

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	
)	Chapter 11
)	
EDISON MISSION ENERGY, <u>et al.</u> , ¹)	Case No. 12-49219 (JPC)
)	
Debtors.)	(Jointly Administered)
)	
)	Re: Docket Nos. 1590, 1655, 1656, 1658,
)	1659, 1660, 1662, 1663

**NOTICE OF DEBTORS’ OMNIBUS REPLY TO OBJECTIONS TO DEBTORS’
MOTION FOR ENTRY OF AN ORDER APPROVING (A) THE
ADEQUACY OF THE DISCLOSURE STATEMENT, (B) SOLICITATION
AND NOTICE PROCEDURES WITH RESPECT TO CONFIRMATION
OF THE DEBTORS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION,
(C) THE FORM OF BALLOTS AND NOTICES IN CONNECTION THEREWITH,
AND (D) THE SCHEDULING OF CERTAIN DATES WITH RESPECT THERETO**

PLEASE TAKE NOTICE that on November 15, 2013, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed the *Debtors’ Motion for Entry of an Order Approving (A) the Adequacy of the Disclosure Statement, (B) Solicitation and Notice Procedures with Respect to Confirmation of the Debtors’ Joint Chapter 11 Plan of Reorganization, (C) the Form of Ballots and Notices in Connection Therewith, and (D) the Scheduling of Certain Dates with Respect Thereto* [Docket No. 1590] (the “Disclosure Statement Motion”).

PLEASE TAKE FURTHER NOTICE that the Debtors hereby filed the *Debtors’ Omnibus Reply to Objections to Debtors’ Motion for Entry of an Order Approving (A) the Adequacy of the Disclosure Statement, (B) Solicitation and Notice Procedures with Respect to Confirmation of the Debtors’ Joint Chapter 11 Plan of Reorganization, (C) the Form of Ballots and Notices in Connection Therewith, and (D) the Scheduling of Certain Dates with Respect Thereto* (the “Reply”).

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Edison Mission Energy (1807); Camino Energy Company (2601); Chestnut Ridge Energy Company (6590); Edison Mission Finance Co. (9202); Edison Mission Energy Fuel Services, LLC (4630); Edison Mission Fuel Resources, Inc. (3014); Edison Mission Fuel Transportation, Inc. (3012); Edison Mission Holdings Co. (6940); Edison Mission Midwest Holdings Co. (6553); EME Homer City Generation L.P. (6938); Homer City Property Holdings, Inc. (1685); Midwest Finance Corp. (9350); Midwest Generation EME, LLC (1760); Midwest Generation, LLC (8558); Midwest Generation Procurement Services, LLC (2634); Midwest Peaker Holdings, Inc. (5282); Mission Energy Westside, Inc. (0657); San Joaquin Energy Company (1346); Southern Sierra Energy Company (6754); and Western Sierra Energy Company (1447). The location of parent Debtor Edison Mission Energy’s corporate headquarters and the Debtors’ service address is: 3 MacArthur Place, Suite 100, Santa Ana, California 92707.

PLEASE TAKE FURTHER NOTICE that additional copies of the Disclosure Statement Motion and Reply or any other document filed in these chapter 11 cases are available for free by (a) accessing GCG, Inc.'s website at www.edisonmissionrestructuring.com (the "Notice, Claims, and Solicitation Agent"); (b) writing to the Notice, Claims, and Solicitation Agent, by first-class mail, Edison Mission Energy, et al., c/o GCG, P.O. Box 9942, Dublin, OH 43017-5942, or by writing, by hand delivery or overnight mail, Edison Mission Energy, et al., c/o GCG, 5151 Blazer Parkway, Suite A, Dublin, OH 43017; or (c) calling the Notice, Claims, and Solicitation Agent at (866) 241-6491. You may also obtain copies of any pleadings by visiting the Court's website at www.ilnb.uscourts.gov in accordance with the procedures and fees set forth therein. Please be advised that the Notice, Claims, and Solicitation Agent is not permitted to provide legal advice.

PLEASE TAKE FURTHER NOTICE that a hearing to consider the adequacy of the Disclosure Statement Motion is scheduled for **10:30 a.m. prevailing Central Time on December 18, 2013**, before the Honorable Jacqueline P. Cox, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Courtroom 680, Chicago, Illinois 60604. This hearing may be continued by the Court or the Debtors without further notice *other than* by announcement of same in open court and/or by filing and service, as applicable, of a notice of adjournment.

Dated: December 17, 2013

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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	
)	Chapter 11
)	
EDISON MISSION ENERGY, <u>et al.</u> , ¹)	Case No. 12-49219 (JPC)
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Debtors.)	(Jointly Administered)
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**DEBTORS’ OMNIBUS REPLY TO OBJECTIONS TO DEBTORS’
MOTION FOR ENTRY OF AN ORDER APPROVING (A) THE
ADEQUACY OF THE DISCLOSURE STATEMENT, (B) SOLICITATION
AND NOTICE PROCEDURES WITH RESPECT TO CONFIRMATION
OF THE DEBTORS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION,
(C) THE FORM OF BALLOTS AND NOTICES IN CONNECTION THEREWITH,
AND (D) THE SCHEDULING OF CERTAIN DATES WITH RESPECT THERETO**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) submit this omnibus reply (this “Reply”) to the objections (the “Objections” and the parties objecting, the “Objectors”) to the *Debtors’ Motion for Entry of an Order Approving (A) the Adequacy of the Disclosure Statement, (B) Solicitation and Notice Procedures with Respect to Confirmation of the Debtors’ Joint Chapter 11 Plan of Reorganization, (C) the Form of Ballots and Notices in Connection Therewith, and (D) the Scheduling of Certain Dates with Respect*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Edison Mission Energy (1807); Camino Energy Company (2601); Chestnut Ridge Energy Company (6590); Edison Mission Energy Fuel Services, LLC (4630); Edison Mission Finance Co. (9202); Edison Mission Fuel Resources, Inc. (3014); Edison Mission Fuel Transportation, Inc. (3012); Edison Mission Holdings Co. (6940); Edison Mission Midwest Holdings Co. (6553); EME Homer City Generation L.P. (6938); Homer City Property Holdings, Inc. (1685); Midwest Finance Corp. (9350); Midwest Generation EME, LLC (1760); Midwest Generation, LLC (8558); Midwest Generation Procurement Services, LLC (2634); Midwest Peaker Holdings, Inc. (5282); Mission Energy Westside, Inc. (0657); San Joaquin Energy Company (1346); Southern Sierra Energy Company (6754); and Western Sierra Energy Company (1447). The location of parent Debtor Edison Mission Energy’s corporate headquarters and the Debtors’ service address is: 3 MacArthur Place, Suite 100, Santa Ana, California 92707.

Thereto [Docket No. 1590] (the “Disclosure Statement Motion”).² In support of this Reply, the Debtors respectfully submit as follows.

Preliminary Statement

1. The Plan and Disclosure Statement are the culmination of a massive effort on the part of the Debtors and each of their major creditor constituencies—including the Committee, the Supporting Noteholders (who collectively hold more than 75 per cent of the approximately \$3.7 billion in EME unsecured note obligations) and the PoJo Parties—to maximize value. The Plan contemplates the sale of substantially all of EME’s assets and equity interests in both Debtor and non-Debtor subsidiaries to NRG for \$2.635 billion. More specifically, the Plan contemplates, among other things, that holders of claims against EME will receive their pro rata share of the NRG sale proceeds and stock in reorganized EME; the PoJo leveraged lease obligations will be assumed and holders of such claims against Midwest Generation will be paid in full; holders of claims against certain EME subsidiary Debtors will receive cash payment of principal in full; and holders of claims against Homer City Debtors will receive their pro rata share in available Homer City proceeds. On October 25, 2013, the Court entered the *Order Approving (I) Entry into Plan Sponsor Agreement, (II) Sponsor Protections, and (III) Related Relief* [Docket No. 1424] approving the Debtors’ entry into the plan sponsor and support agreement with each of NRG, the Committee, the Supporting Noteholders and the PoJo Parties.

2. The question presented to the Court is straight forward and simple: does the Disclosure Statement include adequate information to enable holders of claims and interests entitled to vote on the Plan to make an informed and intelligent decision regarding whether to

² Capitalized terms not defined herein shall have the meanings ascribed to such terms in the *Debtors’ Amended Joint Chapter 11 Plan of Reorganization* [Docket No. 1625] (the “Plan”) or the *Amended Disclosure Statement for Debtors’ Joint Chapter 11 Plan of Reorganization* [Docket No. 1626] (the “Disclosure Statement”), as applicable.

vote to accept or to reject that plan. And it is well-settled that the focus of a hearing to approve a disclosure statement pursuant to section 1125 of Bankruptcy Code is accuracy and fairness regarding a debtor's plan as opposed to the consideration of specialized, substantive and parochial issues that individual creditors may have with the plan. Here, the Disclosure Statement provides clear, accurate and fair information regarding the NRG transaction, the Debtors' restructuring and the treatment afforded to their various stakeholders.

3. The Debtors received seven objections to the Disclosure Statement (collectively, the "Objections", filed by the "Objectors"):

- Chevron Entities Response [Docket No. 1655]
- Grundy County Objection [Docket No. 1656]
- International Power Ltd. and IPM Eagle LLP Limited Objection and Reservation of Rights [Docket No. 1658]
- Environmental Law and Policy Center Limited Objection [Docket No. 1659]
- California Department of Water Resources Objection [Docket No. 1660]
- Homer City Generation, L.P. Objection [Docket No. 1662]
- Edison International Objection [Docket No. 1663]

4. Three of the Objections—including the Objections of International Power, Environmental Law and Policy Center, and Edison International—have been either resolved or withdrawn.³ In addition, the Debtors remain in discussions with the other Objectors with the aim of resolving all Objections before the hearing to approve the Disclosure Statement. As to these remaining Objections, the Debtors (a) have added language to the Disclosure Statement, as

³ The chart attached hereto as **Exhibit A** references each Objection and notes whether the Objection has been resolved or withdrawn (and, if so, the resolution reached with the applicable Objector).

reflected in the chart attached hereto as Exhibit A, that they believe addresses the relevant Objection, or (b) believe that the Objection(s) address issues that are related to confirmation of the Plan and, therefore, inappropriate to consider at a disclosure statement hearing. Specifically, the Debtors submit that these confirmation Objections are premature and fall woefully short of establishing that the Plan is patently unconfirmable.

5. For the reasons set forth herein and in the Disclosure Statement Motion—and as will be demonstrated at the Disclosure Statement Hearing—the Disclosure Statement provides adequate information for those entitled to vote to make an informed judgment to accept or reject the Plan in satisfaction of the statutory requirements of section 1125 of the Bankruptcy Code. Accordingly, and to the extent not otherwise resolved, the Debtors respectfully request that the Court overrule the Objections and enter an order granting the Disclosure Statement Motion and approving the Disclosure Statement.

Reply

I. The Disclosure Statement Contains Adequate Information Within the Meaning of Section 1125 of the Bankruptcy Code.

6. Adequate information is “all material information which creditors and equity security holders affected by the plan need in order to make an intelligent decision whether to vote for or against the plan.” In re Unichem Corp., 72 B.R. 95, 97 (Bankr. N.D. Ill. 1987); see also In re GAC Storage El Monte, LLC, 489 B.R. 747, 765 (Bankr. N.D. Ill. 2013) (“The purpose of a disclosure statement is to provide creditors the information they need to decide whether to accept or reject the debtor’s plan.”).

7. Courts have broad discretion in determining whether a disclosure statement contains adequate information, employing a flexible approach based on the unique facts and circumstances of each case. See GAC Storage, 489 B.R. at 765 (“The determination of whether

the disclosure statement contains adequate information is made on a case-by-case basis under the facts and circumstances presented.”).

8. The legislative history of section 1125 further emphasizes that approval of a disclosure statement requires a practical and flexible approach: “In reorganization cases, there is frequently great uncertainty. Therefore, the need for flexibility is greatest.” See H.R. Rep. No. 595, 95th Cong., 1st Sess. 408-409 (1977) reprinted in 1978 U.S.C.C.A.N. 5963, 6365.

9. The Debtors, with the support and input of each of the Committee, the Supporting Noteholders, the PoJo Parties, and the Purchaser, have crafted the Disclosure Statement to comply with the standards of the Bankruptcy Code and to provide their numerous constituencies with adequate information that will permit them to make an informed analysis regarding the Plan. As amended, the Disclosure Statement includes 70 pages of detail regarding the Debtors’ businesses, the reasons for commencing these chapter 11 cases, key events that occurred during the course of these chapter 11 cases and all of the necessary details surrounding the Debtors’ restructuring efforts, the Plan (including the Debtors’ views on all key legal and valuation issues, including total enterprise value and the valuation of the disputed and unencumbered assets), the NRG transaction, and the proposed recovery to creditors, all of which constitutes “adequate information” to enable holders of impaired claims and interests to make an informed judgment about the Plan.

10. As noted above, **Exhibit A** contains a summary of the various disclosure-related Objections and the Debtors’ proposed responses thereto. The Debtors believe that these responses and additions to the Disclosure Statement adequately address and resolve the Objections.

II. Substantive Objections to Plan Confirmation Should Not Be Considered at the Disclosure Statement Hearing.

11. Certain of the remaining Objections assert that the Plan is “patently unconfirmable” because it allegedly does not comply with section 1129 of the Bankruptcy Code. These Objectors argue that the Disclosure Statement should not be approved. The case law is clear, however, that objections related to or made under section 1129 of the Bankruptcy Code do *not* rise to the level of making a plan “patently unconfirmable”. See Unichem, 72 B.R. at 98 (“[T]he issue of whether a plan meets the requirements of § 1129(a) is usually reserved for the hearing on confirmation.”); see also In re Cardinal Congregate I, 121 B.R. 760, 763-64 (Bankr. S.D. Ohio 1990) (overruling objections to classification and treatment of claims, protection of security interests and feasibility); In re Monroe Well Service, Inc., 80 B.R. 324, 333 (Bankr. E.D. Pa. 1987) (holding that objections considered must be limited to defects that could not be overcome by creditor voting results and must also concern matters upon which all material facts are not in dispute or have been fully developed). The Disclosure Statement Hearing should be limited to issues relating to the adequacy of disclosure and unless the “plan accompanying the disclosure statement could never legally be confirmed,” plan confirmation objections should not be heard in the context of a disclosure statement hearing. See Unichem, 72 B.R. at 98; see also In re Copy Crafters Quickprint, Inc., 92 B.R. 973, 980 (Bankr. N.D.N.Y. 1988) (“[C]are must be taken to ensure that the hearing on the disclosure statement does not turn into a confirmation hearing.”).

12. To the extent any Objections on this basis remaining outstanding, the Objections should be overruled.

III. Objections Overview.

13. As reflected below and on Exhibit A, the Debtors submit that each Objection has been resolved or should be overruled.

A. Chevron Response [Docket No. 1655]

14. Chevron Kern River Company and Chevron Sycamore Cogeneration Company (collectively, "Chevron") assert that the Disclosure Statement does not contain adequate information as to the effect of the Plan, if any, on the Chevron Litigation (as defined in the Chevron Response). (Chevron Response ¶ 10.) Chevron, who has been involved in active litigation with the Debtors since the outset of these chapter 11 cases, is seeking from the Debtors an unnecessary legal conclusion that is well beyond the scope of a disclosure statement hearing or the adequacy of information included in the Disclosure Statement. This is simply yet another attempt by Chevron to gain an upper hand in the ongoing litigation.

15. The Debtors have added language to the Disclosure Statement as set forth in Exhibit A that the Debtors believe appropriately resolves the Objection.

B. Grundy County Objection [Docket No. 1656]

16. The Grundy County Collector asserts that the Disclosure Statement does not "clearly delineate" the treatment for its claim [Claim No. 1437] asserted against MWG on account of certain purported past-due property tax assessments related to the 1999 acquisition of MWG's Powerton and Joliet coal-fired generating facilities (the "Grundy County Claim"). (Grundy County Objection ¶ 10.)

17. The Debtors believe the Disclosure Statement includes adequate information with respect to the Grundy County Claim. Nonetheless, the Debtors have been in contact with counsel for Grundy County and have clarified in the Disclosure Statement that the Grundy County Claim, if ultimately allowed, will be afforded treatment as an Excluded Tax Liability.

Therefore, the Grundy County Claim, if allowed, is a Class B2 non-Assumed Liability that will be treated in accordance with Art. III.C.2.b.(ii) of the Plan (i.e., paid in full in cash with interest). See also In re Stovall, 256 B.R. 490, 493 (Bankr. N.D. Ill. 1999) (“Liens do not survive bankruptcy where the debt is provided for in the plan and is paid in full.”). The Debtors believe that this should resolve the Objection. The Debtors reserve the right to object to the Grundy County Claim.

C. International Power Ltd. and IPM Eagle LLP Objection [Docket No. 1656]

18. The International Power Objection has been withdrawn at Docket No. 1681.

D. Environmental Law and Policy Center Limited Objection [Docket No. 1659]

19. The Debtors and the Environmental Law and Policy Center (the “ELPC”) have resolved the ELPC Objection as set forth in Exhibit A attached hereto.

E. California Department of Water Resources Objection [Docket No. 1660]

20. The California Department of Water Resources (“CDWR”) asserts that the Disclosure Statement does not “clearly explain” the treatment of CDWR’s claim under the Plan. (CDWR Objection ¶ 1.)

21. CDWR has filed a claim against EME [Claim No. 1445] (the “CDWR Claim”). EME previously objected to the CDWR Claim because it does not believe CDWR has a claim against EME [Docket No. 1211]. In any event, the CDWR Claim will be resolved as part of the claims reconciliation process. To the extent CDWR has a claim against a non-Debtor subsidiary (as it suggests in its Objection) that is not an Excluded Liability, any such claim will be addressed by the applicable non-Debtor subsidiary in the ordinary course of business.⁴ Thus, this is not a Disclosure Statement issue and the CDWR Objection should be overruled. Nevertheless,

⁴ The Debtors, Reorganized EME, the Post-Effective-Date Debtors, the Acquired Companies, and the Purchaser Parties reserve all rights with respect to any such claims.

the Debtors have added language to the Disclosure Statement to this effect that should resolve the CDWR Objection, as set forth in Exhibit A attached hereto.

F. Homer City Generation, L.P. Objection [Docket No. 1662]

22. Homer City Generation, L.P. (“HCG”) is a plaintiff in a recently-filed action against Debtor EME Homer City Generation L.P., pursuant to which HCG seeks a determination that certain property is not property of the Debtors’ estates. See Homer City Generation, L.P. v. EME Homer City Generation L.P., No. 12-49219 (JPC) (Bankr. N.D. Ill., Oct. 29, 2013). HCG asserts that the Debtors do not provide adequate information in respect of Class C3 Claims for several reasons. HCG is nothing more than a litigation party seeking to hijack or otherwise slow down the Plan process in an effort to gain an advantage in the recently commenced action and an early start to related discovery. The Debtors nevertheless remain willing to add reasonable language to the Disclosure Statement to address HCG’s concerns.

23. HCG first contends that the Debtors inadequately describe the Intercompany Claims. (HCG Objection ¶ 6.) Yet HCG proceeds to describe, in detail, the Homer City Debtors’ Schedules of Assets and Liabilities, which set forth the very Intercompany Claims obligor and obligee it suggests are unknown, namely Debtors EMEHC and Edison Mission Finance Co. (See id. at ¶ 7.) Moreover, Debtor EMEHC has regularly disclosed the nature of the Intercompany Claims in numerous public filings, beginning when the parties agreed to such obligations more than a decade ago. See, e.g., EME Homer City Generation L.P., Annual Report 45 (Form 10-K) (Mar. 28, 2012) (describing the loan agreement, then totaling roughly \$490 million, between [EMEHC] and Edison Mission Finance Co.); EME Homer City Generation L.P., Annual Report 60 (Form 10-K) (Feb. 28, 2011); EME Homer City Generation L.P., Annual Report 40 (Form 10-K) (Mar. 1, 2010) (describing how [EMEHC] “obtained financing from Edison Mission Finance Co. in connection with its acquisition of the Homer City facilities”); see

also EME Homer City Generation L.P., Current Report, Exhibit 10.1 (Form 8-K) (Dec. 12, 2003) (detailing the subordinated revolving loan agreement between [EMEHHC] and Edison Mission Finance Co.). Nevertheless, the Debtors will add language to the Disclosure Statement once again describing in greater detail the applicable credit arrangement, as set forth in the chart attached hereto as **Exhibit A**.

24. Next, HCG indicates that the Debtors will be unable to satisfy section 1129(a)(10) of the Bankruptcy Code because there will be no accepting impaired class. (HCG Objection ¶ 6.) Acknowledging that this is a confirmation issue, HCG suggests that the Debtors should nevertheless explain in the Disclosure Statement how they intend to confirm the Plan in light of the supposed section 1129(a)(10) issue. First, as HCG itself recognizes, this is a confirmation issue. Since no vote has yet been tabulated in respect of the Plan, the issue is not ripe. Second, HCG incorrectly computes the universe of Class C3 Claim Holders. Contrary to its assertions, HCG does *not* hold between 62.5% and 100% of Class C3 Claims, and there are other impaired non-insiders that will have an opportunity to vote to accept or reject the Plan as it pertains to the Homer City Debtors. Accordingly, this objection to the Disclosure Statement is misguided and can and should be addressed at Confirmation. Nevertheless, the Debtors will add language to the Disclosure Statement to address the issue, as set forth in the chart attached hereto as **Exhibit A**.

25. HCG also objects that the Disclosure Statement provides insufficient information concerning the Debtors' substantive consolidation solely for "voting and Confirmation" purposes. Much like the section 1129(a)(10) concern, substantive consolidation is a confirmation issue. Nonetheless, the Debtors have added language to the Disclosure Statement outlining the legal and factual bases in support of substantive consolidation for "voting and Confirmation" only, as reflected in the chart attached hereto as **Exhibit A**.

26. Likewise, the Debtors have modified the Disclosure Statement and the Plan to clarify the basis for the \$500,000 liquidation cost to the Homer City Debtors and the alleged double-counting of Secured Claims and Other Priority Claims from the Homer City Wind Down Proceeds. These modifications are reflected in the chart attached hereto as **Exhibit A**.

G. Edison International Objection [Docket No. 1663]

27. The Debtors, in consultation with Edison International, have agreed to add language to the Disclosure Statement as set forth in **Exhibit A** attached hereto. The Edison International Objection has been resolved.

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Conclusion

28. For the foregoing reasons, the Debtors respectfully request that the Court overrule each of the Objections, grant the Disclosure Statement Motion, and order further relief as the Court may deem just and proper.

Dated: December 17, 2013

/s/ David R. Seligman, P.C.

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Exhibit A

Objections / Responses to Disclosure Statement

In re Edison Mission Energy, et al.
Chapter 11 Case No. 12-49219 (JPC)
Summary of Objections to the Disclosure Statement and Debtors' Responses Thereto¹

Objection to the Disclosure Statement		Debtors' Response
Response of the Chevron Entities [Docket No. 1655]		
1.	<ul style="list-style-type: none"> Additional information regarding the effect of the Plan on the Chevron Litigation. See ¶ 10 of the Response. 	<ul style="list-style-type: none"> The Debtors, in consultation with the Chevron parties, will add the following language to the Disclosure Statement addressing the intended effect of the Plan on the Chevron Litigation. <p style="margin-left: 40px;">Certain Debtors and affiliates of Chevron Corp. are parties to various proceedings defined under the Purchase Agreement as the "Chevron Litigation." The Purchase Agreement provides that the outcome of the Chevron Litigation (including, but not limited to, any and all litigation and appeals arising in or from Adversary Proceeding No. 12-01954 (JPC) or the <i>Debtors' Motion to Assume Partnership Agreements Related to Gas Cogeneration Facilities</i> [Docket No. 1017]) shall not affect the closing of the NRG Transaction and Article XII of the Plan further provides that, after the Effective Date, the Bankruptcy Court shall retain jurisdiction with respect to the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease, including any Executory Contract or Unexpired Lease between any Debtor or Non-Debtor Subsidiary and Chevron Corp. or any of its Affiliates.</p>

¹ Notwithstanding these responses, the Debtors continue to negotiate with the Objectors. The Debtors will file a revised Plan and Disclosure Statement reflecting all revisions in advance of the Disclosure Statement Hearing. Capitalized terms, used but not otherwise defined herein, shall have the meanings ascribed to them in the Plan and the Disclosure Statement, as applicable.

		The Debtors and Chevron Corp. reserve all of their respective claims, interests, rights, privileges, or defenses in connection with the Chevron Litigation.
Objection of Grundy County Collector [Docket No. 1656]		
2.	<ul style="list-style-type: none"> The Disclosure Statement does not “clearly delineate” how the lien rights of Grundy County Taxing Bodies are protected. See ¶ 10 of the Objection. 	<ul style="list-style-type: none"> The Debtors have clarified the treatment of the Grundy County tax claims in the Reply. See Section III.B of the Reply. In addition, the Debtors will include the following language in the Disclosure Statement to address the issue. The Grundy County Collector, on behalf of certain Grundy County, Illinois taxing bodies, has asserted Liens (on account of certain Claims against MWG) on the property owned by MWG located at 4200 Pine Bluff Road, Goose Lake Township, Grundy County, Illinois, identified as Grundy County Parcel Information No. 06-07-200-001. The Claims asserted by the Grundy County Collector are Excluded Tax Liabilities under the Purchase Agreement and, to the extent such Claims are Secured and Allowed, such Claims will be treated as Class B2 Claims against MWG. The Debtors dispute the Claims and Lien rights asserted by the Grundy County Collector against MWG and, in accordance with Article VI.E.2 of the Plan, no partial distributions shall be made with respect to any Disputed Claim until such Disputed Claim has become an Allowed Claim. The Debtors, Reorganized EME, the Post-Effective-Date Debtors, the Purchaser Parties, the Acquired Companies, and the Grundy County Collector reserve all rights with respect to the foregoing.
Limited Objection and Reservation of Rights of International Power Ltd. and IPM Eagle LLP [Docket No. 1658]		
3.	<ul style="list-style-type: none"> The Disclosure Statement fails to provide adequate information because it fails to fix a time for filing objections to claims. See ¶ 7 of the Limited Objection and Reservation of Rights. 	<ul style="list-style-type: none"> After discussions and an agreement with the Debtors, International Power has agreed to withdraw its objection. See Docket No. 1681.
Limited Objection of the Environmental Law and Policy Center [Docket No. 1659]		
4.	<ul style="list-style-type: none"> The Disclosure Statement does not indicate whether the Purchaser or Reorganized EME will be responsible for prepetition, ongoing, and future environmental liabilities. 	<ul style="list-style-type: none"> The Debtors previously added the following language to the Disclosure Statement to address prepetition, ongoing, and future environmental liabilities.

<p>See p. 5 of the Limited Objection.</p> <ul style="list-style-type: none"> The Plan's failure to explicitly identify and address environmental liabilities makes it not feasible for section 1129 purposes and patently unconfirmable. See p. 7 of the Limited Objection. 	<p>This language resolves ELPC's limited objection.</p> <ul style="list-style-type: none"> Article V.C of the Disclosure Statement. The MWG plants are also subject to the jurisdiction of the Illinois Pollution Control Board (the "<u>IPCB</u>"). Under the Environmental Protection Act, the IPCB decides cases and establishes regulations to restore and protect the environment. The IPCB serves many functions, including enforcing Illinois environmental law through actions brought either by private citizens or the Illinois Environmental Protection Agency (the "<u>Illinois EPA</u>"). Article V.C.2.c of the Disclosure Statement. Environmental groups, including the Environmental Law and Policy Center ("<u>ELPC</u>"), the Sierra Club, Prairie Rivers Network, and Citizens Against Ruining the Environment, have filed a complaint before the IPCB alleging that groundwater pollution has leached from coal-ash ponds at Joliet, Powerton, Waukegan, and Will County. <u>Sierra Club, et al. v. Midwest Generation, LLC</u>, IPCB Case No. 2013-015. The plaintiffs allege that coal-ash ponds at those facilities have released contaminants into the groundwater, causing exceedances of state and federal standards for several pollutants including arsenic, boron, and selenium. They seek an order requiring MWG to modify its coal ash disposal practices and remediate groundwater contamination, as well as civil penalties. On December 11, 2013, ELPC obtained an order of the Bankruptcy Court granting relief from the automatic stay [Docket No. 1652], allowing it to continue its action for declaratory and injunctive relief and prohibiting it from enforcing, at this time, any monetary penalties that may be awarded against MWG or its successor-in-interest. This is a premature plan objection and should be addressed at the Confirmation Hearing. See <u>Cardinal Congregate</u>, 121 B.R. at 764 (overruling disclosure statement objection predicated on feasibility). Moreover, that MWG is being purchased by NRG, a \$9 billion energy company that has committed to fund up to \$350 million to address environmental issues, belies any contention that the Plan "is so fatally flawed that confirmation is impossible" because of feasibility concerns on account of ELPC's unquantified environmental obligations.
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Objection of the California Department of Water [Docket No. 1660]

<p>5.</p>	<ul style="list-style-type: none"> The Disclosure Statement does not “clearly explain” how CDWR’s claim will be treated under the Plan. See ¶ 1 of the Objection. 	<ul style="list-style-type: none"> The Debtors have clarified the treatment of CDWR’s claim. See Section III.E of the Reply. Moreover, the Debtors will add the following language to the Disclosure Statement to address the issue. <p>The California Department of Water Resources (the “CDWR”) believes that it may assert claims against certain Non-Debtor Subsidiaries that are Acquired Companies under the Purchase Agreement. For the avoidance of doubt, and notwithstanding any other provision in the Disclosure Statement, any obligation of a Non-Debtor Subsidiary to the CDWR that is not an Excluded Liability is preserved and shall not be discharged, enjoined, or released under the Plan. The Debtors, Reorganized EME, the Post-Effective-Date Debtors, the Acquired Companies, the Purchaser Parties, and the CDWR reserve all rights with respect to any such claims and the characterization thereof under the Purchase Agreement and Plan.</p>
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Objection of Homer City Generation [Docket No. 1662]

<p>6.</p>	<ul style="list-style-type: none"> The Disclosure Statement lacks adequate information in respect of general unsecured claims against the Homer City Debtors, including the interaction with intercompany claims. See ¶¶ 6-8 of the Objection. 	<ul style="list-style-type: none"> The Disclosure Statement contains adequate information in respect of the Class C3 Claims and the Intercompany Claims. Nevertheless, the Debtors are willing to add the following language to the Disclosure Statement once again describing the relevant credit arrangement. See Section III.F of the Reply. <p><u>The estimated amount of Allowed Claims in Class C4 Debtors estimate that Intercompany Claims against the Homer City Debtors will be allowed in the amount of approximately \$578 million. This estimate includes: (a) approximately \$491,916,000 in Intercompany Claims on account of intercompany note obligations and approximately \$85,632,000 in other Intercompany Claims principal obligations under the subordinated revolving loan agreement between EME Homer City Generation L.P., as borrower, and Edison Mission Finance Co., as lender (the “EMEHC Intercompany Loan”); (b) approximately \$85,517,000 of interest payable under the EMEHC Intercompany Loan; (c) approximately \$135,000 owed to non-Debtor affiliate Edison Mission Operation & Maintenance, Inc. and approximately \$31,000 owed to EME on account of</u></p>
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	<ul style="list-style-type: none"> The Disclosure Statement must describe how the Debtors intend to confirm the Plan as it pertains to the Homer City Debtors given the purported section 1129(a)(10) issues. See ¶ 10 of the Objection. The Disclosure Statement fails to describe the legal and factual bases for substantive consolidation. See ¶ 11 of the Objection. 	<p><u>intercompany services and other arrangements. See, e.g., EME Homer City Generation L.P., Annual Report 45 (Form 10-K) (Mar. 28, 2012) (describing the EMEHC Intercompany Loan); EME Homer City Generation L.P., Current Report, Exhibit 10.1 (Form 8-K) (Dec. 12, 2003) (same).</u></p> <ul style="list-style-type: none"> This is a confirmation issue. In any event, the Disclosure Statement contains adequate information in respect of any purported section 1129(a)(10) issues. See Section III.F of the Reply. Nevertheless, the Debtors will add the following statement to the Disclosure Statement as a risk factor. <p style="margin-left: 40px;">GECC and HCG have indicated that they believe the Plan may not be confirmed as to the Homer City Debtors because, among other things, the Plan may not be accepted by an impaired class of Claims. GECC, HCG, the Debtors, the Committee, and the Supporting Noteholders reserve all rights to address this issue and any related arguments or assertions in connection with Confirmation of the Plan</p> This is a confirmation issue. Nevertheless, the Debtors will add the following insert to the Disclosure Statement describing the legal and factual bases in support of substantive consolidation for “voting and Confirmation” purposes only. <p style="margin-left: 40px;">When deciding issues of substantive consolidation in a bankruptcy context, courts in this jurisdiction engage in a fact-intensive evaluation of the relationship of the entities in question. <u>See, e.g., In re Doctors Hosp. of Hyde Park, Inc.</u>, 2013 WL 5524696, at *143 (Bankr. N.D. Ill. Oct. 4, 2013); <u>In re Raymond Prof'l Grp., Inc.</u>, 438 B.R. 130, 138–39 (Bankr. N.D. Ill. 2010). In deciding the appropriateness of consolidation for purposes of voting and Confirmation, the Court will consider factors such as:</p> <ul style="list-style-type: none"> whether there is substantial identity of interests among the Debtors; whether creditors relied on the separate identities of the Debtors;
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	<ul style="list-style-type: none"> The liquidation analysis fails to explain why the Debtors have allocated \$500,000 for liquidating the Homer City Debtors. See ¶ 12 of the Objection. The Plan purportedly double-counts certain Secured Claims and Other Priority Claims from the Homer City Wind Down Proceeds. See ¶ 13 of the Objection. The disputed claims procedures should be revised. See ¶ 15 of the Objection. 	<ul style="list-style-type: none"> whether consolidation benefits the bankruptcy estates' administrative expediency; and whether, and to what extent, consolidation economically prejudices any creditors. <p>Here, the Homer City Debtors possess a substantial interconnectedness, and consolidation for voting and Confirmation promotes the efficiency of the Estates' administration, which in turn improves creditor recoveries. Furthermore, creditors are not prejudiced as a result of consolidation for voting and Confirmation purposes since consolidation does not affect the treatment of claims and related distributions.</p> <ul style="list-style-type: none"> The Debtors, in consultation with HCG, have added the following language to the Disclosure Statement clarifying the basis for the liquidation cost. <p>The Liquidation Analysis assumes an additional \$500,000 of incremental Professional fees allocated to the Homer City Debtors, <u>including the Debtors' estimate of litigation costs</u>. Accordingly, assets or the proceeds thereof available for distributions to creditors, and recoveries to Holders of General Unsecured Claims and Intercompany Claims against Homer City Debtors would be reduced.</p> The Debtors have modified the Plan definitions to address the issue. See Art. I of the Plan. The Debtors have resolved the issue with HCG.
Objection of Edison International [Docket No. 1663]		
7.	<ul style="list-style-type: none"> Edison International contends that the Disclosure Statement lacks adequate information in respect of the following: <ul style="list-style-type: none"> the EIX Injunction; 	<ul style="list-style-type: none"> The Debtors, in consultation with Edison International, have added language to the Disclosure Statement to resolve the Edison International Objection. <ul style="list-style-type: none"> Article IV.S of the Disclosure Statement. Has Any Party Raised an Objection With Respect to the EIX Injunction? <p>EIX has stated in its Disclosure Statement Objection [Docket No.</p>

		<p>1663] that it will oppose the “EIX Injunction” contained in Article VIII.G of the Plan. As to procedure, EIX alleges that EME must seek the Tax Injunction by way of a separate adversary proceeding and the District Court, not the Bankruptcy Court, which at first instance has the constitutional power to decide whether to impose the EIX Injunction. EIX has alleged that it will seek to withdraw the reference from the Bankruptcy Court with respect to all aspects of any EIX Injunction proceeding, and that it may also seek withdrawal of the reference as to the entire Confirmation Hearing, if EME refuses to commence a separate adversary proceeding with respect to the EIX Injunction. As to the substantive legal merits of any EIX Injunction, EIX has alleged that, among other reasons, EME lacks a sufficient property interest in the tax attributes to justify the EIX Injunction, EME is liquidating and cannot utilize the tax attributes even if it has a sufficient property interest in them, and EME has an adequate remedy at law and therefore injunctive relief is inappropriate. EIX has also alleged that the EIX Injunction as referenced is too broad, an improper and impossible burden on EIX and its regulated subsidiary, Southern California Edison, and that its imposition would require the violation of numerous regulatory, fiduciary, and other legal obligations.</p> <p>EIX intends to take discovery regarding the proposed EIX Injunction, in connection with Plan Confirmation, including regarding any projections of the present value of the tax attributes identified in this Disclosure Statement, the ability of Reorganized EME to generate taxable income after the Effective Date of the Plan, the ability of Reorganized EME to use the tax attributes to offset any future income, and the applicability of any limitations on the use of tax attributes under Sections 382 or 383 of the Internal Revenue Code and any exceptions thereto.</p> <p>EIX reserves all rights with respect to the EIX Injunction.</p> <p>The Debtors, the Committee, and the Supporting Noteholders disagree entirely with the foregoing argument and will address such arguments in connection with Confirmation of the Plan. The Debtors, the Committee, and the Supporting Noteholders reserve all of their respective rights with respect to the EIX Injunction.</p>
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	<ul style="list-style-type: none">• the tax sharing agreement; and	<p>Excluded Liabilities of Non-Debtor Subsidiaries of EME shall be permanently released and enjoined.</p> <p>EIX has stated that it will object to approval of the releases of Causes of Action under the Plan, including the release of Non-Debtor Subsidiaries of EME, the release of Debtor Subsidiaries with respect to joint and several liability claims, the release of directors and officers of the Debtors serving after the Petition Date, the release of Intercompany Claims by the Homer City Debtors, and the release of Noteholders.</p> <p>EIX intends to take discovery regarding the releases, including regarding the Causes of Action that are being released under the Plan, the basis on which they are being released, the value being received or given for the release, and the arm's length negotiation, if any, for the release of Causes of Action under the Plan. EIX also intends to take discovery regarding the classification and treatment of its claims against EME and EME's subsidiaries. The Debtors, the Committee, and the Supporting Noteholders reserve all of their rights in connection with any discovery requests.</p> <p>EIX reserves all its rights with respect to the releases.</p> <p>The Debtors, the Committee, and the Supporting Noteholders disagree entirely with the foregoing arguments and assertions and will address such arguments and assertions in connection with Confirmation of the Plan. The Debtors, the Committee, and the Supporting Noteholders reserve all of their respective rights with respect to the releases.</p> <ul style="list-style-type: none">• Article V.E of the Disclosure Statement. The Debtors have agreed that no later than January 10, 2014, they will provide to EIX (i) written notice of their decision to assume or to reject (in either case, under the Plan) any tax sharing or related agreements between EME and EIX or EME and non-EME subsidiaries of EIX (to the extent such agreements are executory) and to include such agreements on the applicable schedules of Executory
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	<ul style="list-style-type: none">• other issues.	<p>Contracts to be assumed or rejected provided by Article V of the Plan, and (ii) a written description of how these agreements will be treated under the Plan.</p> <p>EIX reserves rights to object to Confirmation of the Plan regarding the treatment of any tax sharing or related agreement with EME, and EIX intends to take discovery regarding the treatment of such agreements under the Plan or their application to Reorganized EME. The Debtors, the Committee, and the Supporting Noteholders reserve all of their rights in connection therewith.</p> <ul style="list-style-type: none">• Article IX.E of the Disclosure Statement. Plan Objections Anticipated from EIX. <p>In its Disclosure Statement Objection, EIX stated its intent to object to Confirmation of the Plan on the following bases:</p> <ul style="list-style-type: none">• The proposed “EIX Injunction” is illegal and unjustified.• EIX shall control Reorganized EME and shall receive all value under the Plan once distributions under the Plan pay 100 percent of the Allowed Claims against EME.• Intercompany Claims as defined under the Plan must exclude Claims of EIX or its non-EME subsidiaries.• The Plan must preserve the setoff and recoupment rights of EIX and its non-EME subsidiaries.• The Plan must preserve the rights of EIX and its non-EME subsidiaries, and other insureds under joint insurance policies vesting in Reorganized EME.• The retention of jurisdiction under the Plan must be subject to the right of any party to seek withdrawal of the reference of any matter or proceeding.• The assignment of claims by EME subsidiaries to Reorganized EME must be subject to any and all rights, claims, defenses, or other challenges to the validity or
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	<ul style="list-style-type: none"> Edison International contends that the Litigation Schedule should be modified. 	<p>amount of any claim being assigned to the same extent as if the claim was not assigned.</p> <ul style="list-style-type: none"> The Plan must preserve any subrogation or assignment rights with respect to claims against EME that are paid by a third party. <p>EIX fully reserves all its rights to object to Confirmation of the Plan, to supplement the objections set forth above or elsewhere in the Disclosure Statement, or to raise any and all additional objections to the Confirmation are and have been fully reserved in all respects. In addition, EIX intends to take discovery regarding the above objections in connection with Plan Confirmation. The Debtors, the Committee, and the Supporting Noteholders reserve all of their respective rights in connection with any discovery requests.</p> <p>The Debtors, the Committee, and the Supporting Noteholders disagree entirely with the foregoing argument and assertions and will address such arguments and assertion in connection with Confirmation of the Plan. The Debtors, the Committee, and the Supporting Noteholders reserve all of their respective rights with respect to Confirmation of the Plan.</p> <ul style="list-style-type: none"> The Debtors, in consultation with Edison International, have modified the Litigation Schedule in a mutually agreeable fashion. See Disclosure Statement Order ¶ 23.
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