditions. Historically, Sunrise has operated more during the summer months due to higher demand driven by warmer weather, and for the summer months of 2013, Sunrise had resource adequacy contracts for capacity with PG&E and SDG&E. However, the profitability of Sunrise as a merchant generator depends on market prices for power and natural gas and future results may differ from historical earnings.

Contracted Power Plants

Natural Gas
Walnut Creek Project
Walnut Creek is a 479 MW natural gas-fired peaker plant in southern California. Construction on the project began in June 2011 and in December 2012, EME began start-up and testing at the project, including the sale of power on a merchant basis. The project achieved commercial operation in the second quarter of 2013 and began selling power under its 10 year- power sales agreement with SCE in June 2013.
Natural Gas - Cogeneration
In December 2010, the California Public Utilities Commission (CPUC) approved a comprehensive settlement of various issues related to power sales from cogeneration facilities. The settlement establishes a mechanism to foster new power purchase agreements for such facilities and provides for transition power purchase agreements during implementation. The settlement became effective on November 23, 2011. Cogeneration facilities subject to the settlement, including the Big 4 Projects described below, are eligible to continue to receive administratively set pricing through July 2015 and participate in three competitive solicitations required to be conducted by each investor-owned utility for new seven-year contracts.
Big 4 Projects
EME owns partnership investments in Kern River Cogeneration Company (Kern River), Midway-Sunset Cogeneration Company (Midway-Sunset), Sycamore Cogeneration Company (Sycamore) and Watson Cogeneration Company (Watson and collectively with Kern River, Midway-Sunset, and Sycamore, the Big 4 Projects).
Kern River
Kern River sold electricity to SCE under a transition power purchase agreement, pursuant to the settlement described above, through the end of 2013. Kern River began selling electricity under a long-term power purchase agreement with PG&E in January 2014. Kern River sells steam to Chevron North America Exploration and Production Company, a division of Chevron U.S.A., Inc, under an agreement that expires concurrently with the PG&E power purchase agreement. For additional information regarding a dispute between the partners in Kern River, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies—Contingencies—Chevron Adversary Proceeding."
Midway-Sunset
Midway-Sunset sells electricity to PG&E under a power purchase agreement that expires in 2016 and sells electricity and steam to Aera Energy LLC under agreements that expire concurrently with the power purchase agreement. Midway-Sunset signed a new power purchase agreement with PG&E that, upon approval by the CPUC, will extend electricity sales through 2020. In connection with the new PG&E agreement, in 2015 Midway-Sunset will invest $14 million to convert two of its turbines to peaking operation, and has extended the Aera agreements as well.
Sycamore
Sycamore sold electricity to SCE under a transition power purchase agreement, pursuant to the settlement described above, through the end of 2013. Sycamore began selling electricity under a long-term power purchase agreement with SCE in January 2014. Sycamore sells steam to Chevron North America Exploration and Production Company, a division of Chevron U.S.A., Inc., under an agreement that expires concurrently with the SCE power purchase agreement. For additional

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information regarding a dispute between the partners in Sycamore, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies—Contingencies—Chevron Adversary Proceeding."

Watson

Watson sells electricity to SCE under a transition power purchase agreement, pursuant to the settlement described above. Watson currently sells power and steam to Tesoro Refining and Marketing Company LLC (Tesoro) under agreements that expire in 2014. Tesoro assumed these agreements from BP West Coast Products LLC during the second quarter of 2013.

Westside Projects

EME owns 50% partnership interests in each of Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Salinas River Cogeneration Company, and Sargent Canyon Cogeneration Company, each of which owns a 38 MW natural gas-fired cogeneration facility located in California (collectively, the Westside Projects). These projects sell electricity to PG&E under power purchase agreements that expire in 2016. The power purchase agreements became effective in December 2011.

Natural Gas - International

Doga Project

EME owns an 80% interest in Doga Enerji, which owns a 180 MW natural gas-fired cogeneration plant near Istanbul in the Republic of Turkey (Doga). Doga sells electricity to TEDAS under a power purchase agreement that expires in 2019, after which date the facility is to be conveyed to the Ministry of Energy and Natural Resources of Turkey.

Coal

American Bituminous Project

EME owns a 50% interest in American Bituminous Power Partners, L.P., which owns an 80 MW waste coal facility located in Grant Town, West Virginia (Ambit). Ambit sells electricity to Monongahela Power Company under a power purchase agreement that expires in 2036.

Renewable Energy

Wind

EME owns interests in the following operating wind projects which either sell electricity pursuant to long-term power purchase agreements with third parties with original terms ranging from 10 to 30 years or are operated on a merchant basis. The table below provides the project's power purchase agreement expiration for each contracted wind project, the project's primary RTO or ISO for each merchant wind project, either the expiration date of the project's production tax credits or an indication that EME elected to receive a US Treasury Grant, and the project's commercial operation or acquisition date.

Wind Plants	Power Purchase Agreement Expiration Year/RTO or ISO	Production Tax Credit Expiration Date	Commercial Operation or Acquisition Date
Capistrano Wind Partners			
Broken Bow I	2032[6]	December 2022	December 2012
Cedro Hill	2030	Qualified for US Treasury Grant	November 2010
Crofton Bluffs	2032[6]	November 2022	November 2012
Mountain Wind I	2033	July 2018	July 2008
Mountain Wind II	2033	September 2018	September 2008
Tapestry Wind			
Buffalo Bear	2033	December 2018	December 2008
Pinnacle	2031	Qualified for US Treasury Grant	December 2011/January 2012
Taloga	2031	Qualified for US Treasury Grant	July 2011
Viento Funding II			
Elkhorn Ridge	2029	December 2018	March 2009
San Juan Mesa	2025	December 2015	December 2005
Wildorado	2027	April 2017	April 2007
Big Sky[5]	PJM	Qualified for US Treasury Grant	February 2011
Community Wind North[1]	2031	Qualified for US Treasury Grant	May 2011
Crosswinds[2]	2022[6]	June 2017	June 2007
Forward	2017	April 2018	April 2008
Goat Wind[5]	ERCOT	Phase I - April 2018; Phase II - qualified for US Treasury Grant	April 2008/June 2009
Hardin[3]	2027	May 2017	May 2007
High Lonesome	2039	Qualified for US Treasury Grant	July 2009
Jeffers	2028	October 2018	October 2008
Laredo Ridge	2031	Qualified for US Treasury Grant	February 2011
Lookout[5]	PJM	September 2018	October 2008
Minnesota[4]	2021-2029[7]	June 2009-July 2016	April 2006
Odin	2028	June 2018	May 2008
Sleeping Bear	2032	October 2017	September 2007
Spanish Fork	2028	July 2018	July 2008
Storm Lake	2019	June 2009	May 1999

1 Twelve separate limited liability companies collectively form the wind farm.
2 Ten separate limited liability companies collectively form the wind farm.
3 Seven separate limited liability companies collectively form the wind farm.
4 Thirty-four separate limited liability companies each own a small wind-powered electric generation facility.
5 Merchant wind-powered projects.
6 Agreement includes a five-year renewal option.
7 Each of the Minnesota Wind projects sells electricity under a power purchase agreement with Northern States Power Company that expires between 2025 and 2029, or with Interstate Power and Light Company that expires in 2021.

Asset Management and Trading Activities

EME's power marketing and trading subsidiary, EMMT, manages the energy and capacity of EME's merchant generating plants and, in addition, trades electric power, natural gas, oil, weather and related commodity and financial products, including forwards, futures, options and swaps. EMMT segregates its activities into two categories:

- Asset Management—EMMT engages in the sale of energy and capacity and the purchase and sale of fuels, including natural gas and fuel oil, through intercompany contracts with EME's subsidiaries that own or lease EME's facilities. Historically, EME has used derivative instruments to reduce its exposure to market risks that arise from price fluctuations of electricity, capacity, fuel, emission allowances, and transmission rights. The objective of these activities has been to sell the output of the facilities on a forward basis or to hedge the risk of future changes in prices or price differences between different locations. Hedging activities typically include on-peak and off-peak periods and may include load service requirements contracts with local utilities. Transactions related to hedging activities are designated separately from EMMT's trading activities. Not all contracts entered into by EMMT for hedging purposes qualify as hedges for accounting purposes.
- Trading—EMMT seeks to generate trading profits from volatility in the price of electricity, capacity, fuels, and transmission congestion by buying and selling contracts in wholesale markets under guidelines approved by EME's risk management committee.

Significant Customers

For a discussion of EME's and Midwest Generation's significant customers, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 6. Derivative Instruments and Hedging Activities—Credit Risk."

Insurance

EME and Midwest Generation maintain insurance policies consistent with those normally carried by companies engaged in similar business and owning similar properties. EME's and Midwest Generation's insurance programs include all-risk property insurance, including business interruption, covering real and personal property, including losses from boiler or machinery breakdowns, and the perils of earthquake and flood, subject to specific sublimits. EME and Midwest Generation also carry general liability insurance covering liabilities to third parties for bodily injury or property damage resulting from operations, automobile liability insurance and excess liability insurance. Limits and deductibles in respect of these insurance policies are comparable to those carried by other electric generating facilities of similar size. No assurance can be given that this insurance will be adequate to cover all losses or claims.

Regulatory Matters

General

EME's and Midwest Generation's operations are subject to extensive regulation. EME's operating projects, including the Midwest Generation plants, are subject to energy, environmental and other governmental laws and regulations at the federal, state and local levels in connection with project development, ownership and operation, and the use of electric energy, capacity and related products, including ancillary services, from the projects. In addition, EME and Midwest Generation are subject to the market rules, procedures, and protocols of the markets in which they participate.

Federal Power Act

The FERC has exclusive jurisdiction over the rates, terms and conditions of wholesale sales of electricity and transmission services in interstate commerce (other than transmission that is "bundled" with retail sales), including ongoing, as well as initial, rate jurisdiction. The FERC also has jurisdiction over the sale or transfer of specified assets, including wholesale power sales contracts and generation facilities and, in some cases, jurisdiction over the issuance of securities or the assumption of specified liabilities and some interlocking directorates. Dispositions of EME's and Midwest Generation's jurisdictional assets and certain types of financing arrangements may require FERC approval.

Each of EME's domestic generating facilities is either a qualifying facility (QF), as determined by the FERC, or the subsidiary owning the facility is an exempt wholesale generator (EWG). Most QFs are exempt from the ratemaking and several other provisions of the Federal Power Act (FPA). Midwest Generation and EME's other EWGs, except the Goat Wind and Cedro Hill wind projects, are subject to the FERC's ratemaking jurisdiction under the FPA, but have been authorized to sell power at market-based rates to purchasers which are not affiliated electric utility companies as long as the absence of market power is shown. In addition, EME's power marketing subsidiaries, including EMMT, has been authorized by the

FERC to make wholesale market sales of power at market-based rates and are subject to the FERC ratemaking regulation under the FPA.

If one of the projects in which EME has an interest were to lose its QF or EWG status, the project would no longer be entitled to the related exemptions from regulation and could become subject to rate regulation by the FERC and state authorities. Loss of status could also trigger defaults under covenants contained in the project's power sales agreements and financing agreements.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides the Commodity Futures Trading Commission and the Securities and Exchange Commission with jurisdiction to regulate financial derivative products, including swaps, options and other derivative products, collectively referred to in this annual report as "swaps."

The Dodd-Frank Act subjects swaps to new mandatory clearing and trading requirements, if no exemption applies. It may also impose capital requirements on non-exempt market participants. The clearing and trading requirements could result in increased margining requirements which may increase the costs of hedging activity. EME and Midwest Generation, through EMMT, use swaps to hedge commercial risks associated with the generation, purchase and sale of electricity and fuel to wholesale customers. In addition, EMMT utilizes swaps as part of its proprietary trading activities.

New rules and regulations on clearing, trading or other requirements under the Dodd-Frank Act have been enacted and other rules and regulations are under consideration. The potential impact of those rules and regulations will depend on the content, which remains uncertain.

Reliability Standards

North American Electric Reliability Corporation (NERC) establishes and enforces reliability standards for the bulk power system. EME and Midwest Generation believe they have taken appropriate steps to be substantially compliant with current NERC reliability standards that apply to their operations.

Transmission of Wholesale Power

EME's projects that sell power to wholesale purchasers other than the local utility to which the project may be interconnected require the transmission of electricity over power lines owned by others. Midwest Generation utilizes power lines owned by others for the transmission of electricity. The prices and other terms and conditions of transmission contracts are regulated by the FERC when the entity providing the transmission service is subject to FERC jurisdiction.

Environmental Matters and Regulations (EME and Midwest Generation, except as noted)

Legislative and regulatory activities by federal, state, and local authorities in the United States relating to energy and the environment impose numerous restrictions and requirements with respect to the operation of EME's existing facilities, including the Midwest Generation plants, and affect the timing, cost, location, design, construction, and operation of new facilities by EME's subsidiaries, as well as the cost of mitigating the environmental impacts of past operations. In addition, as discussed in "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies," the United States Environmental Protection Agency (US EPA) and others have from time to time sought to involve EME and Midwest Generation in litigation related to facilities owned by EME's subsidiaries. The facilities of EME's subsidiaries which are most affected by environmental regulation are located in Illinois. Additional information about environmental matters, including projected environmental capital expenditures, is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Investment Plan" and "—Critical Accounting Estimates and Policies—Impairment of Long-Lived Assets."

Air Quality

The Clean Air Act (CAA), which regulates air pollutants from mobile and stationary sources, has a significant impact on the operation of the Midwest Generation plants. The CAA requires the US EPA to establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as

National Ambient Air Quality Standards (NAAQS). The six criteria pollutants are carbon monoxide, lead, NO_x, ozone, particulate matter, and SO_2.
Federal environmental regulations require states to adopt state implementation plans (SIPs), for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. The SIPs must be equal to or more stringent than the federal requirements and must be submitted to the US EPA for approval. Each state identifies the

areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a SIP both to bring non-attainment areas into compliance with the NAAQS and to maintain compliant air quality in attainment areas. If the attainment status of areas changes, states may be required to develop new SIPs that address the changes. Many of EME's and its subsidiaries' facilities are located in areas that have not attained NAAQS for ozone (affected by NO_x emissions from power plants) and fine particulate matter (affected by SO_2 and NO_x emissions from power plants).

As described further below, on December 11, 2006, Midwest Generation entered into an agreement with the Illinois Environmental Protection Agency (Illinois EPA), which was subsequently embodied in an Illinois rule called the CPS, to reduce mercury, NO_x and SO_2 emissions at the Midwest Generation plants. The CPS requires Midwest Generation to achieve air emission reductions for NO_x and SO_2, and those reductions should contribute to or effect compliance through SIPs with various existing US EPA ambient air quality standards. It is possible that if lower ozone, particulate matter, NO_x or SO_2 NAAQS are finalized by US EPA in the future, Illinois may implement regulations that are more stringent than those required by the CPS.

Nitrogen Oxide and Sulfur Dioxide

Clean Air Interstate and Cross-State Air Pollution Rules

The CAIR, issued by the US EPA on March 10, 2005, mandated significant reductions in NO_x and SO_2 emission allowance caps under the CAA in 28 eastern states and the District of Columbia. In 2008, the United States Court of Appeals for the District of Columbia Circuit initially vacated the CAIR, but later remanded the CAIR to the US EPA for the issuance of a revised rule. The CAIR remains in effect until a replacement regulation becomes effective.

On July 6, 2011, the US EPA adopted the CSAPR. The CSAPR contemplated emissions reductions for annual SO_2 emissions and annual and ozone season NO_x emissions in two phases: a first phase originally scheduled to be effective January 1, 2012 and, in most states subject to the program (including Illinois), a second phase effective January 1, 2014 that requires additional reductions in annual SO_2 emissions. The CSAPR, like the CAIR, is an allowance-based regulation that provides for emissions trading.

In August 2012, the United States Court of Appeals for the District of Columbia Circuit vacated the CSAPR and directed the US EPA to continue administering the CAIR pending the promulgation of a valid replacement. The U.S. Supreme Court agreed to review the United States Court of Appeals for the District of Columbia Circuit's August 2012 decision and heard oral arguments on the matter in December 2013.

Revised NAAQS for SO_2

In June 2010, the US EPA finalized the primary NAAQS for SO_2 by establishing a new one-hour standard at a level of 75 parts per billion. In June 2011, the Illinois EPA submitted its initial recommended attainment/nonattainment designations in connection with the standard. The Illinois EPA recommended designating parts of Tazewell County (where the Powerton plant is located) and Will and Cook Counties as nonattainment with this standard. The recommended designation for parts of Will and Cook Counties included the area where the Will County plant is located, but not the areas where Midwest Generation's other plants in those counties are located. The US EPA approved these designations in August 2013.

Illinois

All of Midwest Generation's Illinois coal-fired electric generating units are subject to the CPS, which specifies the control technologies that are to be installed on some units by specified dates. Midwest Generation must either install the required technology by the specified deadline or shut down the unit. The principal emission standards and control technology requirements for NO_x and SO_2 under the CPS are as described below:

NO_x Emissions—Beginning in calendar year 2012 and continuing in each calendar year thereafter, Midwest Generation must comply with an annual and seasonal NO_x emission rate of no more than 0.11 lbs/million British thermal units (Btu). Midwest Generation's 2013 fleetwide NO_x emission rate complied with this regulation.

SO_2 Emissions—Midwest Generation must comply with an overall SO_2 annual emission rate beginning with 0.44 lbs/million Btu in 2013 and decreasing annually until it reaches 0.11 lbs/million Btu in 2019 and thereafter. Midwest Generation's 2013 fleetwide SO_2 emission rate complied with this regulation, including an emissions tonnage cap of 57,000 tons that applied in 2013.

Testing of dry sorbent injection using Trona on select Midwest Generation units has demonstrated significant reductions in SO_2 emissions. Use of dry sorbent injection technology in conjunction with low sulfur coal is expected to require substantially less capital and time to construct than the use of spray dryer absorber technology, but would likely result in higher ongoing operating costs and may consequently result in lower dispatch rates and competitiveness of Midwest Generation's plants, depending on competitors' costs. For additional discussion, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Edison Mission Energy Overview—Midwest Generation Environmental Compliance Plans and Costs."

Mercury/Hazardous Air Pollutants

Mercury and Air Toxics Standards Rule

In December 2011, the US EPA announced the MATS rule, limiting emissions of hazardous air pollutants (HAPs) from coal- and oil-fired electrical generating units. The rule became effective on April 16, 2012 with a compliance deadline of April 16, 2015 for existing units. In November 2012, the US EPA issued proposed revisions to aspects of the regulation relating to new units. A number of parties have filed notices of appeal challenging the rule, although the only appeals that are currently moving forward relate to the standards applicable to existing units. EME and Midwest Generation do not expect that these standards will require material changes to the approach for compliance with state and federal environmental regulations already contemplated for CPS compliance.

Illinois

The CPS requires that, beginning in calendar year 2015, and continuing thereafter on a rolling 12-month basis, Midwest Generation must either achieve an emission standard of 0.008 lbs mercury/gigawatt-hours (GWh) gross electrical output or a minimum 90% reduction in mercury for each unit (except Unit 3 at the Will County Station, which will be included in calendar year 2016). In 2012, Midwest Generation notified the Illinois EPA that all units except Waukegan Station Unit 7 and Will County Station Unit 3 were in compliance with these requirements. Midwest Generation is required to install cold side electrostatic precipitator or fabric filtration equipment on Waukegan Station Unit 7 by December 31, 2014 and on Will County Station Unit 3 by December 31, 2015 to comply with the CPS.

Ozone

National Ambient Air Quality Standards

In January 2010, the US EPA proposed a revision to the primary and secondary NAAQS for 8-hour ozone that it had finalized in 2008. The 8-hour ozone standard established in 2008 was 0.075 parts per million. In January 2010, the US EPA proposed establishing a primary 8-hour ozone NAAQS between 0.060 and 0.070 parts per million and a distinct secondary standard to protect sensitive vegetation and ecosystems. In September 2011, President Obama announced that the proposed revision was being withdrawn. The ozone NAAQS established in 2008 remains in place, but the implementation process must be completed before the 0.075 parts-per-million standard can be enforced. New primary and secondary ozone standards are expected to be proposed in 2014.

In June 2012, the US EPA designated the counties in Illinois where Midwest Generation's coal-fired power plants are located as nonattainment with the 2008 NAAQS, other than Tazewell County, where the Powerton Station is located. Illinois has not yet submitted a SIP outlining how compliance with the 2008 NAAQS will be achieved.

Regional Haze

The regional haze rules under the CAA are designed to prevent impairment of visibility in certain federally designated areas. The goal of the rules is to restore visibility in mandatory federal Class I areas, such as national parks and wilderness areas, to natural background conditions by 2064. Sources such as power plants that are reasonably anticipated to contribute to visibility impairment in Class I areas may be required to install best available retrofit technology (BART) or implement other control strategies to meet regional haze control requirements.

In July 2012 the US EPA approved Illinois' regional haze SIP, which provided that the emission reductions that the Midwest Generation plants will be required to make pursuant to the CPS, discussed above in "—Nitrogen Oxide and Sulfur Dioxide—Illinois," satisfy the BART requirement.

New Source Review Requirements

The New Source Review (NSR) regulations impose certain requirements on facilities, such as electric generating stations, if modifications are made to air emissions sources at the facility. Since 1999, the US EPA has pursued a coordinated compliance and enforcement strategy to address NSR compliance issues at the nation's coal-fired power plants. The US EPA has filed enforcement actions against Midwest Generation and Homer City alleging NSR violations. For further discussion, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9.

Commitments and Contingencies—Contingencies."

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Water Quality
Clean Water Act
Regulations under the federal Clean Water Act govern critical operating parameters at generating facilities, such as the temperature of effluent discharges and the location, design, and construction of cooling water intake structures at generating facilities. In March 2011, the US EPA proposed standards under the federal Clean Water Act that would affect cooling water intake structures at generating facilities. The standards are intended to protect aquatic organisms by reducing capture in screens attached to cooling water intake structures (impingement) and in the water volume brought into the facilities (entrainment). The regulations are expected to be finalized in 2014. The required measures to comply with the proposed standards regarding entrainment are subject to the discretion of the permitting authority, and EME is unable at this time to assess potential costs of compliance, which could be significant for the Midwest Generation plants.
In June 2013, the US EPA proposed changes to the Steam Electric Guideline Regulation which sets discharge limits for various operations which discharge to waters of the United States. EME is reviewing the proposed rule and intends to provide comments. The rule is scheduled for issuance by May 2014.
Illinois
Midwest Generation is a party to an administrative proceeding before the Illinois Pollution Control Board to determine whether more stringent thermal and effluent water quality standards for the Chicago Area Waterway System and Lower Des Plaines River, which supply cooling water to Midwest Generation's Will County and Joliet Stations, will be implemented. This proceeding could conclude in 2014 and the rule, if implemented, is expected to affect the manner in which those stations use water for station cooling. It is not possible to predict the final form of the rule or how it would impact the operation of the affected stations; however, if the regulations proposed by the Illinois EPA are adopted without modification, significant capital expenditures may be required.

Coal Combustion Wastes
US EPA regulations currently classify coal ash and other coal combustion residuals as solid wastes that are exempt from hazardous waste requirements. This classification enables beneficial uses of coal combustion residuals, such as for cement production and fill materials. Midwest Generation currently provides a portion of its coal combustion residuals for beneficial uses. In June 2010, the US EPA published proposed regulations relating to coal combustion residuals that could result in more stringent requirements for the management and disposal of such materials. For further discussion see "Item 8. Combined Notes to Consolidated Financial Statements—Note 10. Environmental Developments."

Climate Change
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 EME's and Midwest Generation's businesses.
Federal Legislative/Regulatory Developments
In June 2010, the US EPA issued the Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule (GHG Tailoring Rule). This regulation generally subjects newly constructed sources of GHG emissions and newly modified existing major sources to the Prevention of Significant Deterioration (PSD) air permitting program beginning in January 2011 (and later, to the Title V permitting program under the CAA); however, the GHG Tailoring Rule significantly increases the emissions thresholds that apply before facilities are subjected to these programs. The emissions thresholds for carbon dioxide (CO_2) equivalents in the final rule vary from 75,000 tons per year to 100,000 tons per year depending on the date and whether the sources are new or modified.
In June 2012, the United States Court of Appeals for the District of Columbia Circuit dismissed the challenge by industry groups and some states to the GHG Tailoring Rule. In December 2012, petitions for rehearing by the full

District of Columbia Circuit filed by states and industry groups were denied. Subsequently, the U.S. Supreme Court agreed to review the District of Columbia Circuit's determination that the CAA required the US EPA to regulate GHGs pursuant to the PSD program once GHGs were regulated under another provision of the CAA. A decision in this appeal is expected by June 2014.

In July 2012, the US EPA published a final rule maintaining the CO_2 equivalent emissions thresholds (for purposes of PSD and Title V permitting) originally established in the GHG Tailoring Rule.

Regulation of GHG emissions pursuant to the PSD program could affect efforts to modify EME's and Midwest Generation's facilities in the future, and could subject new capital projects to additional permitting or emissions control requirements that could delay such projects. In December 2010, the US EPA announced that it had entered into a settlement with various states and environmental groups to resolve a long-standing dispute over regulation of GHGs from electrical generating units pursuant to the New Source Performance Standards in the CAA and would propose performance standards for emissions from new and modified power plants and emissions guidelines for existing power plants. In March 2012, the US EPA announced proposed CO_2 emissions limits for new power plants but did not finalize these regulations.

In September 2013, the US EPA proposed new regulations governing CO_2 emissions from new electric generating stations. These regulations replace its original proposal. The US EPA intends to issue proposed GHG emission standards for reconstructed and existing electric generating stations in June 2014 and to promulgate such standards in June 2015. States would be required to submit their implementation plans responding to such guidelines to the US EPA one year after the regulations are promulgated.

Since January 2010, the US EPA's Final Mandatory Greenhouse Gas Reporting Rule has required all sources within specified categories, including electric generation facilities, to monitor emissions and to submit annual reports to the US EPA by March 31 of each year. EME's 2013 GHG emissions were approximately 31 million metric tons. Midwest Generation's 2013 GHG emissions were approximately 25 million metric tons.

Regional Initiatives and State Legislation (EME only)

Regional initiatives and state legislation may also require reductions of GHG emissions, and it is not yet clear whether or to what extent any federal legislation would preempt them. If state and/or regional initiatives remain in effect after federal legislation is enacted, generators could be required to satisfy them in addition to federal standards.

EME's operations in California are subject to two laws governing GHG emissions. The first law, the California Global Warming Solutions Act of 2006 (AB 32), establishes a comprehensive program to reduce GHG emissions. AB 32 requires the California Air Resources Board (CARB) to develop regulations, effective in 2012, that would reduce California's GHG emissions to 1990 levels in yearly increments by 2020. In December 2011, the CARB regulation was officially published, establishing a California cap-and-trade program. The first compliance period under the regulations is for 2013 GHG emissions. CARB regulations implementing a cap-and-trade program, and the cap-and-trade program itself, continue to be the subject of litigation. EME's facilities complied with AB 32 in 2013. In December 2011, a federal district court enjoined the Low Carbon Fuel Standard, another AB 32 program regulating the carbon content of transportation fuels (including electricity), on constitutional commerce clause grounds. In September 2013, the United States Court of Appeals for the Ninth Circuit affirmed in part and reversed in part the district court's judgment, vacated the preliminary injunction, and remanded the case to the district court for further proceedings. A motion to rehear the case was denied by the Court of Appeals in January 2014.

The second law, SB 1368, required the CPUC and the California Energy Commission to adopt GHG emissions performance standards restricting the ability of California investor-owned and publicly owned utilities, respectively, to enter into long-term arrangements for the purchase of electricity. The standards that have been adopted prohibit these entities from entering into long-term financial commitments with generators that emit more than 1,100 pounds of CO_2 per MW-hour (MWh) (the performance of a combined-cycle gas turbine generator). EME believes that all of its California facilities meet the SB 1368 standards.

Litigation Developments

Litigation alleging that GHG is a public and private nuisance may affect EME and Midwest Generation whether or not they are named as defendants. The law is unsettled on whether or not this litigation presents questions capable of judicial resolution or political questions that should be resolved by the legislative or executive branches.

Employees

At December 31, 2013, EME employed 1,047 people, including 586 employees of Midwest Generation. At December 31, 2013, approximately 42% and 75% of the employees of EME and Midwest Generation, respectively, were covered by a collective bargaining agreement governing wages, certain benefits and working conditions. This collective bargaining

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agreement expires on December 31, 2014. Midwest Generation also has a separate collective bargaining agreement governing retirement, health care, disability and insurance benefits that expires on March 31, 2015.

EME's and Midwest Generation's Relationship with Certain Affiliated Companies

EIX is a holding company. EME is an indirect subsidiary of EIX, and Midwest Generation is an indirect subsidiary of EME. EIX is also the corporate parent of SCE, an electric utility that serves customers in California.

EME and EIX will continue to provide ongoing shared services to each other and to Midwest Generation in the ordinary course, through the earlier of the consummation of the NRG Sale or, under certain circumstances, through July 31, 2014. If EIX fails to provide these services, it could have a material adverse effect on EME.

ITEM 1A. RISK FACTORS

Risks Related to Restructuring

EME and Midwest Generation will be subject to the risks and uncertainties associated with bankruptcy cases for the duration of the Chapter 11 Cases.

EME, Midwest Generation and the other Debtor Entities filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. For the duration of the Chapter 11 Cases, the Debtor Entities' business and operations are, and will continue to be, subject to various risks, including but not limited to, the following:

- it may be difficult for the Debtor Entities to obtain and maintain commercial relationships on competitive terms with customers, suppliers and others;
- it may be difficult to retain and motivate key employees through the process of reorganization, and to attract new employees;
- EME's and Midwest Generation's senior management will be required to spend significant time and effort dealing with bankruptcy and restructuring activities rather than focusing exclusively on business operations; and
- EME and Midwest Generation may not be able to maintain or obtain sufficient financing sources for operations or to fund any reorganization plan and meet future obligations.

EME and Midwest Generation are also subject to risks and uncertainties with respect to the actions and decisions of creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with EME's and Midwest Generation's plans. These risks and uncertainties could affect business and operations in various ways and may also affect the date of the Debtor Entities' emergence from Chapter 11 bankruptcy protection. EME and Midwest Generation cannot predict or quantify the ultimate impact that events occurring during the Chapter 11 Cases will have on their business, financial condition and results of operations. These risks could affect EME's and Midwest Generation's ability to continue as going concerns.

Failure to complete the NRG Sale could negatively affect EME's future business and financial results.

On October 18, 2013, EME announced the execution of the Acquisition Agreement with NRG and the Purchaser. Before the NRG Sale may be completed, the parties must satisfy all conditions set forth in the Acquisition Agreement, including, among other things, governmental and regulatory approvals. Certain conditions, such as the confirmation of the Plan and the entry of a Confirmation Order by the Bankruptcy Court, have already been met. If the remaining conditions or requirements are not satisfied or waived the NRG Sale will not be consummated. These conditions or changes could have the effect of delaying completion of, or imposing additional costs on, the NRG Sale.

Termination of the Acquisition Agreement would cause a termination of the Settlement Agreement, which in turn would create additional uncertainties regarding the confirmation of the Plan and could delay the resolution of the Chapter 11 Cases.

If the NRG Sale is not completed, EME still will be required to pay its own costs relating to the NRG Sale, including legal, accounting, financial advisory, filing and printing costs. Also, in certain specified circumstances, EME may be required to pay NRG a cash fee of $65 million plus reimbursement of all reasonable and documented out-of-pocket expenses if the Acquisition Agreement is terminated.

Uncertainties while the NRG Sale is pending that could adversely affect EME's financial results.

The pursuit of the NRG Sale and the preparation for the transition of EME's assets from EME to NRG may place a significant burden on EME's management and internal resources. Uncertainty about the effect of the NRG Sale on employees, customers, suppliers and others may have an adverse effect on their businesses. Employee retention will be particularly challenging prior to the completion of the NRG transaction, due to uncertainty about future employment prospects with NRG.

EME may not be able to successfully implement the restructuring set forth in the Plan.

The effectiveness of the Plan is subject to a number of conditions which include, among other things:

- Consummation of the NRG Sale, which is expected in April 2014;
- Payment of the Powerton and Joliet Cure Amount; and
- Establishment of the Reorganization Trust and funding of escrow accounts therein.

If these conditions are not met, it is unclear whether EME, Midwest Generation and the other Debtor Entities will be able to reorganize their businesses and emerge from Chapter 11 bankruptcy protection. If a protracted reorganization or liquidation were to occur, there can be no assurance as to what, if any, distribution holders of claims against, or equity interests in, the Debtor Entities ultimately would receive with respect to their claims or equity interests; in addition, the Debtor Entities could continue to face ongoing litigation and incur other significant costs.

Material claims have been asserted in the Chapter 11 Cases. The amount of approved claims as ultimately determined by the Bankruptcy Court may be different than the current estimated claims liability.

Although many material claims have been resolved during the pendency of the Chapter 11 Cases, certain of those claims remain unresolved. EME and Midwest Generation have recorded an estimate for expected claims in liabilities subject to compromise; however the ultimate resolution of such claims and other obligations may vary from this estimate. The amount of approved claims as ultimately determined by the Bankruptcy Court could have a material impact on the recoveries of creditors of the relevant Debtor Entities.

Liquidity Risks

EME and Midwest Generation have significant cash requirements and significant obligations, and expect to incur substantial losses in 2014 and subsequent years.

At December 31, 2013, EME, and its subsidiaries without contractual dividend restrictions, had cash and cash equivalents of $1,126 million, which includes Midwest Generation cash and cash equivalents of $118 million. As of December 31, 2013, EME had significant obligations including:

- $3.7 billion senior unsecured debt and $315 million of other obligations were recorded as a liability subject to compromise (LSTC) as a result of the filing of the Chapter 11 Cases;
- $1.5 billion in secured project level debt held by non-debtor EME subsidiaries, which is not guaranteed by EME and is not recorded in LSTC; and
- $1.4 billion of principal and accrued interest on the intercompany loan from Midwest Generation under which EME has historically made payments to Midwest Generation. During the pendency of the Chapter 11 Cases, EME did not make any of the three scheduled principal and interest payments of $61 million due on January 2, 2013, July 2, 2013 and January 2, 2014. Upon consummation of the Plan and the NRG Sale, this loan and accrued interest will be canceled.

As of December 31, 2013, Midwest Generation had significant obligations including:

- $434 million of lease financing obligations related to the Powerton and Joliet Sale Leaseback, which are recorded in LSTC (these obligations are guaranteed by EME); and
- $106 million of other obligations in Midwest Generation's LSTC.

In addition, under the CPS, Midwest Generation must install certain emissions control equipment or permanently retire the units. Currently, Midwest Generation estimates that its CPS compliance plan would require the installation of up to $833 million of emissions controls if all units are retrofit. EME's and Midwest Generation's current financial position limits their financial flexibility, places them at a competitive disadvantage compared to competitors that have less debt and increases their vulnerability to general adverse economic and industry conditions.

EME and Midwest Generation have experienced, and continue to experience, operating losses due to low realized energy and capacity prices, high fuel costs and low generation at the Midwest Generation plants. EME has been limited in the amount of capital it can contribute to Midwest Generation. Forward market prices indicate that these trends are expected to continue for a number of years. As a result, Midwest Generation expects to incur an operating cash flow deficit and operating losses in

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2014 and subsequent years which, coupled with the need to retrofit the Midwest Generation plants to comply with governmental regulations, will exhaust its liquidity. If cash flow and other means for assuring liquidity are unavailable or insufficient, Midwest Generation may be unable to complete environmental improvements at its coal plants (which in turn could lead to unit shutdowns) or its ability to provide credit support for contracts for power and fuel related to merchant activities may be severely limited. For further discussion of liquidity, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

EME's and Midwest Generation's access to additional capital may be limited and restrictive covenants may adversely affect their operations.

EME's and Midwest Generation's access to the capital markets may be limited by, among other things, the Chapter 11 Cases, their non-investment grade credit ratings, their current operating losses, their long-term business prospects, and general conditions in the financial and credit markets. In addition, the urgency of a capital-raising transaction may require them to pursue additional capital at an inopportune time. They may not be successful in obtaining additional capital for these and other reasons. An inability to access capital when needed may limit their ability to meet their operating needs and, in turn, may have a material adverse effect in their financial condition, results of operation and cash flows.

EME and Midwest Generation may not have adequate liquidity to prepay obligations or post required amounts of additional collateral.

The Chapter 11 Cases will likely continue to result in requirements that EME and Midwest Generation either prepay obligations or post significant amounts of collateral in the form of cash, short-term investments, lien capacity, and letters of credit, to support their businesses. Their commodity agreements may require them to post additional collateral under certain circumstances, including, among others, changes in commodity prices for power and fuel. Increases in collateral requirements could strain EME's and Midwest Generation's liquidity and may have a material adverse effect on their financial condition, results of operations and cash flows.

EME may not be able to monetize tax benefits that it has generated.

Historically, EME participated in tax-allocation agreements with EIX in which EME would be eligible to receive payments from EIX for tax losses and credits generated by EME. As a result of losses within the EIX consolidated tax group, EIX has not fully utilized EME's tax benefits. Further, as a result of the tax-allocation agreements being applied to give priority to SCE generated tax benefits, EIX has not fully compensated EME for EME's tax benefits utilized by EIX. During 2012, EIX modified the tax-allocation agreements to terminate EME's participation on December 31, 2013.

The parties to the Settlement Agreement have agreed that EME will receive payment for 50% of the EME Tax Attributes. If the Settlement Agreement is terminated, as a result of the termination of the Acquisition Agreement or otherwise, then, as of January 1, 2014 benefits that had been previously generated by EME and utilized in the EIX consolidated tax return on a statutory basis but are unpaid under the tax-allocation agreements will not be available for use by EME in its own consolidated tax return and will not be paid by EIX. Additionally, tax benefits that had previously been generated by EME and not utilized in the EIX consolidated tax return on a statutory basis will generally be available for use by EME in its own consolidated return, but may be reduced by cancellation of indebtedness income (COD income) or as a result of the application of the consolidated return rules.

For further discussion, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 7. Income Taxes."

EME is a holding company and may be limited in its ability to access funds from its subsidiaries to meet its obligations.

EME has no material assets other than the stock and other equity interests of its subsidiaries and depends upon dividends and other transfers of funds from its subsidiaries to meet its obligations. EME's subsidiaries are separate and distinct legal entities and have no obligation to provide EME with funds. The ability of EME's subsidiaries to pay dividends and make other payments to EME depends on their operating results and may be restricted by, among other things, applicable corporate and other laws, potentially adverse tax consequences, and restrictions contained in agreements entered into by the subsidiaries. If EME is unable to access the cash flow of its subsidiaries, it may have difficulty meeting its own obligations. For further discussion, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividend Restrictions in Major

Financings."

The intercompany loan between Midwest Generation and EME will be subject to allowance or disallowance in the Chapter 11 Cases.

If the Plan and the NRG Sale are consummated, the intercompany loan between Midwest Generation (as the lender) and EME (as the borrower) will be canceled. If the NRG Sale does not close, the intercompany loan will be subject to allowance

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or disallowance as part of the claims reconciliation process in the Chapter 11 Cases. Any party in interest in the Chapter 11 Cases will have the ability to object to any such claim. The allowance or disallowance of any claim arising under the intercompany loan could have a material impact on the recoveries of the creditors of the relevant Debtor Entities.

Regulatory and Environmental Risks

EME and Midwest Generation are subject to extensive environmental regulation and permitting requirements that may involve significant and increasing costs.

EME's and Midwest Generation's operations are subject to extensive and frequently changing environmental regulations with respect to, among other things, air quality, water quality and waste disposal, which involve significant and increasing costs and substantial uncertainty. EME and Midwest Generation are required to obtain, and comply with conditions established by, licenses, permits and other approvals in order to construct, operate or modify their facilities. Failure to comply with these requirements could subject them to civil or criminal liability, the imposition of liens or fines, or actions by regulatory agencies seeking to curtail operations of their projects. They may also be exposed to risks arising from past, current or future contamination at their former or existing facilities or arising from off-site waste disposal sites that have been used in their operations.

EME and Midwest Generation devote significant resources to environmental monitoring, emissions control equipment and emission allowances to comply with environmental regulatory requirements and believe that they are currently in substantial compliance with environmental regulatory requirements. However, the US EPA has filed enforcement actions against Midwest Generation and Homer City alleging violations of the CAA and other regulations at the Midwest Generation plants and the Homer City plant previously owned by Homer City. For more detail with respect to these matters, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies."

The current trend is toward more stringent standards, stricter regulation, and more expansive application of environmental regulations. The adoption of laws and regulations to implement CO_2 controls could adversely affect coal-fired power plants. Other environmental laws, particularly with respect to air emissions, disposal of ash, wastewater discharge and cooling water systems, are also generally becoming more stringent. The continued operation of EME's and Midwest Generation's facilities, particularly the Midwest Generation plants, is expected to require substantial capital expenditures for environmental controls. If EME and Midwest Generation cannot comply with all applicable regulations, they could be required to retire or suspend operations at some facilities, or restrict or modify the operations of facilities, and business, results of operations and financial condition could be adversely affected.

EME and Midwest Generation are required to surrender emission allowances equal to emissions of specific substances in connection with the operation of their facilities. This may require the purchase of allowances, which are subject to price volatility and which could be unavailable.

Typically, environmental laws require a lengthy and complex process for obtaining licenses, permits and approvals prior to construction, operation or modification of a project or generating facility. EME and Midwest Generation cannot provide assurance that they will be able to obtain and comply with all necessary licenses, permits and approvals for their plants. If there is a delay in obtaining required approvals or permits, or if they fail to obtain and comply with such permits, the operation of their facilities may be interrupted or become subject to additional costs.

The controls required at Midwest Generation's coal plants as a result of environmental regulations, including the CPS, are expected to require material expenditures.

Capital expenditures relating to required environmental controls for the Midwest Generation plants (including the CPS, to which all of Midwest Generation's coal-fired generating units are subject) are expected to be significant. Midwest Generation voluntarily shut down coal-fired operations at the Fisk and Crawford Stations in August of 2012 and may ultimately decide to shut down other units rather than install controls. Unit shutdowns could have an adverse effect on EME's and Midwest Generation's businesses, results of operation and financial condition. For more information about environmental compliance plans, see "Item 1. Business—Environmental Matters and Regulations—Air Quality—Nitrogen Oxide and Sulfur Dioxide," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Edison Mission Energy Overview—Midwest Generation Environmental Compliance Plans and

Costs," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Policies—Impairment of Long-Lived Assets" and "Item 8. Combined Notes to Consolidated Financial Statements—Note 10. Environmental Developments."

EME and Midwest Generation are subject to extensive energy industry regulation.

EME's and Midwest Generation's operations are subject to extensive regulation by governmental agencies. EME's and Midwest Generation's projects are subject to federal laws and regulations that govern, among other things, transactions by and with purchasers of power, including utility companies, the development and construction of generation facilities, the ownership and operation of generation facilities, and access to transmission. Generation facilities are also subject to federal, state and local laws and regulations that govern, among other things, the geographical location, zoning, land use and operation of a project. EME and Midwest Generation must obtain and periodically renew licenses, permits and approvals for facilities in the course of business. The FERC may impose various forms of market mitigation measures, including price caps and operating restrictions, where it determines that potential market power might exist and that the public interest requires mitigation. RTOs and ISOs may impose bidding and scheduling rules, both to curb the potential exercise of market power and to facilitate market functions. Such actions may materially affect EME's and Midwest Generation's results of operations. The facilities are also subject to mandatory reliability standards promulgated by NERC, compliance with which can increase the facilities' operating costs or capital expenditures.

This extensive governmental regulation creates significant risks and uncertainties for EME's and Midwest Generation's businesses. Existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to their facilities or operations in a manner that may have a detrimental effect on their businesses or result in significant additional costs.

The generation and transmission of electricity are dangerous and involve inherent risks of injury to employees and the general public.

Electricity and the facilities that produce and transmit it can be dangerous for employees and the general public. Injuries caused by such facilities can subject EME or Midwest Generation to liabilities that, despite the existence of insurance coverage, can be significant but are also very difficult to predict. The range of possible liabilities includes amounts that could adversely affect EME's and Midwest Generation's liquidity and results of operations.

Market Risks

EME and Midwest Generation have substantial interests in merchant energy power plants which are subject to market risks related to wholesale energy prices. Wholesale energy prices have substantially declined in recent years.

EME's merchant energy power plants, including the Midwest Generation plants, do not have long-term power purchase agreements. Consequently, these projects are subject to market forces which determine the amount and price of energy, capacity and ancillary services sold from the power plants. Unlike most other commodities, electric power can be stored economically only on a very limited basis and generally must be produced when it is to be used. As a result, the wholesale power markets are subject to significant and unpredictable price fluctuations over relatively short periods of time. Due to the volume of sales into PJM from the Midwest Generation plants, EME and Midwest Generation have concentrated exposure to market conditions and fluctuations in PJM. The prices at which the Midwest Generation plants can sell their power and capacity have declined significantly due largely to lower priced natural gas which supplies power plants that compete with the Midwest Generation plants, the increased use of demand response technology, and changes in final demand for power during the economic slowdown.

Market prices of energy, capacity and ancillary services sold from these power plants are influenced by multiple factors beyond the control of EME and Midwest Generation, and thus there is considerable uncertainty whether or when current depressed prices will recover. Hedging activities may not cover the entire exposure of their assets or positions to market price volatility, and the level of coverage will vary over time. The effectiveness of hedging activities may depend on the amount of credit available to post collateral, either in support of performance guarantees or as cash margin, and liquidity requirements may be greater than anticipated or difficult to meet. There is no assurance that EME's and Midwest Generation's hedging strategies will successfully mitigate market risks. For more detail with respect to these matters, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Exposures—Commodity Price Risk."

EME's and Midwest Generation's financial results can be affected by changes in prices, transportation cost, and supply interruptions related to fuel, sorbents, and other commodities used for power generation and emission controls.

In addition to volatile power prices, EME's and Midwest Generation's businesses are subject to changes in the cost of fuel, transportation, sorbents, and other commodities used for power generation and emission controls. These costs can be volatile and are influenced by many factors outside EME's and Midwest Generation's control. The price at which energy can be sold may not rise or fall at the same rate as a corresponding rise or fall in commodity costs. Operations at the Midwest Generation

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plants are dependent upon the availability and affordability of coal which is available only from a limited number of suppliers and is transported by rail under a multi-year, long-term transportation contract. All of these factors may have an adverse effect on EME's and Midwest Generation's financial condition and results of operations. For additional information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Exposures—Coal Price Risk."

Competition could adversely affect EME's and Midwest Generation's businesses.

EME and Midwest Generation have numerous competitors in all aspects of their businesses, some of whom may have greater liquidity, greater access to credit and other financial resources, lower cost structures, greater ability to withstand losses, larger staffs or more experience. Multiple participants in the wholesale markets, including many regulated utilities, have a lower cost of capital than most merchant generators and often are able to recover fixed costs through rate base mechanisms, allowing them to build, buy and upgrade generation assets without relying exclusively on market clearing prices to recover their investments. These factors could affect EME's and Midwest Generation's ability to compete effectively in the markets in which those entities operate. Newer plants owned by competitors are often more efficient than the Midwest Generation plants and some of EME's older facilities and may also have lower costs of operation. Over time, some merchant facilities may become obsolete in their markets, or be unable to compete with such plants.

Operating Risks

EME's and Midwest Generation's capital projects may not be successful.

EME's and Midwest Generation's capital projects are subject to risks including, without limitation, risks related to financing, construction, permitting, and governmental approvals. Significant expenditures may be required before a project is determined to be feasible or economically attractive. The timing of such projects may be delayed beyond the date that equipment is ready for installation, in which case they may be required to incur material equipment and/or material costs with no deployment plan at delivery.

EME's and Midwest Generation's projects may be affected by general operating risks and hazards customary in the power generation industry, and there may not be adequate insurance to cover all these hazards.

The operation of power generation facilities is a potentially dangerous activity that involves many operating risks, including transmission disruptions and constraints, equipment failures or shortages, and system limitations, degradation and interruption. EME's and Midwest Generation's operations are also subject to risks of human performance and workforce capabilities. There can be no assurance that their insurance will be sufficient or effective under all circumstances or protect against all hazards to which they may be subject or that insurance coverage will continue to be available on terms similar to those presently available, or at all. The Midwest Generation plants are older facilities that are subject to higher risks of failure or outage, and EME has experienced serial defects in certain models of wind turbines deployed at its wind projects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

EME's and Midwest Generation's power generation and ancillary facilities are described in "Item 1. Business—Overview of EME Facilities" and "Merchant Power Plants—Midwest Generation Plants," respectively. Most of these properties are subject to mortgages or other liens or encumbrances granted to the lenders providing financing for the plant or project.

EME leases its principal office in Santa Ana, California. The office lease is currently for approximately 71,000 square feet and expires on December 31, 2020. EME also leases office space in Chicago, Illinois; Bolingbrook, Illinois; and Boston, Massachusetts. The Chicago lease is for approximately 8,000 square feet and expires on November 30, 2016. The Bolingbrook lease is for approximately 20,000 square feet and expires on June 30, 2014. The Boston lease is for approximately 35,000 square feet and expires on September 30, 2017. Some of the leases contain extension and/or early termination options.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of the material legal proceedings specifically affecting EME and Midwest Generation, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 9. Commitments and Contingencies."

ITEM 4. MINE SAFETY DISCLOSURES (EME only)
None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

EME

As of the date hereof, 100 shares of the outstanding common stock of EME are owned by Mission Energy Holding Company, which is a wholly owned subsidiary of Edison Mission Group Inc., a wholly owned subsidiary of EIX. There is no market for EME's common stock. Dividends on EME's common stock are paid when declared by EME's board of directors. EME did not pay or declare any dividends during 2013, 2012 and 2011. For more information about dividend restrictions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dividend Restrictions in Major Financings" and "Item 8. Combined Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

Midwest Generation

Midwest Generation is wholly owned by Edison Mission Midwest Holdings Co., which is an indirect wholly owned subsidiary of EME. There is no market for Midwest Generation's membership interest.

Distributions on the membership interest will be paid when declared by Midwest Generation's board of managers. Midwest Generation paid cash distributions to Edison Mission Midwest Holdings totaling $225 million in 2011. No cash distributions were made by Midwest Generation in 2013 and 2012. For more information about distributions and restrictions on distributions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Midwest Generation Equity Distributions and Tax Payments" and "—Dividend Restrictions in Major Financings."

ITEM 6. SELECTED FINANCIAL DATA

EME

The following selected financial data was derived from EME's audited financial statements and is qualified in its entirety by the more detailed information and financial statements, including notes to the financial statements, included in this annual report.

	Years Ended December 31,				
(in millions)	2013	2012	2011	2010	2009
INCOME STATEMENT DATA					
Operating Revenues	$1,331	$1,287	$1,653	$1,788	$1,715
Operating Expenses[1]	1,910	1,615	2,351	1,594	1,511
Operating income (loss)	(579)	(328)	(698)	194	204
Income (loss) from continuing operations before reorganization items and income taxes	(615)	(594)	(888)	65	32
Reorganization items, net	120	43	—	—	—
Provision (benefit) for income taxes	(93)	160	(441)	(16)	(60)
Income (loss) from continuing operations	(642)	(797)	(447)	81	92
Income (loss) from operations of discontinued subsidiaries, net of tax	1	(112)	(632)	82	102
Net Income (Loss)	(641)	(909)	(1,079)	163	194
Net (Income) Loss Attributable to Noncontrolling Interests	(29)	(16)	1	1	3
Net Income (Loss) Attributable to EME Common Shareholder	$(670)	$(925)	$(1,078)	$164	$197

[1] Operating expenses included asset impairment charges of $466 million, $15 million, $704 million and $40 million in 2013, 2012, 2011 and 2010, respectively. For additional information, see "Item 8. Combined Notes to Consolidated Financial Statements—Note 13. Asset Impairments and Other Charges."

	December 31,				
(in millions)	2013	2012	2011	2010	2009