Talen Energy Corporation
Condensed Consolidated Financial Statements

For the Period Ended June 30, 2023

TALEN ENERGY™

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TALEN ENERGY CORPORATION AND SUBSIDIARIES
TABLE OF CONTENTS

TALEN ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Millions of Dollars, except share data)	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Capacity revenues	$ 26	$ 108	$ 247
Energy and other revenues	188	1,042	657
Unrealized gain (loss) on derivative instruments	87	60	184
Operating Revenues	**301**	**1,210**	**1,088**
Energy Expenses			
Fuel and energy purchases	(57)	(176)	(417)
Nuclear fuel amortization	(25)	(33)	(47)
Unrealized gain (loss) on derivative instruments	(46)	(123)	22
Total Energy Expenses	**(128)**	**(332)**	**(442)**
Operating Expenses			
Operation, maintenance and development	(69)	(285)	(317)
General and administrative	(18)	(51)	(59)
Depreciation, amortization and accretion	(28)	(200)	(270)
Impairments	—	(381)	—
Operational restructuring	—	—	(447)
Other operating income (expense), net	(3)	(37)	(17)
Operating Income (Loss)	**55**	**(76)**	**(464)**
Nuclear decommissioning trust funds gain (loss), net	39	57	(191)
Interest expense and other finance charges	(33)	(163)	(172)
Reorganization income (expense), net	—	799	(331)
Other non-operating income (expense), net	(11)	60	(44)
Income (Loss) Before Income Taxes	**50**	**677**	**(1,202)**
Income tax benefit (expense)	(19)	(212)	48
Net Income (Loss)	**31**	**465**	**(1,154)**
Less: Net income (loss) attributable to noncontrolling interest	2	(14)	—
Net Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$ 29**	**$ 479**	**$ (1,154)**
Per Common Share (Successor)			
Net Income (Loss) Attributable to Stockholders - Basic	$ 0.49	N/A	N/A
Net Income (Loss) Attributable to Stockholders - Diluted	0.49	N/A	N/A
Weighted-Average Number of Common Shares Outstanding - Basic (in thousands)	59,029	N/A	N/A
Weighted-Average Number of Common Shares Outstanding - Diluted (in thousands)	59,088	N/A	N/A

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the financial statements.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Millions of Dollars)	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Net Income (Loss)	$ 31	$ 465	$ (1,154)
Other Comprehensive Income (Loss)			
Available-for-sale securities unrealized gain (loss), net	(6)	6	(54)
Income tax benefit (expense)	2	(2)	22
Gains (losses) arising during the period, net of tax	(4)	4	(32)
Available-for-sale securities unrealized (gain) loss, net	1	4	23
Qualifying derivatives unrealized (gain) loss, net	—	(1)	(1)
Postretirement benefit actuarial (gain) loss, net	—	2	13
Income tax (benefit) expense	—	(3)	(13)
Reclassifications from AOCI, net of tax	1	2	22
Total Other Comprehensive Income (Loss)	(3)	6	(10)
Comprehensive Income (Loss)	28	471	(1,164)
Less: Comprehensive income (loss) attributable to noncontrolling interest	2	(14)	—
Comprehensive Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	$ 26	$ 485	$ (1,164)

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the financial statements.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Millions of Dollars. except share data)	Successor June 30, 2023	Predecessor December 31, 2022
Assets		
Cash and cash equivalents	$ 127	$ 724
Restricted cash and cash equivalents	588	264
Accounts receivable, net	150	408
Inventory, net	318	457
Derivative instruments	169	2,165
Other current assets	116	247
Total current assets	**1,468**	**4,265**
Property, plant and equipment, net	3,863	4,705
Nuclear decommissioning trust funds	1,499	1,400
Derivative instruments	2	228
Other noncurrent assets	191	124
Total Assets	**$ 7,023**	**$ 10,722**
Liabilities and Equity		
Revolving credit facilities	$ —	$ 848
Long-term debt, due within one year	14	1,010
Accrued interest	29	278
Accounts payable and other accrued liabilities	298	454
Derivative instruments	50	1,927
Other current liabilities	57	346
Total current liabilities	**448**	**4,863**
Long-term debt	2,832	2,494
Liabilities subject to compromise	—	2,825
Derivative instruments	28	363
Postretirement benefit obligations	335	—
Asset retirement obligations and accrued environmental costs	444	567
Deferred income taxes	372	75
Other noncurrent liabilities	104	17
Total Liabilities	**4,563**	**11,204**
Commitments and Contingencies - Note 12		
Stockholders' (Successor) / Member's (Predecessor) Equity		
Member's equity	—	(573)
Common stock - $0.001 par value (a)	—	—
Additional paid-in capital	2,325	—
Accumulated retained earnings (deficit)	29	—
Accumulated other comprehensive income (loss)	(3)	—
Total Stockholders' (Successor) / Member's (Predecessor) Equity	**2,351**	**(573)**
Noncontrolling interests	**109**	**91**
Total Equity	**2,460**	**(482)**
Total Liabilities and Equity	**$ 7,023**	**$ 10,722**

(a) At June 30, 2023: 350,000,000 shares authorized; 59,028,843 shares issued and outstanding.

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the financial statements.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Millions of Dollars)	Successor May 18 through June 30, 2023	Predecessor January 1 through May 17, 2023	Predecessor Six Months Ended June 30, 2022
Operating Activities			
Net income (loss)	$ 31	$ 465	$ (1,154)
Non-cash Reconciliation adjustments:			
Unrealized (gains) losses on derivative instruments	(39)	65	(226)
Nuclear fuel amortization	25	33	47
Depreciation, amortization and accretion	27	208	288
Impairments	—	381	—
Operational restructuring	—	—	447
Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees)	(33)	(43)	211
Deferred income taxes	16	195	(56)
Reorganization (income) expense, net	—	(933)	99
Other	17	(43)	74
Changes in assets and liabilities:			
Accounts receivable, net	(5)	261	(130)
Inventory, net	(11)	10	2
Other assets	22	98	(89)
Accounts payable and accrued liabilities	(89)	(69)	267
Accrued interest	25	(124)	258
Other liabilities	13	(42)	(14)
Net cash provided by (used in) operating activities	**(1)**	**462**	**24**
Investing Activities			
Property, plant and equipment expenditures	(20)	(138)	(61)
Nuclear fuel expenditures	(14)	(49)	(45)
Nuclear decommissioning trust funds investment purchases	(279)	(959)	(1,254)
Nuclear decommissioning trust funds investment sale proceeds	273	949	1,246
Proceeds from the sale of non-core assets	—	46	1
Equity investments in affiliates	—	(8)	(77)
Other investing activities	2	2	17
Net cash provided by (used in) investing activities	**(38)**	**(157)**	**(173)**
Financing Activities			
Contributions from member	—	1,393	—
Exit Financing proceeds, net of discount	—	2,219	—
Repayment of Prepetition Secured Indebtedness	—	(3,898)	—
Payment of make-whole premiums on Prepetition Secured Indebtedness	—	(152)	—
DIP Facilities proceeds, net	—	—	987
Deferred Capacity Obligation and Inventory Repurchase Obligations, net repayments	—	—	(341)
LMBE-MC TLB payments	(1)	(7)	(23)
Deferred finance costs	—	(74)	(57)
Derivatives with financing elements	—	(20)	(21)
Other	1	—	(10)
Net cash provided by (used in) financing activities	**—**	**(539)**	**535**
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	**(39)**	**(234)**	**386**
Beginning of period cash and cash equivalents and restricted cash and cash equivalents	754	988	743
End of period cash and cash equivalents and restricted cash and cash equivalents	$ 715	$ 754	$ 1,129

See Note 19 in Notes to the Condensed Consolidated Financial Statements for supplemental cash flow information.

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the financial statements.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Millions of Dollars, except share data)	Common stock shares (a)	Additional paid-in capital	Accumulated earnings (deficit)	AOCI	Member's Equity	Noncontrolling Interest	Total Equity
December 31, 2021 (Predecessor)	**—**	**$ —**	**$ —**	**$ —**	**$ 733**	**$ —**	**$ 733**
Net income (loss)	—	—	—	—	(1,154)	—	(1,154)
Other comprehensive loss	—	—	—	—	(10)	—	(10)
June 30, 2022 (Predecessor)	**—**	**$ —**	**$ —**	**$ —**	**$ (431)**	**$ —**	**$ (431)**
December 31, 2022 (Predecessor)	—	$ —	$ —	$ —	$ (573)	$ 91	$ (482)
Net income (loss)	—	—	—	—	479	(14)	465
Other comprehensive income	—	—	—	—	6	—	6
Cancellation of member's equity (c)	—	—	—	—	88	—	88
Issuance of member's equity (c)	—	—	—	—	2,313	—	2,313
Issuance of warrants (c)	—	—	—	—	8	—	8
Common equity from member's equity exchange	59,029	2,321	—	—	(2,321)	—	—
Non-cash contributions (b)	—	—	—	—	—	38	38
Non-cash distribution, net (d)	—	—	—	—	—	(5)	(5)
May 17, 2023 (Predecessor)	**59,029**	**$ 2,321**	**$ —**	**$ —**	**$ —**	**$ 110**	**$ 2,431**
May 18, 2023 (Successor)	**59,029**	**$ 2,321**	**$ —**	**$ —**	**$ —**	**$ 110**	**$ 2,431**
Net income (loss)	—	—	29	—		2	31
Other comprehensive loss	—	—	—	(3)	—	—	(3)
Non-cash distribution (d)	—	—	—	—	—	(3)	(3)
Other	—	4	—	—	—	—	4
June 30, 2023 (Successor)	**59,029**	**$ 2,325**	**$ 29**	**$ (3)**	**$ —**	**$ 109**	**$ 2,460**

(a) Shares in thousands.
(b) Relates to contributions of cryptocurrency mining machines by TeraWulf to Nautilus.
(c) Pursuant to the Plan of Reorganization: (i) existing equity interests were canceled and (ii) new equity interests and equity-classified warrants were issued.
(d) Relates primarily to a distribution of cryptocurrency mining machines or Bitcoin to TeraWulf.

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the financial statements.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Capitalized terms and abbreviations appearing in these Notes to the Condensed Consolidated Financial Statements are defined in the glossary. Dollars are in millions, unless otherwise noted. References to the "Audited Financial Statements" are to the audited Talen Energy Supply 2022 Consolidated Financial Statements and Notes thereto.

"TEC" refers to Talen Energy Corporation. "TES" refers to Talen Energy Supply, LLC. For periods after May 17, 2023, the terms "Talen," "Successor," the "Company," "we," "us" and "our" refer to Talen Energy Corporation and its consolidated subsidiaries (including Talen Energy Supply), unless the context clearly indicates otherwise. For periods on or before May 17, 2023, the terms "Talen," “Predecessor,” the "Company," "we," "us" and "our" refer Talen Energy Supply and its consolidated subsidiaries, unless the context clearly indicates otherwise. See "Reverse Acquisition" in Note 2 for information on an accounting reverse acquisition that occurred on the Emergence Date.

This presentation has been applied where identification of subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis. When identification of a subsidiary is considered important to understanding the matter being disclosed, the specific entity's name is used. Each disclosure referring to a subsidiary also applies to Talen Energy Corporation insofar as such subsidiary's financial information is included in TEC's consolidated financial information. Talen Energy Corporation and each of its subsidiaries and affiliates are separate legal entities and, except by operation of law, are not liable for the debts or obligations of one another absent an express contractual undertaking to the contrary.

1. Organization and Operations

Talen owns and operates high-quality power infrastructure in the United States. We produce and sell electricity, capacity and ancillary services into wholesale power markets in the United States, primarily in PJM, ERCOT and the Pacific Northwest, with our generation fleet principally located in the Mid-Atlantic, Texas and Montana. While the majority of our generation is already produced at zero-carbon nuclear and lower-carbon gas-fired facilities, we are reducing the carbon nature of our wholly-owned coal fleet through the conversion to lower-carbon fuels. In addition, we have developed a hyperscale data center adjacent to Susquehanna that will utilize carbon-free, low-cost energy provided directly from the plant. Consistent with our risk management initiatives, we may execute physical and financial commodity transactions involving power, natural gas, nuclear fuel, oil and coal to economically hedge and optimize our generation fleet. As of June 30, 2023, our generation capacity was 12,402 MW (summer rating). Talen is headquartered in Houston, Texas.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Our unaudited Condensed Consolidated Financial Statements are prepared in accordance with GAAP and include the accounts of all controlled subsidiaries. Intercompany transactions are eliminated in consolidation. Certain information and note disclosures, normally included in financial statements prepared in accordance with GAAP, have been condensed or omitted from these statements in accordance with GAAP. In the opinion of management, the Condensed Consolidated Financial Statements include all adjustments considered necessary for a fair presentation of the information set forth. All adjustments are of a normal recurring nature, except as otherwise disclosed. The Condensed Consolidated Balance Sheet at December 31, 2022 is derived from the Talen Energy Supply 2022 Consolidated Balance Sheet in the Audited Financial Statements. See "Reverse Acquisition" below for more information regarding the relationship between Talen Energy Corporation and Talen Energy Supply after Emergence. The unaudited Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the Audited Financial Statements and Notes thereto.

The combined results of operations for the Predecessor period, from January 1 through May 17, 2023, and the Successor period, from May 18 through June 30, 2023, are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or for other future periods, because the results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations. After the Emergence Date, Talen Energy Supply applied fresh start accounting, which resulted in a new basis of accounting, as the Company became a new entity for financial reporting purposes. As a result of the application of fresh start accounting and the implementation of the Plan of Reorganization, our consolidated financial statements after the Emergence Date are not comparable to our financial statements prior to that date. The unaudited Condensed Consolidated Financial Statements and Notes thereto have been presented with a black line division to delineate the lack of comparability between the Predecessor and Successor.

Investments in entities in which Talen has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. Talen consolidates a VIE when it is determined that it has a controlling interest in the VIE and Talen is the primary beneficiary of the entity. See Note 11 of the Audited Financial Statements for additional information.

Going Concern and Restructuring. These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business. As of the Emergence Date, there is no longer substantial doubt about Talen’s ability to continue as a going concern. See Note 3 for additional information on the Restructuring.

Reverse Acquisition. During the Restructuring, Talen Energy Corporation deconsolidated Talen Energy Supply for financial reporting purposes because TEC no longer controlled the activities of TES. Upon Emergence, TEC regained control of TES through a business combination that resulted in TEC again consolidating TES. The business combination was accounted for as a reverse acquisition based on the transaction's economic substance, in which certain creditors of Talen Energy Supply effectively equitized their claims against TES into the controlling equity interests of TES, which were then exchanged for the controlling equity interests of TEC — specifically, a conversion of $2.3 billion of member's equity of TES into 59,028,843 shares of new TEC common stock and equity-classified warrants to purchase common stock issued in accordance with the Plan of Reorganization, which is presented as "Common equity from member's equity exchange" in the Condensed Consolidated Statements of Equity.

Accordingly, our unaudited Condensed Consolidated Financial Statements are issued under the name of TEC, the legal parent of TES and accounting acquiree, but represent the continuation of the financial statements of TES, the accounting acquirer. This accounting acquirer determination was primarily based on the following facts and circumstances: (i) TES operations comprise substantially all of the ongoing operations of the combined entity; (ii) certain former TES creditors received substantially all voting interests of the combined entity; (iii) certain former TES creditors assumed the power to appoint or remove board members of the combined entity; (iv) TES employs senior management and all employees of the combined entity; and (v) TEC, prior to Emergence, did not have any operations or material assets separate from TES.

The economic substance and related accounting was also used in the determination of fresh start accounting applicability. See Note 4 for additional information on fresh start accounting. See Note 3 for additional information on the legal structure of the Restructuring transactions.

Summary of Significant Accounting Policies

Reclassifications. Certain amounts in the prior period financial statements were reclassified to conform to the current period's presentation. The reclassifications did not affect operating income, net income, total assets, total liabilities, net equity or cash flows.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Policy Updates at Emergence

Upon Emergence, we elected to change our accounting policies related to derivative instruments, postretirement benefit obligations and stock-based compensation.

Derivative Instruments. The netting and collateral provisions under master trade agreements govern setoff rights and collateral requirements on commercial agreements between counterparties. Prior to the Emergence Date, the fair value of derivative instruments on the Condensed Consolidated Balance Sheets was presented gross of setoff rights and cash collateral deposits exchanged between parties under such arrangements. After the Emergence Date, the fair value of derivative instruments is presented net of setoff rights and cash collateral deposits. The fair value of commercial contracts that are not subject to netting and (or) collateral provisions is presented gross. See Note 5 for additional information on our derivative instruments and hedging activities.

Postretirement Benefit Obligations. Prior to the Emergence Date, we used a bond matching methodology, based on a specific portfolio of bonds that closely match the overall cash flow timing and duration of the benefit plans, to develop the discount rate utilized to measure the projected benefit obligations and service costs for benefit plans. After the Emergence Date, we use a spot rate curve that represents a portfolio of high-quality corporate bonds to develop the discount rate.

Stock-Based Compensation. In connection with Emergence, TEC granted performance stock units and restricted stock units to certain employees and non-employee directors. The fair value of performance stock units is estimated on the date of grant utilizing a Monte Carlo valuation model, which contains significant unobservable inputs that are believed to be consistent with those used by principal market participants. The fair value of restricted stock units is derived from the closing price of TEC common stock at the grant date. Forfeitures are recognized as they occur. Unvested performance stock units and restricted stock units are entitled to dividends or dividend equivalents, which are accrued and distributed to award recipients at the time such awards vest. Dividends and dividend equivalents are subject to the same vesting and forfeiture provisions as the underlying awards. Stock-based compensation expense is recognized for both graded and cliff vesting awards on a straight-line basis over the requisite service period for the entire award. For the period from May 18 through June 30, 2023 (Successor), a non-material amount of stock-based compensation was recognized and presented as "General and administrative" on the Condensed Consolidated Statements of Operations. There was no stock-based compensation in prior periods.

3. Talen Emergence from Restructuring

Voluntary Reorganization Under Chapter 11 of the U.S. Bankruptcy Code

In May 2022, Talen Energy Supply and the other initial Debtors filed voluntary petitions seeking relief under Chapter 11 of the U.S. Bankruptcy Code. In December 2022, Talen Energy Corporation became a Debtor in the Restructuring in order to facilitate certain transactions contemplated by the Plan of Reorganization. The Plan of Reorganization was approved by the requisite parties in November 2022, was confirmed by the bankruptcy court in December 2022, and was consummated and became effective in May 2023, when the Debtors emerged from the Restructuring.

Settlements, Restructuring Support Agreement and Backstop Commitment Letter

Prior to and during the Restructuring, the Debtors reached a number of settlements with certain stakeholders in the Restructuring (including certain holders of claims under the Prepetition Unsecured Notes, Prepetition CAF, Prepetition TLB and Prepetition Secured Notes, as well as Riverstone and TEC), each of which resolved outstanding issues among the Debtors and those parties. These settlements were agreed to in the RSA. An additional settlement was reached with the Official Committee of Unsecured Creditors of the Debtors, which resolved all of the Committee's outstanding issues in the Restructuring. The terms of the RSA and the settlements were incorporated into the final Plan of Reorganization.

Pursuant to the settlements, the settling parties agreed to support the Plan of Reorganization and the Restructuring transactions outlined below, which included a common equity Rights Offering of up to $1.9 billion. The Backstop Parties, comprised of certain holders of claims under the Prepetition Unsecured Notes, also entered into the Backstop Commitment Letter, under which they agreed to purchase up to $1.55 billion of the new equity offered in the Rights Offering to the extent not fully subscribed. As consideration for their backstop commitments, the Backstop Parties became entitled to subscription rights to purchase 30% of the new equity issued in the Rights Offering and a Backstop Premium payment in the form of cash and (or) new equity. Pursuant to the Rights Offering, Talen Energy Corporation raised $1.4 billion of additional equity capital.

Plan of Reorganization and Emergence from Restructuring

The Plan of Reorganization implemented, among other things, the transactions contemplated by the RSA and the related settlements. The Restructuring was completed and the Debtors emerged from the Restructuring on May 17, 2023. Pursuant to the Plan of Reorganization, among other things:

- Claims against Talen Energy Corporation were paid in full in cash or reinstated. All existing equity interests in TEC were extinguished, and new equity interests in TEC were issued as follows:
    - Holders of claims under TES's Prepetition Unsecured Notes and PEDFA 2009A Bonds received (i) 99% of the TEC common stock (subject to dilution), less the Retail PPA Incentive Equity issued to Riverstone at Emergence, and (ii) subscription rights to purchase additional shares of TEC common stock in the Rights Offering (or, in the case of certain ineligible holders, cash in lieu thereof).
    - Riverstone received (i) 1.00% of the TEC common stock (after giving effect to the Rights Offering and payment of the remaining Backstop Premium), (ii) the Retail PPA Incentive Equity, and (iii) warrants to purchase additional shares of TEC common stock.
    - The remaining portion of the Backstop Premium was paid to the Backstop Parties in the form of TEC common stock.
    - The Rights Offering was consummated, which resulted in net cash proceeds of approximately $1.4 billion. Approximately 92% of claims under TES's Prepetition Unsecured Notes and PEDFA 2009A Bonds were tendered in the Rights Offering, and the Backstop Parties were required to purchase the remainder of the unsubscribed for new TEC common stock attributable to the remaining claims under the Prepetition Unsecured Notes and PEDFA 2009A Bonds.
- All intercompany equity interests among the Debtors were reinstated so as to maintain the pre-existing organizational structure of the Debtors. Intercompany claims among the Debtors were cancelled, released, discharged and extinguished.
- The Exit Financings were consummated, comprised of: (i) the New RCF, a $700 million revolving credit facility, including letter of credit commitments of $475 million, (ii) the New TLB of $580 million, (iii) the New TLC of $470 million (the proceeds of which were used to cash collateralize LCs under the New TLC LCF), (iv) the New TLC LCF, which provides commitments for up to $470 million in LCs (cash collateralized with the proceeds of the New TLC), (v) the New Bilateral LCF, which provides commitments for up to $75 million in LCs, and (vi) $1.2 billion of New Secured Notes.
- The proceeds of the Rights Offering and the Exit Financings, together with cash on hand, were used to fully repay the DIP Facilities and to pay other claims in cash as follows:
    - Holders of claims under the Prepetition CAF received their share of approximately $1.0 billion, as agreed in the relevant settlement;
    - Holders of prepetition first lien secured claims (other than those under the Prepetition CAF) received their share of approximately $2.1 billion, as agreed in the relevant settlement; and
    - Holders of Other Secured Claims (as defined in the Plan of Reorganization) received the unpaid portion of their allowed claims.
- Each holder of a General Unsecured Claim (as defined in the Plan of Reorganization) received its pro rata share of interests in a $26 million pool of cash set aside for general unsecured creditors. To the extent any proceeds are recovered by the Debtors pursuant to the PPL/Talen Montana litigation, 10% of the net proceeds recovered will be contributed to the pool of cash, subject to a cap of $11 million. See Note 12 for information on the PPL/Talen Montana litigation.

4. Fresh Start Accounting

At the Emergence Date, the Company was required to adopt fresh start accounting as: (i) the holders of existing voting shares of the Predecessor received less than 50% of the voting shares of the Successor and (ii) the reorganization value of the Company's assets immediately prior to confirmation of the Plan of Reorganization was less than the total of post-petition liabilities and allowed claims.

Under fresh start accounting, reorganization value represents the value of the entity before considering liabilities, and is intended to represent the approximate amount a willing buyer would pay for the assets immediately after the restructuring. Upon the adoption of fresh start accounting, the Company allocated the reorganization value to its individual assets and liabilities based on their fair values (except for deferred income taxes) in conformity with applicable guidance for business combinations. Deferred income tax amounts were determined in accordance with accounting guidance for income taxes.

Reorganization Value

Reorganization value is derived from an estimate of enterprise value, or the fair value of the Company's interest-bearing debt and member's equity. As negotiated in the Plan of Reorganization and related disclosure statement approved by the Bankruptcy Court, the enterprise value on the Emergence Date was $4.5 billion. The Company engaged third-party valuation advisors to assist management in estimating the enterprise value and allocating the enterprise value to the assets and liabilities for financial reporting purposes. The valuation primarily utilized a discounted cash flow analysis incorporating the projected cash flows to be generated by the business, based on management's latest outlook as of the Emergence Date. Although management believes the assumptions and estimates used to develop enterprise value and reorganization value are reasonable and appropriate, different assumptions and estimates could materially impact the analysis and resulting conclusions. The assumptions used in estimating these values are inherently uncertain and require judgment. See below under "Fresh Start Adjustments" for additional information regarding assumptions used in the measurement of the Company's various other significant assets and liabilities.

Upon the application of fresh start accounting, the Company preliminarily allocated the reorganization value to its individual assets based on their estimated fair values. The following table reconciles the Company's enterprise value to the estimated reorganization value at the Emergence Date:

	May 17, 2023
Enterprise value (a)	$ 4,500
Plus: Cash (b)	701
Plus: Current liabilities excluding long-term debt due within one year	514
Plus: Non-current liabilities excluding long-term debt and liability-classified warrants	1,234
Plus: Fair value of noncontrolling interest	110
Reorganization value to be allocated	**$ 7,059**

(a) Enterprise value excludes any value associated with noncontrolling interest.
(b) Balance includes "Cash and cash equivalents" and "Restricted cash and cash equivalents." Amount excludes $52 million for payment of professional fees.

The following table reconciles the Company's enterprise value to the estimated fair value at the Emergence Date:

	May 17, 2023
Enterprise value (a)	$ 4,500
Plus: Cash (b)	701
Less: Fair value of debt	(2,845)
Less: Liability-classified warrants	(35)
Fair value of member's equity (c)	2,321
Plus: Fair value of noncontrolling interest	110
Fair value of equity	**$ 2,431**

(a) Enterprise value excludes any value associated with noncontrolling interest.
(b) Balance includes "Cash and cash equivalents" and "Restricted cash and cash equivalents." Amount excludes $52 million for payment of professional fees.
(c) Successor equity issued in accordance with the Plan of Reorganization, which includes 59,028,843 shares of TEC common stock and $8 million of equity-classified warrants.

Condensed Consolidated Balance Sheet

The column "Reorganization Adjustments" set forth in the below fresh start Condensed Consolidated Balance Sheet as of the Emergence Date presents the aggregate effect of the transactions contemplated by the Plan of Reorganization, and the column "Fresh Start Adjustments" presents the preliminary fair value and other required adjustments as a result of applying fresh start accounting. The explanatory notes provide additional information related to the adjustments recorded, the methods used to determine fair values and significant assumptions.

	May 17, 2023						
Assets	**Predecessor**	**Reorganization Adjustments (a)**		**Fresh Start Adjustments**		**Successor**
Cash and cash equivalents	$ 1,302	$ (1,133)	(b)	$ —		$ 169
Restricted cash and cash equivalents	240	426	(c)	(81)	(q)	585
Accounts receivable, net	148	(3)	(d)	—		145
Inventory, net	448	—		(141)	(r)	307
Derivative instruments	818	—		(632)	(q)	186
Other current assets	135	—		(5)	(s)	130
Total current assets	**3,091**	**(710)**		**(859)**		**1,522**
Property, plant and equipment, net	4,322	—		(458)	(t)	3,864
Nuclear decommissioning trust funds	1,465	—		—		1,465
Derivative instruments	37	—		(37)	(q)	—
Other noncurrent assets	146	(12)	(e)	74	(u)	208
Total Assets	**$ 9,061**	**$ (722)**		**$ (1,280)**		**$ 7,059**
Liabilities and Equity						
Revolving credit facilities	$ 848	$ (848)	(f)	$ —		$ —
Long-term debt, due within one year	1,005	(1,000)	(g)	—		5
Accrued interest	288	(284)	(h)	—		4
Accounts payable and other accrued liabilities	382	3	(i)	—		385
Derivative instruments	711	—		(654)	(q)	57
Other current liabilities	414	(349)	(j)	3	(v)	68
Total current liabilities	**3,648**	**(2,478)**		**(651)**		**519**
Long-term debt	2,504	281	(k)	55	(w)	2,840
Liabilities subject to compromise	2,788	(2,788)	(l)	—		—
Derivative instruments	135	—		(93)	(q)	42
Postretirement benefit obligations	(1)	302	(m)	34	(x)	335
Asset retirement obligations and accrued environmental costs	580	202	(m)	(340)	(y)	442
Deferred income taxes	82	283	(n)	(8)	(z)	357
Other noncurrent liabilities	19	60	(o)	14	(aa)	93
Total Liabilities	**9,755**	**(4,138)**		**(989)**		**4,628**
Member's equity	(818)	3,416	(p)	(277)	(bb)	2,321
Noncontrolling interests	124	—		(14)	(cc)	110
Total Equity	**(694)**	**3,416**		**(291)**		**2,431**
Total Liabilities and Equity	**$ 9,061**	**$ (722)**		**$ (1,280)**		**$ 7,059**

Reorganization Adjustments

The reorganization adjustments required in connection with the application of fresh start accounting and the allocation of the enterprise value were:

(a) Emergence Date adjustments for the implementation of the Plan of Reorganization. Such adjustments include: (i) settlement of prepetition liabilities subject to compromise, (ii) payment of certain prepetition indebtedness, (iii) issuances of member's equity, (iv) recognition of new indebtedness and related restricted cash, and (v) other items.

(b) The uses of "Cash and cash equivalents" on the Emergence Date resulting from the implementation of the Plan of Reorganization were:

Proceeds from Rights Offering	$	1,400
Proceeds from New TLB and New TLC		1,019
Proceeds from New Secured Notes		1,200
Release of restricted cash		89
Payment of claims under Prepetition CAF		(1,029)
Payment of claims under other Prepetition Secured Indebtedness		(2,136)
Payment of DIP TLB		(1,012)
Restriction of cash relating to New TLC LCF		(470)
Payment of debt issuance costs on New TLB, New TLC and New Secured Notes		(54)
Funding of professional fees escrow account		(52)
Payment of hedge rejections		(42)
Payment to general unsecured creditors trust		(26)
Payment of professional fees		(22)
Other (a)		2
Total uses of Cash and cash equivalents	**$**	**(1,133)**

(a) Includes $1 million of proceeds from Riverstone for payment to general unsecured creditors trust.

(c) "Restricted cash and cash equivalents" net change:

Restriction of cash relating to New TLC LCF	$	470
Funding of professional fees escrow account		52
Release of restricted cash		(89)
Payment of professional fees		(7)
Net change in Restricted cash and cash equivalents	**$**	**426**

(d) "Accounts receivable, net" net change related to settlement of affiliate receivables.

(e) "Other noncurrent assets" net change:

Write-off of debt issuance costs associated with Prepetition CAF	$	(22)
Reclassification of previously capitalized debt issuance costs to Long-term debt		(14)
Capitalization of debt issuance costs associated with DIP Facilities		24
Net change in Other noncurrent assets	**$**	**(12)**

(f) Payment of principal amounts owed under Prepetition CAF.

(g) Repayment of DIP Facilities.

(h) "Accrued interest" net change:

Payment of accrued interest on Prepetition CAF	$	(183)
Payment of accrued interest on other Prepetition Secured Indebtedness		(89)
Payment of accrued interest on DIP Facilities		(12)
Net change in Accrued interest	**$**	**(284)**

(i) "Accounts payable and other accrued liabilities" net change:

Payment of hedge contract rejections	$	(42)
Payment of professional fees		(6)
Reinstatement of liabilities subject to compromise		38
Accrual for professional fees incurred at Emergence Date		13
Net change in Accounts payable and other accrued liabilities	**$**	**3**

(j) "Other current liabilities" net change:

Issuance of equity for Backstop Premium	$	(380)
Reinstatement of liabilities subject to compromise		31
Net change in Other current liabilities	**$**	**(349)**

(k) "Long-term debt" net change:

Payment of claims under Prepetition Secured Indebtedness	$	(2,048)
Borrowings of $1.2 billion under the New Senior Secured Notes (a)		1,179
Borrowings of $580 million under New TLB (b)		548
Borrowings of $470 million under New TLC (c)		446
Reinstatement of PEDFA 2009B Bonds and PEDFA 2009C Bonds (d)		130
Write-off of Prepetition Secured Indebtedness issuance costs		26
Net change in Long-term debt	**$**	**281**

(a) Net of debt issuance costs of $21 million. See Note 13 for more information.
(b) Net of an aggregate original issue discount and debt issuance costs of $32 million.
(c) Net of an aggregate original issue discount and debt issuance costs of $24 million.
(d) Includes recognition of $4 million of interest expense.

(l) "Liabilities subject to compromise" settled or reinstated on the Emergence Date in accordance with the Plan of Reorganization:

Liabilities subject to compromise prior to Emergence		
Debt	$	1,555
Termination of retail contracts		447
Postretirement benefit obligations		305
Asset retirement obligations and accrued environmental costs		220
Other liabilities		92
Deferred tax liabilities		77
Accounts payable and accrued liabilities		51
Accrued interest		41
Total		2,788
Reinstatement and settlements of certain liabilities subject to compromise		
Reinstatement of liabilities subject to compromise (a)		(801)
Excess fair value ascribed to lenders participating in Rights Offering		(315)
Issuance of member's equity to holders of claims under Prepetition Unsecured Notes and PEDFA 2009A Bonds		(186)
Payment to general unsecured creditors trust		(24)
Total		(1,326)
Gain on derecognition of certain liabilities subject to compromise (b)	**$**	**1,462**

(a) Primarily includes postretirement benefit obligations, AROs, and deferred income taxes.
(b) Represents liabilities subject to compromise that were discharged in accordance with the Plan of Reorganization.

(m) Reinstatement of "Liabilities subject to compromise."

(n) "Deferred income taxes" net change:

Increase in deferred tax liabilities primarily due to estimated tax attribute reduction from the recognition of cancellation of debt income, partially offset by change in valuation allowance	$	206
Reinstatement of liabilities subject to compromise		77
Net change in Deferred income taxes	**$**	**283**

(o) "Other noncurrent liabilities" net change:

Issuance of liability-classified warrants (a)	$	35
Reinstatement of liabilities subject to compromise		25
Net change in Other noncurrent liabilities	**$**	**60**

(a) See Note 14 for more information.

The estimated fair value of liability-classified warrants was determined using a Black-Scholes option pricing model with the following assumptions at the Emergence Date:

Expected volatility		30.00 %
Expected term (years)		5.00
Expected dividend yield		— %
Risk-free interest rate		3.6 %
Strike price per share	$	52.92
Fair value per share	$	11.29

(p) "Member's equity" net change:

Gain on settlement of liabilities subject to compromise	$	1,462
Other losses attributable to gain on debt discharge		(3)
Gain on debt discharge		1,459
Write-off of deferred financing cost		(46)
Professional fees expensed on the Emergence Date		(27)
Restructuring-related compensation expense		(8)
Total reorganization items from reorganization adjustments		1,378
Interest expense incurred on the Emergence Date		(4)
Income from reorganization adjustments before income taxes		1,374
Income tax expense		(206)
Net income from reorganization adjustments		1,168
Issuance of member's equity in connection with Rights Offering		1,715
Issuance of member's equity for Backstop Premium		380
Issuance of member's equity to holders of claims under Prepetition Unsecured Notes and PEDFA 2009A Bonds		186
Issuance of equity-classified warrants (a)		8
Issuance of liability-classified warrants (b)		(35)
Other (c)		(6)
Net change in Member's equity	**$**	**3,416**

(a) See Note 16 for more information.
(b) See Note 14 for more information.
(c) Includes $1 million of proceeds from Riverstone for payment to general unsecured creditors trust.

Fresh Start Adjustments

(q) Net presentation of derivatives on the unaudited Condensed Consolidated Balance Sheets. See Note 2 for more information on this policy change.

(r) "Inventory, net" fair value adjustments:

Coal	$	(33)
Oil products		11
Materials and supplies		(133)
Environmental products		14
Total adjustment to Inventory, net	**$**	**(141)**

The fair values for oil, coal and environmental products were estimated using current market prices. The fair values of materials and supplies were estimated using an indirect cost approach. The cost approach estimates fair value by considering the amount required to construct or purchase a new asset of equal utility at current prices, with adjustments for asset function, age, physical deterioration and obsolescence.

(s) "Other current assets" primarily represents miscellaneous fair value adjustments.

(t) "Property, plant and equipment" fair value adjustments:

Electric generation	$	(350)
Other property and equipment		(80)
Intangible assets		(65)
Capitalized software		(3)
Construction work in progress		40
Total adjustment to Property, plant and equipment	**$**	**(458)**

The fair value of "Property, plant and equipment" was estimated using the income approach, market approach and cost approach, as applicable. The fair value of land was estimated utilizing the market approach, which considered comparable market-based transactions within a defined area based on size, use and utility.

(u) "Other noncurrent assets" fair value adjustments:

Favorable supply contracts (a)	$	109
Fair value adjustment to equity method investments		3
Eliminate debt issuance costs associated with DIP Facilities		(29)
Fair value reduction to other miscellaneous assets		(9)
Total adjustment to Other noncurrent assets	**$**	**74**

(a) The fair value of supply contracts was determined utilizing the present value of the after-tax difference between the pricing of actual contracts in place and a current market benchmark.

(v) "Other current liabilities" fair value adjustments, primarily related to short-term AROs.

(w) "Long-term debt" fair value adjustments:

Eliminate debt issuance costs associated with Prepetition Secured Notes, Prepetition TLB and LMBE-MC TLB (a)	$	48
Fair value adjustment to Cumulus Digital TLF (a)		11
Fair value adjustment to LMBE-MC TLB (a)		(4)
Total adjustment to Long-term debt	**$**	**55**

(a) See Note 13 for more information.

Fair value adjustments to "Long-term debt" were determined using a lattice model, given that the debt can be prepaid by the borrower prior to the maturity date.

(x) Change in accounting policy for discount rates used to account for postretirement obligations, from bond-matching model to yield curve approach. See Note 2 for additional information.

(y) Adjustment to present at fair value AROs using assumptions as of the Emergence Date, including an inflation factor of 2-3% and an estimated 5- to 20-year credit-adjusted risk-free rate of 8-12% based on timing of cash flows for each underlying obligation.

(z) Adjustment to "Deferred income taxes" for the change in financial reporting basis of assets and liabilities as a result of the adoption of fresh start accounting.

(aa) Fair value adjustments primarily related to unfavorable supply contracts of $13 million and the recognition of unfavorable lease liabilities. The fair value of supply contracts was determined utilizing the present value of the after-tax difference between the pricing of actual contracts in place and a current market benchmarks.

(ab) Cumulative impact of fresh start accounting adjustments presented herein.

(ac) "Noncontrolling interests" fair value adjustments for certain subsidiaries.

Liabilities Subject to Compromise

At December 31, 2022, “Liabilities subject to compromise” on the Condensed Consolidated Balance Sheets represents the expected allowed amount of the prepetition claims of the Debtors that were not fully secured and that had at least a possibility of not being repaid at the full claim amount.

	Predecessor
	December 31, 2022
Debt (a)	$ 1,558
Termination of retail power and other contracts	447
Postretirement benefit obligations (a)	309
Asset retirement obligations and accrued environmental costs (a)	219
Other liabilities (a)	114
Deferred tax liabilities	83
Accounts payable and accrued liabilities	53
Accrued interest	41
Derivatives (a)	1
Liabilities Subject to Compromise	**$ 2,825**

(a) Includes both current and noncurrent amounts.

Reorganization Income (Expense), net

"Reorganization income (expense), net" for the periods presented were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Backstop Premium	$ —	$ (70)	$ —
Gain (loss) on debt discharge	—	1,459	—
Gain (loss) on revaluation adjustments	—	(460)	—
Professional fees	—	(56)	(45)
Make-whole premiums and accrued interest on certain indebtedness	—	(21)	(184)
Professional fees incurred to obtain the DIP Facilities	—	—	(68)
Write-off of deferred financing cost and original issue discount	—	(46)	(30)
Other	—	(7)	(4)
Reorganization Income (Expense), net	**$ —**	**$ 799**	**$ (331)**

In the preceding table, make-whole premiums and accrued interest on certain indebtedness primarily represents charges recognized by the Debtors for estimates related to make-whole premiums and accrued interest, where applicable, on the Prepetition CAF and certain other Prepetition Secured Indebtedness. The charges are presented as "Reorganization income (expense), net" on the Condensed Consolidated Statement of Operations and included in "Accrued interest" on the Condensed Consolidated Balance Sheet.

Cash paid for reorganization expense, net, was $308 million for the period from January 1 through May 17, 2023 (Predecessor). Cash paid in the six months ended June 30, 2022 (Predecessor) for DIP Facilities financing fees is presented as "Financing Activities" on the Condensed Consolidated Statement of Cash Flows.

5. Risk Management, Derivative Instruments and Hedging Activities

Risk Management Objectives

We are exposed to risks arising from our business, including but not limited to market and commodity price risk, credit and liquidity risk and interest rate risk. The hedging and optimization strategies deployed by our commercial organization mitigate and (or) balance these risks within a structured risk management program in order to minimize near-term future cash flow volatility. Our risk management committee, comprised of certain senior management members across the organization, oversees the management of these risks in accordance with our risk policy. In turn, the risk management committee is overseen by the risk committee of the Company's board of directors.

The Company's board (including the risk committee) and management have established procedures to monitor, measure and manage hedging activities and credit risk in accordance with the risk policy.

Key risk control activities, which are designed to ensure compliance with the risk policy include, among other activities, credit review and approval, validation of transactions and market prices, verification of risk and transaction limits, portfolio stress tests, analysis and monitoring of margin at risk and daily portfolio reporting.

Market and Commodity Price Risk. Volatility in the wholesale power generation markets provides uncertainty in the future performance and cash flows of the business. The price risk Talen is exposed to includes the price variability associated with future sales and (or) purchases of power, natural gas, coal, uranium, oil products, environmental products and other energy commodities in competitive wholesale markets. Several factors influence price volatility, including: seasonal changes in demand; weather conditions; available regional load-serving supply; regional transportation and (or) transmission availability; market liquidity; and federal, regional and state regulations.

Within the parameters of our risk policy, we generally utilize conventional first lien, exchange-traded and over-the-counter traded derivative instruments, and in certain instances, structured products, to economically hedge the commodity price risk of the forecasted future sales and purchases of commodities associated with our generation portfolio.

Open commodity purchase (sales) derivatives at June 30, 2023 (Successor) range in maturity through 2026. The net notional volumes of open commodity derivatives were:

	Successor	Predecessor
	June 30, 2023 (a)	December 31, 2022 (a)
Power (MWh)	(35,932,185)	(34,810,559)
Natural gas (MMBtu)	48,784,300	57,621,580
Emission allowances (tons)	2,850,000	5,000,000

(a) The volumes may be less than the contractual volumes, as the probability that option contracts will be exercised is considered in the volumes displayed.

Interest Rate Risk. Talen is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows associated with existing floating rate debt issuances. To reduce interest rate risk, derivative instruments are utilized to economically hedge the interest rates for a predetermined contractual notional amount, which results in a cash settlement between counterparties. To the extent possible, first lien interest rate fixed-for-floating swaps are utilized to hedge this risk.

Open interest rate derivatives at June 30, 2023 (Successor) range in maturity dates through 2023. The net notional volumes of open interest rate derivatives were:

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Interest rate (in millions) (a)	$ 260	$ 289

(a) Value at June 30, 2023 and December 31, 2022 relates to LMBE-MC indebtedness. This indebtedness was repaid in August 2023 and these derivatives were terminated.

Credit Risk. Credit risk, which is the risk of financial loss if a customer, counterparty or financial institution is unable to perform or pay amounts due, is inherent within cash and cash equivalents, restricted cash and cash equivalents, derivative instruments and accounts receivable. The maximum amount of credit exposure associated with financial assets is equal to the carrying value. Credit risk, which cannot be completely eliminated, is mitigated through a number of practices such as ongoing reviews of counterparty creditworthiness, prepayment, inclusion of termination rights in contracts which are triggered by certain events of default and executing master netting arrangements which permit amounts between parties to be offset. Additionally, credit enhancements such as cash deposits, letters of credit and credit insurance may be employed to mitigate credit risk.

Cash and cash equivalents are placed in depository accounts or high-quality short-term investments with major international banks and financial institutions. Individual counterparty exposure from over-the-counter derivative instruments is managed within predetermined credit limits and includes the use of master netting arrangements and cash-call margins, when appropriate, to reduce credit risk. Exchange-traded commodity contracts, which are executed through futures commission merchants, have minimal credit risk because they are subject to mandatory margin requirements and are cleared with an exchange. However, Talen is exposed to the credit risk of the futures commission merchants arising from daily variation margin cash calls. Restricted cash and cash equivalents deposited to meet initial margin requirements are held by futures commission merchants in segregated accounts for the benefit of Talen.

Outstanding accounts receivable include those from sales of capacity, generated electricity and ancillary services through contracts directly with ISOs and RTOs and realized settlements of physical and financial derivative instruments with commodity marketers. Additionally, Talen carries accounts receivable due from joint owners for their portion of operating and capital costs for certain jointly owned facilities that are operated by the Company. The majority of outstanding receivables, which are continually monitored, have customary payment terms. Allowances for doubtful accounts were $6 million at both June 30, 2023 (Successor) and December 31, 2022 (Predecessor).

Concentrations of Credit Risk. At June 30, 2023 (Successor), Talen’s aggregate credit exposure, which excludes the effects of netting arrangements, cash collateral, letters of credit and any allowances for doubtful collections, was $975 million and its credit exposure net of such effects was $245 million. Excluding ISO and RTO counterparties, whose accounts receivable settlements are subject to applicable market controls, the ten largest single net credit exposures account for approximately 93% of Talen's total net credit exposure, which are primarily with entities assigned investment grade credit ratings.

Credit Risk Contingent Features. Certain derivative instruments contain credit risk-related contingent features, which may require us to provide cash collateral, letters of credit or guarantees from a creditworthy entity if the fair value of a liability eclipses a certain threshold or upon a decline in our credit rating. The fair value of derivative instruments in a net liability position, and that contain credit risk-related contingent features, were a non-material amount at June 30, 2023 (Successor) and December 31, 2022 (Predecessor).

Effect of Netting. Generally, the right of setoff within master netting arrangements permits the fair value of derivative assets to be offset with derivative liabilities. As an election, derivative assets and derivative liabilities are presented on the Condensed Consolidated Balance Sheets with the effect of such permitted netting at June 30, 2023 (Successor), while derivative assets and derivative liabilities are presented on the Condensed Consolidated Balance Sheets without the effect of such permitted netting at December 31, 2022 (Predecessor). See Note 2 for information on this policy election change.

The net amounts of "Derivative instruments" presented as assets and liabilities on the Condensed Consolidated Balance Sheets considering the effect of permitted netting and where cash collateral is pledged in accordance with the underlying agreement were:

	Gross Derivative Instruments	Eligible for Offset	Liabilities Subject to Compromise	Net Derivative Instruments	Collateral (Posted) Received	Net Amounts
June 30, 2023 (Successor)						
Assets	$ 820	$ (649)	$ —	$ 171	$ —	$ 171
Liabilities	783	(649)	—	134	(56)	78
December 31, 2022 (Predecessor)						
Assets	$ 2,393	$ (2,194)	$ —	$ 199	$ —	$ 199
Liabilities (a)	2,291	(2,194)	1	96	(75)	21

(a) Includes amounts that are presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 4 for additional information.

Derivative Instrument Presentation

The fair value of derivative instruments presented within assets and liabilities on the Condensed Consolidated Balance Sheets were:

	Successor		Predecessor (a)	
	June 30, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	$ 164	$ 50	$ 2,156	$ 1,928
Interest rate contracts	5	—	9	—
Less: amounts presented as "Liabilities subject to compromise"	—	—	—	1
Total current derivative instruments	**$ 169**	**$ 50**	**$ 2,165**	**$ 1,927**
Commodity contracts	$ 2	$ 28	$ 228	$ 363
Total non-current derivative instruments	**$ 2**	**$ 28**	**$ 228**	**$ 363**

(a) A portion of liability values has been presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 4 for additional information.

All commodity and interest rate derivatives are economic hedges where the changes in fair value are presented immediately in income as unrealized gains and losses. Changes in the fair value and realized settlements on commodity derivative instruments are presented as separate components of "Energy revenues" and "Fuel and energy purchases" on the Condensed Consolidated Statements of Operations. Changes in fair value and realized settlements of interest rate derivatives are presented as "Interest expense and other finance charges" on the Condensed Consolidated Statements of Operations. See Note 14 for additional information on fair value.

The location and pre-tax effect of derivative instruments presented on the Condensed Consolidated Statements of Operations were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Realized gain (loss) on commodity contracts			
Energy revenues (a)	$ 70	$ 644	$ (433)
Fuel and energy purchases (a)	(20)	(34)	73
Unrealized gain (loss) on commodity contracts			
Operating revenues (b)	$ 87	$ 60	$ 184
Energy expenses (b)	(46)	(123)	22
Realized and unrealized gain (loss) on interest rate contracts			
Interest expense and other finance charges	$ 1	$ —	$ 25

(a) Does not include those derivative instruments that settle through physical delivery.
(b) Presented as “Unrealized gain (loss) on derivative instruments” on the Condensed Consolidated Statements of Operations.

Contract Terminations

Commodity Hedge Terminations. In March and April 2022, Talen and a commercial counterparty terminated certain outstanding economic hedges that were scheduled to be priced and delivered from April 2022 through December 2022. As a result, Talen realized a $124 million termination loss in the six months ended June 30, 2022 (Predecessor) and settled the obligation on a monthly basis through January 2023. The realized termination losses are presented as "Energy revenues" on the Condensed Consolidated Statement of Operations and repayments are presented as "Derivatives with financing elements" on the Consolidated Statement of Cash Flows.

In May 2022, certain commodity counterparties terminated power and natural gas agreements with a carrying value and fair value of $(33) million prior to the agreements' scheduled maturity dates. Accordingly, for the six months ended June 30, 2022 (Predecessor), Talen recognized a $33 million net loss presented as either "Energy revenues" or "Fuel and energy purchases" on the Condensed Consolidated Statement of Operations.

Interest Rate Swap Terminations. In May 2022, certain financing counterparties terminated interest rate swap agreements with a carrying value and fair value of $11 million prior to the agreements' scheduled termination dates. The total notional amount terminated was approximately $500 million. As a result, Talen recognized a realized gain of $11 million to "Interest expense and other finance charges" on the Condensed Consolidated Statement of Operations during the six months ended June 30, 2022 (Predecessor).

6. Revenue

The disaggregation of our operating revenues for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Capacity revenues	$ 26	$ 108	$ 247
Electricity sales and ancillary services, ISO/RTO	130	281	934
Physical electricity sales, bilateral contracts, other	6	62	189
Other revenue	15	27	—
Total revenue from contracts with customers	**177**	**478**	**1,370**
Realized and unrealized gain (loss) on derivative instruments	124	732	(282)
Operating revenues	**$ 301**	**$ 1,210**	**$ 1,088**

Accounts Receivable

Accounts receivable, net presented on the Condensed Consolidated Balance Sheets were:

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Customer accounts receivable	$ 57	$ 350
Other accounts receivable	93	58
Accounts receivable, net	**$ 150**	**$ 408**

There have been no significant changes in accounts receivable other than normal billing and collection transactions. See Note 5 for additional information on Talen's credit risk on the carrying value of its receivables.

Deferred Revenue

Deferred revenues that were: (i) presented as a liability on the Condensed Consolidated Balance Sheets at June 30, 2023 (Successor) and December 31, 2022 (Predecessor) or (ii) recognized as revenue on the Condensed Consolidated Statements of Operations were not material.

Future Performance Obligations

In the normal course of business, Talen has future performance obligations for capacity sales awarded through market-based capacity auctions and (or) for capacity sales under bilateral contractual arrangements.

At June 30, 2023 (Successor), the expected future period capacity revenues subject to unsatisfied or partially unsatisfied performance obligations were:

	2023 (a)	2024	2025	2026	2027
Expected capacity revenues	$ 88	$ 170	$ 70	$ 3	$ 1

(a) For the period from June 30, 2023 through December 31, 2023.

The PJM capacity auctions for the 2025/2026 PJM Capacity Year and for any years thereafter have not yet been held. See Note 12 for additional information on the PJM Capacity Market and auctions.

7. Income Taxes

The components of "Income tax benefit (expense)" for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Federal	$ (3)	$ (15)	$ (8)
State	—	(2)	—
Current income taxes	**(3)**	**(17)**	**(8)**
Federal	(15)	(184)	87
State	(1)	(11)	(32)
Deferred income taxes	**(16)**	**(195)**	**55**
Investment tax credit	—	—	1
Income tax benefit (expense)	**$ (19)**	**$ (212)**	**$ 48**
Income (loss) before income taxes	$ 50	$ 677	$ (1,202)
Effective income tax rate	**38.0 %**	**31.3 %**	**4.0 %**

Effective Tax Rate Reconciliations

The reconciliations of the effective tax rate for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Income (loss) before income taxes	$ 50	$ 677	$ (1,202)
Income tax benefit (expense)	(19)	(212)	48
Effective tax rate (a)	**38.0 %**	**31.3 %**	**4.0 %**
Federal income tax statutory tax rate	21 %	21 %	21 %
Income tax benefit (expense) computed at the federal income tax statutory tax rate	$ (10)	$ (143)	$ 252
Income tax increase (decrease) due to:			
State income taxes, net of federal benefit	(2)	(34)	61
Change in valuation allowance	2	129	(282)
Permanent differences	(3)	(16)	(12)
Nuclear decommissioning trust taxes	(6)	(9)	28
Reorganization Adjustments	—	(138)	—
Investment tax credit	—	—	1
Other	—	(1)	—
Income tax benefit (expense)	**$ (19)**	**$ (212)**	**$ 48**

(a) The effective tax rate for the Successor period differed from the statutory rate primarily due to the additional 20% trust tax on the NDT income.

Reorganization Adjustments

The Company evaluated the tax impact of the Reorganization including the change in control resulting from Emergence. In Chapter 11 bankruptcy cases, the cancellation of debt income realized upon Emergence is excludable from taxable income but results in reduction of tax attributes. As a result of Emergence, the Successor experienced an ownership change under Section 382 of the Internal Revenue Code, which is anticipated to subject certain remaining tax attributes an annual limitation. States generally have similar tax attribute limitation rules following an ownership change. See Note 3 for more information on the Restructuring. Upon Emergence, the Company also applied fresh start accounting. As a result, deferred tax assets and liabilities were adjusted based on the Successor US GAAP financial statements. See Note 4 for more information on Fresh Start Accounting.

Valuation Allowance

Management assesses the available positive and negative evidence to estimate whether it is more likely than not that sufficient future taxable income will be generated to permit use of existing deferred tax assets. The assessment of future taxable income includes the scheduled reversal of taxable temporary differences, projected future taxable income, tax planning strategies and results of recent operations. For the January 1 through May 17, 2023 (Predecessor) period, Talen recognized a $129 million benefit for the reduction of federal and state valuation allowance. This release of valuation allowance was caused by tax attribute reduction from the cancellation of debt income realized upon Emergence. For the six months ended June 30, 2022 (Predecessor) period, Talen recognized a $282 million expense for the increase in federal and state valuation allowances, primarily related to pre-tax losses incurred in the period. At each period, management will continue to assess the available positive and negative evidence to determine the need for a valuation allowance.

Inflation Reduction Act of 2022

Under the Inflation Reduction Act, the nuclear production tax credit program provides qualified nuclear power generation facilities with a $3 per MWh transferable credit for electricity produced and sold to an unrelated party during each tax year. Electricity produced and sold by Susquehanna after December 31, 2023 through December 31, 2032 is expected to qualify for the credit, which is subject to potential adjustments. Such adjustments include inflation escalators, a five-times increase in tax credit value (to $15 per MWh) if the qualifying generation facility meets prevailing wage requirements, and a pro-rata decrease in tax credit value once the annual gross receipts of a qualifying generation facility exceed $25 per MWh. We believe Susquehanna will qualify for these adjustments. The annual pro-rata decrease will be based upon a portion of the qualifying generation facility's prior year gross receipts (as defined and calculated per implementation guidelines to be issued). The credit is eliminated when the annual gross receipts are equivalent to $43.75 per MWh (adjusted for inflation). Susquehanna generated approximately 18 million MWhs each year in 2020 through 2022.

These changes are expected to increase Susquehanna Nuclear’s income and impact the expected returns for Talen’s potential future clean energy development projects. However, the Act’s provisions are subject to implementation regulations, whose terms are not yet known, and are subject to amendment by future legislation and, as such, Talen cannot fully predict the impacts to its liquidity or results of operations.

8. Inventory

	Successor June 30, 2023	Predecessor December 31, 2022
Coal	$ 171	$ 189
Oil products	69	61
Fuel inventory for electric generation	**240**	**250**
Materials and supplies, net	57	195
Environmental products	21	12
Inventory, net	**$ 318**	**$ 457**

Inventory was adjusted to fair value after the Emergence Date. See Note 4 for additional information.

Net realizable value and obsolescence charges on coal and fuel oil inventories are presented as "Other operating income (expense), net" on the Condensed Consolidated Statements of Operations. Such non-cash charges were a non-material amount for the period from May 18 through June 30, 2023 (Successor), $37 million for the period from January 1 through May 17, 2023 (Predecessor), and a non-material amount for the six months ended June 30, 2022 (Predecessor).

Net realizable value and obsolescence charges on materials and supplies inventories are presented as "Operation, maintenance and development" on the Condensed Consolidated Statements of Operations. Such non-cash charges were a non-material amount for the period from May 18 through June 30, 2023 (Successor), January 1 through May 17, 2023 (Predecessor) and a non-material amount for the six months ended June 30, 2022 (Predecessor).

Net realizable value and obsolescence charges for the period from January 1 through May 17, 2023 (Predecessor) includes an aggregate $24 million charge for Brandon Shores inventories. See Note 10 for additional information on the Brandon Shores recoverability assessment.

9. Nuclear Decommissioning Trust Funds

	Successor				Predecessor			
	June 30, 2023				December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents	$ 11	$ —	$ —	$ 11	$ 6	$ —	$ —	$ 6
Equity securities	481	531	58	954	521	485	69	937
Debt securities	538	1	5	534	507	1	31	477
Receivables (payables), net	—	—	—	—	(20)	—	—	(20)
Nuclear decommissioning trust funds	**$ 1,030**	**$ 532**	**$ 63**	**$ 1,499**	**$ 1,014**	**$ 486**	**$ 100**	**$ 1,400**

See Note 14 for additional information on the NDT fair value. There were no available-for-sale debt securities with credit losses at June 30, 2023 or December 31, 2022.

As of June 30, 2023, there was no intent to sell available-for-sale debt securities with unrealized losses, and it is not more likely than not that each of these investments will be required to be sold before the recovery of its amortized cost. The aggregate related fair value of available-for-sale debt securities with unrealized losses for the Successor at June 30, 2023 were:

	Fair Value	Unrealized Losses
Corporate debt securities	$ 89	$ (1)
Municipal debt securities	83	(1)
U.S. Government debt securities	279	(3)
Total debt securities in unrealized loss position (a)	**$ 451**	**$ (5)**

(a) Unrealized losses primarily attributed to widening credit spreads.

There were securities for the Successor with a fair value of $75 million that at June 30, 2023 were in a non-material unrealized loss position for a duration of one year or longer.

The contractual maturities for available-for-sale debt securities presented on the Condensed Consolidated Balance Sheets were:

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Maturities within one year	$ 16	$ 32
Maturities within two to five years	226	173
Maturities thereafter	292	272
Debt securities, fair value	**$ 534**	**$ 477**

The sales proceeds, gains, and losses for available-for-sale debt securities for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Sales proceeds of nuclear decommissioning trust funds investments (a)	$ 271	$ 839	$ 1,128
Gross realized gains	—	7	4
Gross realized (losses)	(2)	(12)	(27)

(a) Sales proceeds are used to pay income taxes and trust management fees. Remaining proceeds are reinvested in the trust.

10. Property, Plant and Equipment

	Successor			Predecessor		
	June 30, 2023			December 31, 2022		
	Cost	Accumulated Provision	Carrying Value	Cost	Accumulated Provision	Carrying Value
Electric generation	$ 3,137	$ (20)	$ 3,117	$ 10,596	$ (6,797)	$ 3,799
Nuclear fuel	227	(11)	216	491	(316)	175
Other property and equipment	284	(4)	280	157	(82)	75
Intangible assets	—	—	—	137	(64)	73
Capitalized software	4	—	4	102	(95)	7
Construction work in progress	246	—	246	576	—	576
Property, plant and equipment, net	**$ 3,898**	**$ (35)**	**$ 3,863**	**$ 12,059**	**$ (7,354)**	**$ 4,705**

Property, plant, and equipment was adjusted to fair value after the Emergence Date. See Note 4 for additional information.

The components of "Depreciation, amortization and accretion" presented on the Condensed Consolidated Statements of Operations were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Depreciation expense (a)	$ 23	$ 173	$ 226
Amortization expense (b)	1	4	6
Accretion expense (c)	4	24	39
Qualifying derivative (gain) loss, net (d)	—	(1)	(1)
Depreciation, amortization, and accretion	**$ 28**	**$ 200**	**$ 270**

(a) Electric generation and other property and equipment.
(b) Intangible assets and capitalized software.
(c) ARO and accrued environmental cost accretion. See Note 11 for additional information.
(d) Reclassified from AOCI.

The cost of nuclear fuel is charged to "Nuclear fuel amortization" on the Condensed Consolidated Statements of Operations.

Favorable Supply Contracts. At the Emergence Date, the Company recognized certain favorable supply contracts for nuclear fuel at their fair value of $109 million in "Other noncurrent assets" on the Condensed Consolidated Balance Sheets. See Note 4 for additional information. During the period from May 18 through June 30, 2023 (Successor), the Company recorded $14 million in amortization expense and the carrying value of these assets at June 30, 2023 was $95 million. For the remainder of 2023, we expect amortization expense to be $39 million. Estimated amortization expense for the next five years is $33 million in 2024, $14 million in 2025, $5 million in 2026, $3 million in 2027, and $1 million in 2028 and after.

2023 Impairments

Brandon Shores Asset Group. Brandon Shores is required by contract and permit to cease coal combustion by December 31, 2025. In the first quarter 2023, Talen canceled its plan to convert Brandon Shores to an oil combustion facility due to increased costs. This decision triggered a recoverability assessment of the carrying value of the Brandon Shores asset group. Additionally, Brandon Shores notified PJM that it will deactivate electric generation on June 1, 2025.

The recoverability analysis indicated that the Brandon Shores asset group carrying value exceeded its future estimated undiscounted cash flows which required an impairment charge to amend the asset group's carrying value of its property, plant and equipment to its estimated fair value. The estimated fair value of the asset group was determined by a discounted cash flow technique that utilized significant unobservable inputs including an 11% discount rate. We believe that the utilized discount rate and other discounted cash flow assumptions are consistent with those used by principal market participants. Such assumptions consider available evidence regarding the prospects of future cash flows for the Brandon Shores asset group, including, but not limited to estimated available future generation volumes and useful lives, capacity prices, energy prices, operating costs, capital expenditures, and environmental costs. Accordingly, in 2023, Talen recognized a non-cash pre-tax impairment charge on its undepreciated property, plant and equipment related to Brandon Shores of $361 million for the period from January 1 through May 17, 2023 (Predecessor), which is presented as "Impairments" on the Condensed Consolidated Statements of Operations.

11. Asset Retirement Obligations and Accrued Environmental Costs

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Asset retirement obligations	$ 447	$ 751
Accrued environmental costs	20	35
Total asset retirement obligations and accrued environmental costs	467	786
Less: asset retirement obligations and accrued environmental costs due within one year (a)	23	—
Less: amounts presented as "Liabilities subject to compromise"	—	219
Asset retirement obligations and accrued environmental costs due after one year	**$ 444**	**$ 567**

(a) Presented as "Other current liabilities" at June 30, 2023 (Successor) and as "Liabilities subject to compromise" at December 31, 2022 (Predecessor) on the Condensed Consolidated Balance Sheets.

As a result of the Restructuring: (i) certain portion of ARO and accrued environmental costs were presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets at December 31, 2022 (Predecessor); and (ii) ARO and accrued environmental costs were adjusted to fair value upon completion of the Restructuring. These adjustments included establishing a new discount rate for the ARO obligations, which resulted in a decrease to the value of the obligations for our nuclear facility and an increase in the value of our non-nuclear obligations. See Note 4 for additional information.

Asset Retirement Obligations

The changes of the ARO carrying value during the periods were:

	ARO Rollforward
Carrying value, January 1, 2022 (Predecessor)	**$ 760**
Obligations settled	(4)
Changes in estimates and (or) settlement dates	(1)
Obligations incurred	7
Accretion expense	38
Carrying value, June 30, 2022 (Predecessor)	**$ 800**
Carrying value, January 1, 2023 (Predecessor)	$ 751
Obligations settled	(11)
Changes in estimates and (or) settlement dates	3
Accretion expense	23
Carrying value, May 17, 2023 (Predecessor)	**$ 766**
Fair value adjustment at Emergence	(321)
Obligations settled	(2)
Accretion expense	4
Carrying value, June 30, 2023 (Successor)	**$ 447**

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Supplemental Information		
Nuclear (a)	$ 202	$ 564
Non-Nuclear (b)	245	187
Carrying value	**$ 447**	**$ 751**

(a) Obligations are expected to be settled with available funds in the NDT at the time of decommissioning.
(b) Certain obligations are (i) partially supported by surety bonds, some of which have been collateralized with cash and (or) LCs or (ii) partially pre-funded under phased installment agreements.

See Note 14 for additional information on Susquehanna Nuclear's NDT.

See "Talen Montana Financial Assurance" in Note 12 for additional information on Talen Montana's requirement to provide financial assurance related to certain environmental decommissioning and remediation liabilities related to the Colstrip Units.

12. Commitments and Contingencies

Litigation

Talen is involved in certain legal proceedings, claims and litigation. While we believe that we have meritorious positions and will continue to defend our positions vigorously in these matters, we may not be successful in our efforts. If an unfavorable outcome is probable and can be reasonably estimated, a liability is recognized. In the event of an unfavorable outcome, the liability may be in excess of amounts currently accrued. Because of the inherently unpredictable nature of legal proceedings and the and the wide range of potential outcomes for any such matter, no estimate of the possible losses in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described below. As a result, additional losses actually incurred in excess of amounts accrued could be substantial.

Talen Restructuring. Upon Emergence in May 2023, pursuant to the Plan of Reorganization, the Debtors' liability was discharged for certain claims arising prior to commencement of the Restructuring. The Debtors may still be liable for certain post-petition claims, including claims arising after commencement of the Restructuring, claims asserted against Talen Energy Corporation, which are unimpaired under the Plan of Reorganization, and claims asserted by parties that did not receive notice of the Restructuring under applicable bankruptcy law. We will continue to defend our positions against any such claims. See Note 3 for additional information on the Restructuring.

Montana Hydroelectric Litigation. Talen Montana is a defendant in litigation currently pending in the U.S. District Court for the District of Montana relating to Talen Montana's past ownership and operation of hydroelectric generation facilities in Montana, which were sold to NorthWestern in November 2014. In connection with the sale, Talen Montana agreed to retain liability with respect to this litigation, if any, attributable to time periods prior to closing of the sale.

The lawsuit was originally filed in 2003 and alleges that the streambeds underlying the facilities are owned by the State of Montana (the State), and that Talen Montana owes the State compensation for the use of the streambeds. In 2012, the U.S. Supreme Court unanimously overturned judgments of the Montana state courts that had held in favor of the State of Montana and remanded the case to the Montana state courts for further proceedings. In April 2016, following an extended period of inactivity, the State filed an updated complaint against both Talen Montana and NorthWestern, making allegations substantially similar to those in the original suit. The case was subsequently removed to the U.S. District Court for the District of Montana (the Montana District Court). In August 2018, the Montana District Court granted Talen Montana's motion to dismiss claims related to several facilities near Great Falls, Montana. These facilities represented approximately 50% of the damages awarded in the prior judgments that were overturned by the U.S. Supreme Court. In February 2019, the Montana District Court joined the United States and certain federal government entities as co-defendants based on the federal ownership interests in certain of the applicable streambeds. In October 2019, the State filed an amended complaint, adding claims against the United States under the Federal Quiet Title Act. A bench trial on the issue of defendants' liability was held in January 2022. The court has not yet issued a decision. Upon Emergence in May 2023, Talen Montana's liability on all claims asserted by the State was discharged under the Debtors' Plan of Reorganization.

ERCOT Weather Event Lawsuits. Beginning in March 2021, Talen subsidiaries that own the Barney Davis, Nueces Bay and Laredo generation facilities along with many other market participants in ERCOT were sued in multiple Texas state courts. The lawsuits were consolidated into a multi-district litigation pre-trial court (MDL). In these suits, the plaintiffs allege, among other things, that they suffered loss of life, personal injury and (or) property damage due to the defendants' failure to properly prepare their facilities to withstand extreme winter weather and due to defendants' other operational failures during Winter Storm Uri. Numerous insurance company plaintiffs also seek to recover payments to policyholders for damage to residential and commercial properties caused by Winter Storm Uri. The plaintiffs seek unspecified compensatory, punitive and other damages. In January 2023, the MDL court denied a motion to dismiss filed by the generation defendants, who are currently seeking appellate review. Plaintiffs asserting prepetition Winter Storm Uri claims are limited to recovering any damages from the Talen defendants' insurers pursuant to the Plan of Reorganization. Certain plaintiffs filed lawsuits asserting Winter Storm Uri claims after commencement of the Restructuring. Any such plaintiffs that did not receive effective notice of the Restructuring under applicable bankruptcy law may not be subject to the terms of the Plan of Reorganization. Talen cannot predict the outcome of this matter for any such claims or its effect on Talen.

In June 2021, Talen Energy Corporation intervened in five cases in which certain market participants are challenging the validity of two PUCT's orders directing ERCOT to ensure energy prices were at their maximum of $9,000/MWh during Winter Storm Uri. One case has since been dismissed. Of the remaining cases, one case is pending in the Texas Third Court of Appeals, and two of these cases are pending in State District Court in Travis County, Texas. All of these cases have been abated pending a decision in the primary case, *Luminant v. PUCT*. In March 2023, the Third Court of Appeals issued an opinion in *Luminant v. PUCT* that, in part, reversed and remanded the PUCT's order directing ERCOT to ensure prices were at their maximum of $9,000/MWh during Winter Storm Uri because such orders exceeded the PUCT's authority. The PUCT (along with Talen Energy Corporation and others) has requested leave to appeal to the Texas Supreme Court. Talen cannot predict the timing or outcome of these cases or their ultimate effect on the PUCT's orders during Winter Storm Uri; however, changes in one or more of the PUCT's orders could have a material adverse effect on Talen's results of operations and liquidity.

Kinder Morgan Litigation. In June 2021, Kinder Morgan filed a suit in Texas state court against Talen Energy Marketing, Nueces Bay and affiliates of Texas Eastern Transmission and NextEra. In the suit, Kinder Morgan alleged, among other things, that Talen agreed to purchase natural gas from it during Winter Storm Uri at the then-prevailing market rate. The case was removed to the Bankruptcy Court. In May 2023, Talen and Kinder Morgan agreed to a settlement in the suit. Under the terms of the settlement, Talen paid Kinder Morgan $10 million, assigned its related claims against NextEra and entered into certain long-term commercial agreements with Kinder Morgan affiliates.

PPL/Talen Montana Litigation. In October 2018, the Talen Montana Retirement Plan filed a class action suit in Montana state court against PPL, its affiliates, and certain officers and directors relating to a distribution by Talen Montana to PPL of $733 million of net proceeds from the sale of Talen Montana's hydroelectric facilities in November 2014 (the Distribution). The action claims that PPL and its directors improperly made the Distribution, leaving Talen Montana without adequate funds to pay its obligations. Plaintiff seeks compensatory and punitive damages. In January 2020, PPL filed a motion to dismiss this suit for, among other things, lack of personal jurisdiction. In September 2020, the Montana state court denied PPL's motion to dismiss, but granted a stay of the Montana claims until resolution of the Delaware case described below.

In November 2018, PPL filed a lawsuit in Delaware Court of Chancery (Delaware Court) against Talen and certain affiliates seeking, among other things, indemnity from Talen for the claims asserted in the Montana state lawsuit and a declaratory judgment that such claims asserted in the Montana state lawsuit are without merit and that Talen entities do not have standing to bring such claims. In October 2019, the Delaware Court granted Talen defendants' motion to dismiss one of PPL's claims but denied Talen defendants' other requests for dismissal.

Finally, after the commencement of the Restructuring, Talen Montana filed an adversary complaint against PPL and its affiliates in the Bankruptcy Court. The adversary complaint asserts claims similar to those asserted in the Montana action. The Montana and Delaware cases were removed to the Bankruptcy Court in August 2022, which consolidated them with the adversary proceeding, Talen Montana and Talen Energy Supply filed an amended and consolidated complaint which asserts substantially the same fraudulent transfer claims, an indemnity claim to recover damages, including defense costs, arising from PPL's claims, and claims under the Bankruptcy Code to disallow claims asserted by PPL and its affiliates in the Bankruptcy Court and to subordinate any such claims that are allowed. In September 2022, the PPL defendants filed counterclaims substantially similar to the claims asserted in the Delaware Court. In June 2023, the Bankruptcy Court denied the PPL defendants' motion for partial summary judgment on statute of repose and other limitations alleged to be applicable to Talen Montana's fraudulent transfer claims and set the case for trial in February 2024. The Talen defendants' liability on all claims asserted by the PPL defendants, except for claims asserted against Talen Energy Corporation, was discharged under the Plan of Reorganization. Talen Montana and its affiliates believe that PPL's claims are without merit and intend to vigorously prosecute and defend these actions. Talen Montana and Talen cannot predict the outcome of this matter or its effect on Talen Montana and Talen; however, a material positive or adverse judgment could effect Talen's results of operations and liquidity.

Pension Litigation. In November 2020, four former Talen employees filed a lawsuit in the U.S. District Court for the Eastern District of Pennsylvania against Talen Energy Supply, Talen Energy Corporation, the TERP, and the TERP committee, alleging that they are owed enhanced benefits under the TERP because (i) either: (a) the 2015 Talen Formation Transactions or (b) the 2016 take-private transaction constituted a change in control as defined in the TERP; and (ii) their employment was terminated within three years following such change in control. The lawsuit seeks class action status on behalf of all Talen non-union employees (or their surviving beneficiaries) whose employment was terminated between June 1, 2015 and December 5, 2019 and who were age 55 or older at the time of termination. In January 2022, plaintiffs filed a motion for class certification. The case was abated during the Restructuring, through January 31, 2023. In March 2023, the Court granted plaintiffs leave to amend their complaint to add ten former retirement plan committee members as defendants. At this time, we cannot predict the outcome of this matter or its effect on Talen; however, a material adverse judgment could have an adverse effect on Talen's results of operations and liquidity.

Railroad Surcharge Litigation. In September 2019, Talen Energy Supply and certain of its subsidiaries filed suit in the U.S. District Court for the Southern District of Texas, alleging that the four major railroads in the United States, BNSF Railway Company, CSX Transportation, Inc., Norfolk Southern Railway Company and Union Pacific Railroad Company (collectively, the Railroads), violated the U.S. antitrust laws by conspiring during the periods from July 2003 through December 2008 to use fuel surcharges as a means to raise price for rail freight shipments. Numerous other plaintiff shippers in various jurisdictions throughout the United States have filed similar lawsuits. The Talen plaintiffs claim that they paid higher rail freight shipment rates than they otherwise would have paid absent the alleged conspiracy and seek treble damages under the antitrust laws. The litigation has been consolidated in the District Court for the District of Columbia with similar lawsuits under the multi-district litigation rules. At this time, Talen cannot predict the outcome of this matter.

Spent Nuclear Fuel Litigation. There remains substantial uncertainty regarding the nuclear industry's permanent disposal of spent nuclear fuel. Federal law requires the U.S. Government to provide for the permanent disposal of commercial spent nuclear fuel. Prior to May 2014, nuclear generation facility operators were required to contribute to a fund to pay for the transportation and disposal of spent nuclear fuel. In May 2014, this fee was reduced to zero. Talen cannot predict if or when the U.S. Government will increase this fee in the future, which could result in significant additional costs to Susquehanna Nuclear.

In addition, in May 2011, Susquehanna Nuclear entered into an agreement with the U.S. Government to settle the U.S. Government's breach of contract to accept and dispose of spent nuclear fuel by the statutory deadline. The settlement agreement required the U.S. Government to reimburse certain costs to temporarily store spent nuclear fuel at the Susquehanna nuclear generation facility. In exchange, Susquehanna Nuclear waived any claims against the U.S. Government for costs paid or injuries sustained related to temporarily storing spent nuclear fuel. A claim for such costs was submitted under the agreement in 2023 for costs incurred in 2022. This agreement has been extended four times, most recently in May 2023, through the end of 2025. We cannot be certain that subsequent amendments will extend these arrangements beyond 2025.

Other. In the normal course of Talen's business, we are party to various legal proceedings, claims, and litigation arising from current or past operations. While the outcome of these matters is uncertain, the likely results are not presently expected, either individually or in the aggregate, to have a material adverse effect on our financial condition or results of operations.

Regulatory

Talen is subject to regulation by federal and state agencies in the various regions where we conduct business, including but not limited to: FERC; the Department of Energy; Federal Communications Commission; NRC; NERC; public utility commissions in various states in which we conduct business; and RTOs and ISOs in the regions in which we conduct business. Talen is party to proceedings before such agencies arising in the ordinary course of business and has other regulatory exposure due to new or amended regulations promulgated by such agencies from time to time. While the outcome of these regulatory matters and proceedings is uncertain, the likely results are not expected, either individually or in the aggregate, to have a material adverse effect on our financial condition or results of operations, although the effect could be material to our results of operations in any interim reporting period.

PJM Capacity Market

PJM MOPR. In July 2021, PJM filed its proposed tariff language that significantly reduces the application of the existing PJM MOPR by applying it only when the state requires an entity to act in a certain manner in the capacity market in exchange for receiving a subsidy. As FERC did not act on PJM's July 2021 filing, the PJM MOPR tariff language went into effect in September 2021. FERC did not act on requests for rehearing within 30 days and the requests were deemed to be denied by operation of law. Appeals relating to the narrowed PJM MOPR are pending before the U.S. Court of Appeals for the Third Circuit. As a result, the final impact on Talen's financial condition, results of operations, or liquidity is not known at this time.

IIn June 2023, FERC accepted a request by PJM to delay certain PJM Base Residual Auctions in order to propose additional changes to the PJM RPM. The delay schedules the PJM Base Residual Auctions for 2025/2026 in June 2024, 2026/2027 in December 2024, 2027/2028 in June 2025, and 2028/2029 in December 2025.

PJM 2024/2025 Base Residual Auction. PJM delayed the release of the 2024/2025 PJM Base Residual Auction results due to certain issues. In December 2022, PJM filed a request with FERC to revise its tariff to enable PJM to adjust an auction parameter and to make adjustments to subsequent auction outcomes if similar issues arise in future auctions. In February 2023, FERC approved PJM's filing, which is currently subject to market participant requests for a rehearing. On February 27, 2023, PJM released its 2024/2025 auction results.

PJM Market Seller Offer Cap. In March 2021, FERC responded to complaints filed by the PJM IMM on behalf of PJM and various consumer advocates alleging that the PJM MSOC was above a competitive offer level and was, therefore, unjust and unreasonable. In September 2021, FERC issued an order requiring the PJM ACR for each generator to be determined administratively by the PJM IMM. In February 2022, FERC denied rehearing requests on its September 2021 order from multiple parties, including Talen. Talen and others have appealed the order. The final impact of this order on Talen's financial condition, results of operations or liquidity is unknown at this time.

PJM Capacity Reform. In February 2023, the PJM Board directed PJM and its stakeholders to resolve: (i) key issues that address the energy transition taking place in PJM; and (ii) issues observed from Winter Storm Elliott. The Board directive included reliability risks, risk drivers and resource availability. The stakeholder process is referred to as Critical Issue Fast Path ("CIFP"). PJM plans to make a filing at FERC regarding the CIFP changes in October 2023. Talen is participating in the CIFP process but it is too early in the process to determine impacts to Talen.

Winter Storm Elliot. See "Regulatory – Winter Storm Elliot" below for information relating to PJM Capacity Performance penalties and revenues arising from Winter Storm Elliott, which occurred from December 23 to 27, 2022.

ERCOT Market Systemic Risks. Due to the effects of Winter Storm Uri, certain market participants in ERCOT have defaulted on settlements and caused a deficit of payments to ERCOT. For example, a number of market participants, including co-ops and retail electric providers filed for bankruptcy protection following the winter events primarily in response to unpaid ERCOT settlement invoices. In May 2022, ERCOT reported a cumulative aggregate payment deficit of approximately $2.3 billion as result of winter storm events.

As a result of the ERCOT payment deficits, ERCOT has instituted "short payments." The short payments delay the remittance of cash for an uncertain period of time to non-defaulting market participants and will only be paid as ERCOT recovers money from defaulting parties or through the collection of default uplift payments.

In June 2021, Texas enacted a law that provides co-ops, retail electric providers and ERCOT the ability to finance, at low-interest rates, costs owed to ERCOT or outstanding default balances that are associated with Winter Storm Uri. Co-op and retail electric providers' related costs financed through the legislatively designed mechanisms are capped at $2.1 billion and will be repaid by each covered entity. ERCOT's costs financed through the legislatively designed mechanisms are capped at $800 million and will be repaid through a default charge that is applicable to all market participants. In November 2021, ERCOT notified market participants that payments authorized by the debt obligation order will be disbursed to affected ERCOT QSEs. In September 2022, ERCOT reached a settlement agreement with the largest defaulting co-op. In October 2022, Talen made disbursement elections to receive approximately $5 million for its portion of the $1.3 billion owed to applicable market participants. The ERCOT Board voted to approve the settlement agreement, and the co-ops' first payment to ERCOT occurred in December 2022, based on the agreed upon payment schedule over a period of years. The co-ops' second payment to ERCOT occurred in June 2023.

In January 2023, the PUCT adopted the PUCT PCM market design in response to a directive contained within Texas Senate Bill 3 from 2021 to address market reliability concerns in Texas. The details of how the PUCT PCM market will operate are to be developed by the PUCT, ERCOT and the ERCOT stakeholder group and will consider guidelines established in Texas House Bill 1500 passed during the 2023 legislative session. In January 2023, the PUCT directed ERCOT to evaluate bridging options to retain existing assets and build new dispatchable generation until the PUCT PCM can be fully implemented. In response, the PUCT approved a multi-step Operating Reserve Demand Curve floor as a short-term bridge solution. There remains significant uncertainty surrounding the details of the proposed PUCT PCM design, and the timing for implementation. At this time, Talen cannot fully predict the impacts of the PUCT PCM market design, when and if implemented, on its results of operation and liquidity.

Winter Storm Elliott. During December 2022, as a result of Winter Storm Elliott, PJM experienced extreme cold weather conditions that contributed to PJM declaring a Maximum Generation Emergency Action. Certain of Talen's generation facilities failed to meet the Capacity Performance requirements set forth by PJM, while Talen's remaining generation facilities met or exceeded their capacity obligations. As a result, Talen expects to: (i) incur certain Capacity Performance penalties charged by PJM for certain generation facilities; and (ii) earn bonus revenues from PJM for other generation facilities.

In February 2023, PJM filed proposed tariff revisions with FERC that would impact the time by which non-performance charges would be assessed, including those stemming from Winter Storm Elliot. Specifically, the proposal would allow PJM, in certain circumstances, to permit non-performance charges to be paid over a nine-month period with interest assessed on amounts paid after May 2023.

In April 2023, PJM notified Talen of an update to the expected Capacity Performance penalties incurred by certain of Talen’s generation facilities and bonus revenues earned by other generation facilities. Accordingly, Talen has recognized in 2023 and 2022 an aggregate penalty of $48 million, net of expected bonus revenues. PJM's estimate could be revised as PJM finalizes its market settlements. In 2023, $13 million of penalties were charged for the period January 1 through May 17, 2023 (Predecessor) and a non-material amount was charged for the period May 18 through June 30, 2023 (Successor) as a reduction to "Capacity revenues" on the Condensed Consolidated Statement of Operations. In April 2023, FERC granted PJM's request to extend payment terms, which Talen has elected to accept.

Talen and its affiliates have filed complaints against PJM at FERC disputing a significant portion of the penalties assessed by PJM. As a result, the net penalty recognized by Talen could be reduced if the complaints are successfully resolved or settled. Other suppliers are also disputing penalties assessed by PJM. If such disputes were successful, it also would reduce the bonuses payable to Talen and others for overperformance, which could have an affect on Talen's net penalty exposure. No assurance can be provided that Talen will be successful in reducing the penalties assessed by PJM.

In December 2022, FERC and NERC announced that they will open a joint inquiry into the operations of the bulk-power system leading up to and during the extreme winter weather conditions that occurred during Winter Storm Elliott. Reliability First and Texas Reliability Coordinator issued document holds for investigative purposes. In March 2023, Talen and other PJM generators, received data requests from FERC and NERC regarding operations of its units during Winter Storm Elliott. Talen responded to such requests in April 2023.

Environmental

Extensive federal, state and local environmental laws and regulations are applicable to our business, including air emissions, water discharges, and hazardous and solid waste management. From time to time, in the ordinary course of our business, Talen may become involved in other environmental matters or become subject to other environmental statutes, regulations or requirements.

It may be necessary for us to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements imposed by regulatory bodies, courts or environmental groups. We may incur costs to comply with environmental laws and regulations, including increased capital expenditures or operation and maintenance expenses, monetary fines, penalties or other restrictions, which could be material. Legal challenges to environmental permits or rules add to the uncertainty of estimating the future cost of complying with these permits and rules. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed.

Water and Waste

In August and October 2020, the EPA finalized certain changes to the EPA CCR Rule and the EPA ELG Rule. Among other things, changes in both rules allows coal generation facility operators to request an extension to compliance deadlines if the facility commits to cessation of coal-fired generation by the end of 2028. With Talen's plans to cease coal operations, Talen had requested extensions for compliance for both the EPA ELG Rule and EPA CCR Rule that are applicable to certain of Talen's generation facilities; some have been approved and some are still under review. The most significant extension under review is the EPA CCR Rule Part A extension request for Montour Ash Impoundment 1 and a negative result would have a significant impact on the closure plan for this impoundment.

The EPA has recently proposed additional changes to the EPA ELG Rule in March 2023 and to the EPA CCR Rule in May 2023. The ELG proposal does not add treatment requirements to Talen’s coal-fired power generation facilities planning to cease the burning of coal by 2028, but it does propose discharge limits for waters collected from CCR units. For the EPA CCR Rule changes, EPA has proposed to impose new requirements on legacy CCR impoundments and CCR Management Units, which could affect several Talen facilities. Furthermore, EPA's interpretations on the EPA CCR Rule continue to evolve through enforcement. At this time, Talen cannot predict the outcome of these various rule changes on the operations of its coal-fired generation facilities and its results of operations.

Air

Since 2016, Connecticut, Delaware, Maryland and New York have submitted petitions to the EPA under Section 126 of the CAA requesting findings that different upwind coal-fired power generation facilities, including our Brunner Island and Montour generation facilities and the Keystone and Conemaugh generation facilities, in which we own undivided interests, are emitting air pollutants that significantly contribute to non-attainment of the 2008 and 2015 ozone EPA NAAQS in their respective states (each state pointing to different generation facilities). The EPA has denied the petitions. After Delaware, Maryland, New York and certain activists filed petitions for review of the decisions for their states in the U.S. Court of Appeals for the D.C. Circuit, the Court vacated and remanded the Maryland and New York denials. The EPA is in the process of reconsidering the denials. In a parallel effort to attain the EPA NAAQS, in May 2019 Maryland also requested that the Ozone Transport Commission petition EPA to lower air emissions from various generation facilities in Pennsylvania, including some generation facilities owned by Talen. After receiving public comment on the matter in June 2020, the Ozone Transport Commission recommended to EPA that it require additional nitrogen oxides control measures at the affected generation facilities. In December 2020, the EPA published a notice summarizing the Ozone Transport Commission recommendations and seeking comments on the recommendations. Since receiving comments in February 2021, the EPA has yet to take action on the recommendation.

In February 2020, the states of New Jersey, Connecticut, Delaware, New York and Massachusetts, and the City of New York, filed a lawsuit seeking to compel EPA to promulgate EPA FIPS for the EPA 2008 EPA NAAQS to address nitrogen oxide emissions from seven states, including Pennsylvania. In July 2020, the U.S. District Court for the Southern District of New York issued a decision requiring the EPA to issue those EPA FIPS in March 2021. Also, in March 2021, the EPA finalized revisions to the EPA CSAPR that, effective in June 2021, lowered the Ozone Season nitrogen oxide allowance budgets for certain upwind states, including Pennsylvania and Maryland, beginning in 2021. Talen had sufficient nitrogen oxide allowances to support generation in the 2022 Ozone Seasons and will manage its electricity generation and allowance inventory to maintain compliance going forward.

To address the 2015 ozone standard, in June 2023, EPA published the final rule covering the CSAPR ozone season nitrogen oxide allowance trading program for 2023 and beyond. The final changes are known as the "Good Neighbor FIP." EPA has made some reductions in allowance allocations, among other changes, to minimize nitrogen oxide emissions during the Ozone Season. Texas, among other states, has received a favorable court ruling, essentially staying its participation in the updated program for 2023. Texas facilities are still subject to the previous version of CSAPR and Talen's facilities in Maryland, Pennsylvania and New Jersey are subject to the new rule. At this time, Talen cannot predict the long-term outcome of these rule changes on the operations of its generation facilities and its results of operations.

In May 2022, Pennsylvania updated the PA RACT nitrogen oxide standards for Montour, Keystone and Conemaugh and proposed those standards to EPA as part of its implementation for the EPA 2008 Ozone Standard. However, in August 2022 the EPA finalized an EPA FIP to tighten the standards. The PA DEP agreed to stay the new state standard while all the parties consider the different standards. The EPA FIP has been appealed by other parties and Talen has intervened in the appellate proceeding. In November 2022, Pennsylvania finalized some changes to its nitrogen oxide PA RACT standards (RACT 3) for all power generation facilities to address the EPA 2015 Ozone Standard. Affected Talen facilities have submitted permit applications demonstrating their compliance methods for the new standard. At this time, Talen cannot predict the outcome of these potential rule changes on the operations of its generation facilities and its results of operations.

In April 2023, the EPA issued its EPA RTR (residual risk and technology review) for coal-fired generation facilities under the EPA NESHAP. The EPA MATS Rule, which is the original EPA NESHAP for coal plants has been in effect since 2012. With the publication of their final review, the EPA has proposed changes to the EPA MATS Rule, most notably to reduce particulate matter emissions from coal plants. Talen submitted formal comments to the EPA on the rule, indicating that the rule, if finalized, would unreasonably require Colstrip to install new control equipment. At this time, Talen cannot predict the outcome of this potential rule change on the operations of its generation facilities and its results of operations.

RGGI

In October 2019, the Pennsylvania Governor signed an Executive Action Order instructing the PA DEP to move forward with a rulemaking process that would facilitate the entry of the state into the RGGI program. In September 2021, the Independent Regulatory Review Commission provided the final required regulatory approval of the PA DEP's proposed final rulemaking. However, in October and December 2021, the Pennsylvania House and Senate passed resolutions disapproving the PA DEP's proposed final rulemaking. In January 2022, the Governor of Pennsylvania vetoed the disapproval resolution. In April 2022, the final rule was published in the "Pennsylvania Code and Bulletin" and became effective, triggering Pennsylvania's entry into the RGGI program with compliance set to begin on July 1, 2022. However, certain third parties have filed lawsuits and appeals questioning the legality of the regulation and the implementation of RGGI in Pennsylvania is currently stayed. In April 2023, the Pennsylvania Governor convened a RGGI work group, of which Talen is a member, to evaluate the state's entry into RGGI. The timing and potential impacts associated with these legal proceedings and the RGGI work group are uncertain and therefore, may change the state's participation in the RGGI program, including the compliance timeline. At this time, Talen is unable to determine the full impact of the RGGI program, when and if implemented, on its results of operations and liquidity.

Federal Climate Change Actions

Federal regulators have has identified climate change policy as a priority that includes, but is not limited to, goals for greenhouse gas emission reductions. Specifically, for the power sector, after the D.C. Circuit Court vacated and remanded the EPA ACE Rule, in May 2023, the EPA proposed a new Clean Air Act 111(b)/111(d) rule that would establish new source performance standards for new electric generating units and emission guidelines for existing EGUs for State implementation. After considering comments on this proposal, the rule is expected to be finalized in mid-2024. The proposed guidelines would allow all existing EGUs to continue to operate until at least the end of 2031 without having to meet new greenhouse gas limits. Existing baseload-type EGUs, whether combustion turbines or coal-fired steam units (e.g., Colstrip), would be able to operate beyond 2031, but would be subject to Capacity Factor limits or greenhouse gas reduction requirements. Other EGUs would typically not require additional controls; however, EPA is considering further controls in the future. The proposed rule intends to require significant greenhouse gas reductions for large, baseload coal plants like Colstrip. However, until the rule is finalized, Talen is unable to determine the full impact of the 111(b)/111(d) rule on its results of operations and liquidity.

Environmental Remediation. From time to time, Talen undertakes investigative or remedial actions in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiates with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiates with property owners and other third parties alleging impacts from our operations and undertakes similar actions necessary to resolve environmental matters that arise in the course of normal operations.

Future investigation or remediation work at sites currently under review, or at sites not currently identified, may result in additional costs, but at this time we are unable to determine if such investigation or remediation work will have a material adverse effect on our financial condition or results of operations.

Guarantees and Other Assurances

In the normal course of business, Talen enters into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. These agreements primarily support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or facilitate the commercial activities in which these subsidiaries engage. Such agreements may include guarantees, stand-by letters of credit issued by financial institutions, surety bonds issued by insurance companies, and indemnifications. In addition, they may include customary indemnifications to third parties related to asset sales and associated with the Talen Formation Transactions. Based on our current knowledge, the probability of expected material payment/performance for the guarantees and other assurances is considered remote.

Surety Bonds. Surety bonds provide financial performance assurance to third parties on behalf of certain subsidiaries for obligations including, but not limited to, environmental obligations and AROs. In the event of nonperformance by the applicable subsidiary, the beneficiary would make a claim to the surety, and the Company would be required to reimburse any payment by the surety. Talen's liability with respect to any surety bond is released once the obligations secured by the surety bond are performed. Surety bond providers generally have the right to request additional collateral or request that such bonds be replaced by alternate surety providers, in each case upon the occurrence of certain events. At June 30, 2023 (Successor) and December 31, 2022 (Predecessor), the aggregate amount of surety bonds outstanding was $240 million and $248 million, including surety bonds posted on behalf of Talen Montana as discussed below. Included in Talen Energy Supply's outstanding sureties at June 30, 2023 is a bond in the amount of $10 million that was issued on behalf of Cumulus Data for support of its development and construction activities.

Talen Montana Financial Assurance. Pursuant to the Colstrip AOC, Talen Montana, in its capacity as the Colstrip operator, is obligated to close and remediate coal ash disposal impoundments at Colstrip. The Colstrip AOC specifies an evaluation process between Talen Montana and the MDEQ on the scope of remediation and closure activities, requires the MDEQ to approve such scope, and requires financial assurance to be provided to the MDEQ on approved plans. Each of the co-owners of the Colstrip Units have provided their proportional share of financial assurance to the MDEQ for estimates of coal ash disposal impoundments remediation and closure activities approved by the MDEQ.

Talen Energy Supply has posted an aggregate $115 million of surety bonds to the MDEQ on behalf of Talen Montana’s proportional share of remediation and closure activities at June 30, 2023 (Successor) and $113 million at December 31, 2022 (Predecessor). Talen Montana has agreed to reimburse Talen Energy Supply and its affiliates in the event that these surety bonds are called. Talen Montana's surety bond requirements may increase due to scope changes, cost revisions and (or) other factors when the MDEQ conducts annual reviews of approved remediation and closure plans as required under the Colstrip AOC. The surety bond requirements will decrease as Colstrip's coal ash impoundments remediation and closure activities are completed.

Cumulus Digital Assurances. At June 30, 2023, Talen Energy Supply has issued LCs in the aggregate amount of $50 million to the lenders of the Cumulus Digital TLF. The LCs can be drawn upon, among other events, the acceleration of the loan due to a bankruptcy or other event of default by Cumulus Digital. The amount of the LCs will be decreased from time to time based on the outstanding principal balance of the Cumulus Digital TLF.

Additionally, Talen Energy Corporation has provided a guarantee to the lenders under the Cumulus Digital TLF for certain shortfalls in interest and principal payments by Cumulus Digital (up to a maximum of 23% of the principal amount of outstanding loans thereunder). The guarantee will terminate if the principal amount outstanding is reduced to $50 million or less. Amounts are not payable under the guarantee until all available amounts under the TES LCs described above have been drawn.

Other Commitments and Contingencies

Nuclear Insurance. The Price-Anderson Act is a United States federal law which governs liability-related issues and ensures the availability of funds for public liability claims arising from a nuclear incident at any U.S. licensed nuclear facility. It also seeks to limit the liability of nuclear reactor owners for such claims from any single incident. At June 30, 2023, the liability limit per incident is $13.7 billion for such claims, which is funded by insurance coverage from American Nuclear Insurers and an industry retrospective assessment program.

Under the industry retrospective assessment program, in the event of a nuclear incident at any of the reactors covered by the Price-Anderson Act, Susquehanna Nuclear could be assessed deferred premiums of up to $275 million per incident, payable at a maximum of $41 million per year.

Additionally, Susquehanna Nuclear purchases property insurance programs from NEIL, an industry mutual insurance company of which Susquehanna Nuclear is a member. At June 30, 2023, facilities at Susquehanna are insured against nuclear property damage losses up to $2.0 billion and non-nuclear property damage losses up to $1.0 billion. Susquehanna Nuclear also purchases an insurance program that provides coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the NEIL property and replacement power insurance programs, Susquehanna Nuclear could be assessed retrospective premiums in the event of the insurers' adverse loss experience. The maximum assessment for this premium is $45 million at June 30, 2023. Talen has additional coverage that, under certain conditions, may reduce this exposure.

Talen Montana Fuel Supply. Talen Montana purchases coal from the Rosebud Mine for its interest in Colstrip Units 3 and 4 under a full requirements contract with an unaffiliated coal mine operator. In 2015, the MDEQ issued the coal-mine operator an amendment to one of its mine permits expanding the area authorized for mining. Certain parties challenged the permit amendment in a proceeding at the MBER and, after the MBER issued a decision upholding the permit amendment, in a lawsuit in Montana state district court. In January 2022, the district court entered an order vacating the permit amendment effective April 1, 2022. Rosebud Mining ceased mining in the expansion area prior to the April 1, 2022 deadline. The coal-mine operator and the MDEQ appealed the district court's decisions to the Montana Supreme Court and filed motions seeking to stay the order vacating the permit. In August 2022, the Montana Supreme Court entered an order staying the district court's order vacating the permit amendment pending resolution of the appeal. Merits briefing is complete and oral argument was held in April 2023.

In May 2022, MDEQ issued a second permit amendment expanding the area authorized for mining by the coal-mine operator. A group of complainants initiated proceedings at the MBER and in Montana state district court challenging the second permit amendment. Both proceedings are in the early stages.

In September 2022, the Montana Federal District Court entered an order upholding challenges to a third permit amendment expanding the area authorized for mining by the coal-mine operator. The plaintiffs asserted that the OSM violated NEPA when preparing the EIS for the permit amendment. The court ordered OSM to complete an updated EIS in accordance with NEPA's requirements. The permit amendment will be vacated unless OSM completes the updated EIS within 19 months from the date of the court's order. The federal defendants did not appeal and expect to issue a revised decision on the permit amendment within the 19-month deadline, but in November 2022, intervenor-defendants, Westmoreland Rosebud and International Union, appealed the ruling to the Ninth Circuit Court of Appeals. MEIC and the plaintiffs moved to dismiss the appeal for lack of jurisdiction, and the federal defendants do not oppose the motion to dismiss. The motion to dismiss and merits briefs are not yet complete.

At this time, Talen cannot predict the outcome of these matters or their effect on Talen Montana's operations, results of operations or liquidity.

Labor Union Agreement. At June 30, 2023, collective bargaining agreements to which Talen is subject, govern 40% of our workforce. The collective bargaining agreement with IBEW Local 1638, which covers approximately 186 Talen Montana employees, expires in April 2026.

13. Long-Term Debt and Other Credit Facilities

Long-Term Debt

		Successor	Predecessor
	Interest Rate (a)	June 30, 2023	December 31, 2022
New TLB (b)	9.59 %	$ 580	$ —
New TLC (c)	9.59 %	470	—
New Secured Notes	8.63 %	1,200	—
PEDFA 2009B Bonds (f)	5.05 %	50	49
PEDFA 2009C Bonds (f)	5.05 %	81	79
Cumulus Digital TLF, including PIK (d)	12.50 %	197	185
LMBE-MC TLB (e)	9.05 %	293	301
Settled Indebtedness			
DIP TLB	N/A	—	1,000
Prepetition TLB	N/A	—	427
Prepetition Secured Notes	N/A	—	1,620
Prepetition Unsecured Notes (f)	N/A	—	1,330
PEDFA 2009A Bonds (f)	N/A	—	100
Total Principal		**2,871**	**5,091**
Unamortized deferred finance costs and original issuance discounts		(25)	(29)
Total carrying value		**2,846**	**5,062**
Less: long-term debt, due within one year		14	1,010
Less: amounts presented as "Liabilities subject to compromise" (f)		—	1,558
Long-term debt		**$ 2,832**	**$ 2,494**

(a) Computed interest rate at June 30, 2023 (Successor).
(b) $290 million of additional principal amount was incurred under the New TLB in August 2023. See "2023 Transactions - LMBE-MC Refinancing" below for additional information.
(c) See "Talen Energy Supply Post-Emergence Long-Term Debt, Revolving Credit and Other Facilities - New TLC LCF" for additional information on collateralization securing the New TLC LCF.
(d) Limited recourse to TES and TEC. See Note 12 for additional information.
(e) The non-recourse LMBE-MC Credit Agreement indebtedness was repaid and extinguished in August 2023. See "2023 Transactions - LMBE-MC Refinancing" below for additional information.
(f) At December 31, 2022, amounts are presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 4 for additional information.

Revolving Credit and Other Facilities

		Successor				Predecessor	
		June 30, 2023				December 31, 2022	
	Expiration	Committed Capacity	Direct Cash Borrowings	LCs Issued	Unused Capacity	Direct Cash Borrowings	LCs Issued
New RCF (a)	May-28	$ 700	$ —	$ —	$ 700	$ —	$ —
New TLC LCF (b) (c)	May-30	470	—	462	8	—	—
New Bilateral LCF (c)	May-28	75	—	43	32	—	—
LMBE-MC RCF (d)	Dec-23	25	—	12	13	—	12
Settled Indebtedness							
DIP RCF	Nov-23	—	—	—	—	—	33
DIP LCF	Nov-23	—	—	—	—	—	434
Prepetition CAF	Sep-24	—	—	—	—	848	—
Total		**$ 1,270**	**$ —**	**$ 517**	**$ 753**	**$ 848**	**$ 479**

(a) Committed capacity includes $475 million of LC commitments.
(b) See "Talen Energy Supply Post-Emergence Long-Term Debt, Revolving Credit and Other Facilities - New TLC LCF" for additional information on collateralization securing the New TLC LCF.
(c) Direct cash borrowings are not permitted under the facility.
(d) Non-recourse to TES and TEC. The LMBE-MC Credit Agreement (including the LMBE-MC RCF) was extinguished on August 9, 2023. See "2023 Transactions - LMBE-MC Refinancing" below for additional information.

Outstanding direct cash borrowings under the New RCF and the LMBE-MC RCF, when applicable, are each presented as "Revolving credit facilities" on the Condensed Consolidated Balance Sheets.

At June 30, 2023: (i) Talen Energy Supply was not in default under the New Credit Facilities (including the New RCF, New TLB, New TLC LCF, and New Bilateral LCF), the New Secured Notes, or the PEDFA 2009B or 2009C Bonds; (ii) LMBE-MC was not in default under the LMBE-MC Credit Agreement (including the LMBE-MC RCF and LMBE-MC TLB); and (iii) Cumulus Digital was not in default under the Cumulus Digital TLF.

2023 Transactions

Successor Emergence Financings. In May 2023, as part of the Exit Financings, Talen Energy Supply issued the following long-term debt:

- New TLB, due 2030, in an aggregate principal amount of $580 million, resulting in proceeds of $548 million, net of original issue discount and other fees;
- New TLC, due 2030, in an aggregate principal amount of $470 million, resulting in proceeds of $446 million, net of original issue discount and other fees; and
- New Secured Notes, due 2030, in an aggregate principal amount $1.2 billion, resulting in proceeds of $1.179 billion, net of initial purchaser discounts and other fees.

Proceeds from the New TLB and the New Secured Notes were used, together with cash on hand, to fund the settlement of the transactions and claims contemplated by the Plan of Reorganization, including cash settlement of the long-term debt and cash revolver borrowings outstanding under the DIP Facilities, Prepetition TLB, Prepetition Secured Notes, and Prepetition CAF, all of which were extinguished as of May 17, 2023 under the Plan of Reorganization. Proceeds from the New TLC were used to cash collateralize letters of credit under the New TLC LCF.

Also as part of the Exit Financings, Talen Energy Supply entered into the following revolving and letter of credit facilities:

- New RCF, a $700 million revolving credit facility, including letter of credit commitments of $475 million;
- New TLC LCF, which provides commitments for up to $470 million in letters of credit, cash collateralized with the proceeds of the New TLC, and reduced to the extent that borrowings under the TLC are prepaid; and
- New Bilateral LCF, which provides commitments for up to $75 million in letters of credit.

At Emergence, LCs were issued under the New TLC LCF and the New Bilateral LCF to backstop or replace LCs previously outstanding under the DIP Facilities, which were extinguished as of May 17, 2023 under the Plan of Reorganization.

See "Talen Energy Supply Post-Emergence Long-Term Debt, Revolving Credit and Other Facilities" below for additional information on our New Credit Facilities and New Secured Notes. See Note 3 for additional information on the Restructuring.

Emergence Equitization. All of the Prepetition Secured Notes and the PEDFA 2009A Bonds were extinguished as of May 17, 2023 under the Plan of Reorganization through the issuance of TEC common stock. See Notes 3 and 4 for additional information on the Restructuring and fresh start accounting adjustments related to indebtedness.

LMBE-MC Refinancing. In August 2023, we incurred an additional $290 million in aggregate principal amount of New TLB, resulting in proceeds of $285 million, net of original issue discount and other fees. The additional amount was issued as an incremental borrowing under the New TLB and constitutes a single series of indebtedness with the existing New TLB incurred at Emergence. The proceeds were used, together with cash on hand, to repay in full the $293 million in aggregate principal amount outstanding under the LMBE-MC TLB, following which the LMBE-MC Credit Agreement (including the LMBE-MC TLB and LMBE-MC RCF) was terminated. The outstanding LC issued under the LMBE-MC RCF, which supported debt service reserve requirements under the LMBE-MC TLB, was likewise terminated.

Talen Energy Supply Recourse Debt and Other Credit Facilities

Predecessor Pre-Restructuring Long-Term Debt, Revolving Credit and Other Facilities

Commencement of the Restructuring constituted an event of default and accelerated obligations under Talen Energy Supply's then-outstanding Prepetition Indebtedness, other than the PEDFA 2009B and 2009C Bonds. See Note 3 for additional information on the Restructuring, including the Exit Financings, and Notes 17 and 18 in the Audited Financial Statements for additional information on the DIP Facilities and Talen Energy Supply's Prepetition Indebtedness.

Prepetition Long-Term Debt and Revolving Credit Facilities. Under the Plan of Reorganization, the $1.4 billion of Prepetition Unsecured Notes and PEDFA 2009A Bonds, presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet at December 31, 2022, were converted to TEC common stock upon Emergence. The PEDFA 2009B and 2009C Bonds, presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet at December 31, 2022, remained outstanding in accordance with the agreed upon terms. See Note 3 for additional information on the Restructuring.

As a result of the Restructuring, interest no longer accrued on the Consolidated Statements of Operation on certain outstanding Prepetition Indebtedness, including the Prepetition Unsecured Notes and the PEDFA Bonds. For the period from January 1 through May 17, 2023 (Predecessor), $49 million of contractual interest expense has not been presented on the Condensed Consolidated Statement of Operations. Talen continued to reimburse the direct-pay LC provider for interest paid on the PEDFA 2009B and 2009C Bonds, as permitted by a final order of the Bankruptcy Court. The interest payments were treated as a reduction to principal.

Talen Energy Supply's Prepetition Indebtedness other than the PEDFA 2009B and 2009C Bonds (i.e., the Prepetition TLB, Prepetition Secured Notes, Prepetition Unsecured Notes, PEDFA 2009A Bonds, and Prepetition CAF) was extinguished as of May 17, 2023 under the Plan of Reorganization. The PEDFA 2009B and 2009C Bonds remained outstanding. See "2023 Transactions - Emergence Financings" above for more information about the repayment of the Prepetition TLB, Prepetition Secured Notes, and Prepetition CAF, and See "2023 Transactions - Emergence Equitization" above for more information about the equitization of the Prepetition Unsecured Notes and PEDFA 2009A Bonds.

Prepetition LCF-1 and LCF-2. LC issuances were not permitted under the Prepetition LCF-1 and LCF-2 due to the Restructuring. We terminated the Prepetition LCF-2 in May 2023. The Prepetition LCF-1 expired in June 2023.

Prepetition Secured ISDAs. Prior to commencement of the Restructuring, Talen Energy Marketing was party to the Prepetition Secured ISDAs, under which Talen Energy Supply and the Prepetition Guarantors provided the applicable counterparties with a first priority lien and security interest (which ranked pari passu with the liens securing the Prepetition 1L Debt) against certain assets in lieu of posting collateral in the form of cash equivalents or LCs. Following commencement of the Restructuring, a portion of the Prepetition Secured ISDAs were rolled over into DIP Secured ISDAs. Although the Prepetition Secured ISDAs that were not rolled into DIP Secured ISDAs remained in place and continued to be secured by first priority liens, those liens were subordinated to the superpriority liens securing the DIP Facilities and the DIP Secured ISDAs. The secured obligations under the remaining Prepetition Secured ISDAs were a non-material amount at December 31, 2022 (Predecessor).

Talen Energy Supply DIP Facilities

DIP Facilities. Upon commencement of the Restructuring, Talen Energy Supply entered into the DIP Facilities, comprised of (i) the DIP RCF, a $300 million revolving credit facility, including a letter of credit sub-facility of up to $75 million, (ii) the DIP TLB, a term loan B facility in an aggregate principal amount of $1 billion, and (iii) the DIP LCF, a letter of credit facility that provided for LCs outstanding under the Prepetition RCF as of commencement of the Restructuring to remain outstanding with superpriority status. Amounts owing under the DIP RCF and DIP TLB were repaid in full, and all DIP Facilities terminated, upon the Debtors' Emergence from the Restructuring. However, certain LCs issued (or continued) under the DIP RCF and DIP LCF remain outstanding, and are now backstopped by LCs issued under the New TLC in favor of the applicable DIP LC issuers.

DIP Secured ISDAs. Following commencement of the Restructuring, and as authorized by a final order of the Bankruptcy Court, Talen Energy Marketing was party to the DIP Secured ISDAs, a portion of which were continuations of the Prepetition Secured ISDAs. Under the DIP Secured ISDAs, Talen Energy Supply and the Debtors provided the applicable counterparties with a superpriority lien and security interest (which ranked pari passu with the liens securing the DIP Facilities) against certain assets in lieu of posting collateral in the form of cash equivalents or LCs. As of May 18, 2023, post-emergence from Restructuring, the DIP Secured ISDAs were rolled into the New Secured ISDAs and the associated superpriority liens were extinguished and replaced with the first priority liens securing the New Secured ISDAs. The secured obligations under the DIP Secured ISDAs were $77 million at December 31, 2022 (Predecessor).

Talen Energy Supply Post-Emergence Long-Term Debt, Revolving Credit and Other Facilities

Certain key terms of our post-emergence facilities include:

Facility	Maturity	Index	Rate, Applicable Margin, and Amortization	Prepayment Penalty
New Secured Notes	June 2030	None	8.625% per annum fixed rate No applicable margin No amortization	**Prior to June 1, 2026:** Redeemable at par plus a customary "make-whole" premium. 10% redeemable during each 12-month period at 103%. 40% redeemable from the proceeds of certain equity offerings at 108.625% **On or after June 1 of the following years:** 2026: 104.313% 2027: 102.156% 2028 and thereafter: 100%
New TLB	May 2030	Term SOFR	4.50% per annum applicable margin Amortization 1.00% per annum; paid quarterly	1.00% to the extent prepaid prior to 2/9/24 in connection with a repricing transaction
New TLC (New TLC LCF)	May 2030	Term SOFR	4.50% per annum applicable margin No amortization	1.00% to the extent prepaid prior to 11/17/23 in connection with a repricing transaction
New RCF (cash borrowings)	May 2028	Term SOFR	3.50% per annum applicable margin; step-downs to 3.25% and 3.00% based on first lien net leverage ratios in certain fiscal quarters No amortization	None
New RCF (letters of credit)	May 2028	Federal Funds Rate	None	None
New Bilateral LCF	May 2028	Prime Rate	None	None

New Credit Agreement. The New Credit Agreement governs the New RCF, New TLB, New TLC, and New TLC LCF.

The New Credit Agreement contains customary negative covenants including, but not limited to, limitations on incurrence of liens and additional indebtedness, making investments, payment of dividends, and asset sales. The New Credit Agreement also contains customary affirmative covenants. Solely with respect to the New RCF, and solely during a compliance period (which, in general, is applicable when the aggregate revolving borrowings and issued revolving LCs (in excess of $50 million of undrawn revolving LCs) exceed 35% of the revolving commitments under the New RCF), the New Credit Agreement includes a covenant that requires TES's consolidated first lien net leverage ratio not to exceed 2.75 to 1.00 as of June 30, 2023 and increasing through a series of step-ups until 4.25 to 1.00 (to be tested as of June 30, 2024 and thereafter). The financial covenant does not apply to the New TLB, New TLC, or New TLC LCF.

The New Credit Agreement also contains customary representations and warranties and events of default. If an event of default occurs under the New Credit Agreement, the lenders thereunder are entitled to take various actions, including accelerating amounts due and, in the case of the New RCF and the New TLC LCF, terminating commitments.

New TLC LCF. The New TLC LCF provides commitments for up to $470 million in letters of credit, cash collateralized with the proceeds of the New TLC, with commitments thereunder reduced to the extent that borrowings under the New TLC are prepaid. The lenders of the New TLC have issued LCs totaling $462 million under the TLC LCF, which have been issued either directly to Talen's counterparties or to lenders under the DIP Facilities to backstop LCs that were previously issued (or continued) thereunder and remain outstanding. These LCs are cash collateralized by $473 million at June 30, 2023 (Successor) which is presented as "Restricted Cash and cash equivalents" on the Condensed Consolidated Balance Sheet. Additionally, the restricted cash earns interest income, which varies by rate depending on the corresponding letter of credit issuer. The interest income earned on the restricted cash offsets against the calculated effective interest rate for the New TLC when determining the computed interest rate.

New Bilateral LCF. The New Bilateral LC Agreement provides for letter of credit issuances that collectively cannot exceed $75 million and expires in May 2028. The New Bilateral LC Agreement contains substantially the same covenants, representations and warranties, and events of default as the New Credit Agreement. The New Bilateral LCF includes a covenant that requires TES's consolidated first lien net leverage ratio not to exceed 2.75 to 1.00 as of June 30, 2023 and increasing through a series of step-ups to 4.25 to 1.00 as of June 30, 2024 and thereafter, but such covenant only applies to the extent a compliance period exists under the New Credit Agreement. In addition, the New Bilateral LC Agreement contains an affirmative covenant requiring disposition of certain minority-owned coal assets. Subject to customary conditions, commitments under the New Bilateral LC Agreement can be terminated by the lenders upon an event of default thereunder.

New Secured Notes. The New Secured Notes are subject to customary negative covenants including but not limited to, certain limitations on incurrence of liens and additional indebtedness, making investments, payment of dividends, and asset sales. The New Secured Notes do not contain any financial covenants. The New Secured Notes also contain customary affirmative covenants and events of default. If an event of default occurs, the holders of the New Secured Notes are entitled to take various actions, including the acceleration of amounts due under the New Secured Notes.

PEDFA Bonds. The PEDFA 2009B and 2009C Bonds remained outstanding following Emergence. These bonds are backstopped by letters of credit totaling $135 million as of June 30, 2023. See Note 18 to the Audited Financial Statements for additional information on the terms of the PEDFA Bonds.

New Secured ISDAs. Talen Energy Marketing is party to the New Secured ISDAs, a portion of which are continuations of either the Prepetition Secured ISDAs or the DIP Secured ISDAs. Under the New Secured ISDAs, Talen Energy Supply and the Subsidiary Guarantors provide the applicable counterparties with a first priority lien and security interest (which ranks pari passu with the liens securing the New Credit Facilities and the New Secured Notes) against certain assets in lieu of posting collateral in the form of cash equivalents or LCs. The secured obligations under the New Secured ISDAs were approximately $65 million at June 30, 2023 (Successor).

Security Interests, Guarantees, and Cross-Defaults on TES Post-Emergence Obligations

Secured Obligations. The obligations under the New Credit Facilities, New Secured Notes, and New Secured ISDAs are secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors. The LCs issued pursuant to the New TLC are cash collateralized by $473 million at June 30, 2023 (Successor) (which is presented as "Restricted Cash and cash equivalents" on the Condensed Consolidated Balance Sheet) with such amounts being held in restricted collateral accounts, first, for the benefit of the issuers of LCs pursuant to the New TLC and, thereafter, as security for the obligations under the New Credit Facilities (other than the New TLC), New Secured Notes, and New Secured ISDAs.

The Subsidiary Guarantors guarantee the obligations of Talen Energy Supply under the New Credit Facilities and the New Secured Notes. Talen Energy Supply and the Subsidiary Guarantors guarantee the obligations of Talen Energy Marketing under the New Secured ISDAs. The maximum amount of potential future payments by the Subsidiary Guarantors is equal to the maximum amount of outstanding obligations under such agreements and may include unpaid interest, premiums, penalties, and (or) other fees and expenses. An event of default if not cured or waived under the New Credit Facilities, New Secured Notes, and New Secured ISDAs may result in a cross acceleration of amounts due and (or) cross termination across all these agreements.

Unsecured Obligations. The PEDFA 2009B and 2009C Bonds are senior unsecured obligations of Talen Energy Supply that are effectively subordinated to the secured obligations of Talen Energy Supply, including the New Credit Facilities, New Secured Notes, and New Secured ISDAs.

The guarantees under the PEDFA 2009B and 2009C Bonds are the general unsecured obligations of the Subsidiary Guarantors that guarantee such indebtedness, rank equally with all of such Talen Subsidiary Guarantors' other senior unsecured indebtedness, and are effectively subordinated to the secured obligations of the Subsidiary Guarantors, including the New Credit Facilities, New Secured Notes, and New Secured ISDAs.

Non-Recourse Debt and Other Credit Facilities

Cumulus Digital TLF. In March 2023, the Cumulus Digital Credit Agreement was amended to, among other things, add a requirement that Cumulus Digital procure up to $16 million in equity funding for Cumulus Data to complete construction of the first data center shell and related infrastructure. The required funding was provided during the second quarter 2023.

See Note 12 for information on LCs issued by Talen Energy Supply and a guarantee issued by Talen Energy Corporation related to the Cumulus Digital TLF.

14. Fair Value

Recurring Fair Value Measurements

Financial assets and liabilities reported at fair value on a recurring basis primarily include energy commodity derivatives, interest rate derivatives, and investments held within the Susquehanna Nuclear NDT.

The classifications of recurring fair value measurements within the fair value hierarchy were:

	Successor						Predecessor				
	June 30, 2023						December 31, 2022				
	Level 1	Level 2	Level 3	NAV	Netting (a)	Total	Level 1	Level 2	Level 3	NAV	Total
Assets											
Cash equivalents	$ —	$ —	$ —	$ 11	$ —	$ 11	$ —	$ —	$ —	$ 6	$ 6
Equity securities (b)	584	—	—	370	—	954	508	—	—	429	937
U.S. Government debt securities	298	—	—	—	—	298	272	—	—	—	272
Municipal debt securities	—	87	—	—	—	87	—	91	—	—	91
Corporate debt securities	—	148	—	—	—	148	—	114	—	—	114
Other debt securities	—	1	—	—	—	1	—	—	—	—	—
Receivables (payables), net (c)						—					(20)
Nuclear decommissioning trust funds	**882**	**236**	**—**	**381**	**—**	**1,499**	**780**	**205**	**—**	**435**	**1,400**
Commodity derivatives	434	369	12	—	(649)	166	1,807	565	12	—	2,384
Interest rate derivatives	—	5	—	—	—	5	—	9	—	—	9
Total assets	**$ 1,316**	**$ 610**	**$ 12**	**$ 381**	**$ (649)**	**$ 1,670**	**$ 2,587**	**$ 779**	**$ 12**	**$ 435**	**$ 3,793**
Liabilities											
Commodity derivatives (d)	$ 486	$ 295	$ 2	$ —	$ 705	$ 78	$ 1,879	$ 411	$ —	$ —	$ 2,290
Less: other	—	—	—	—	—	—	—	1	—	—	1
Total liabilities	**$ 486**	**$ 295**	**$ 2**	**$ —**	**$ 705**	**$ 78**	**$ 1,879**	**$ 410**	**$ —**	**$ —**	**$ 2,289**

(a) Amounts represent the impact of legally enforceable master netting arrangements that allow Talen to settle positions and also for cash collateral held or placed with the same counterparty.
(b) Includes commingled equity and fixed income funds and real estate investment trusts.
(c) Represents: (i) interest and dividends earned but not received; and (ii) net sold or purchased investments, but not settled.
(d) A portion of these amounts have been presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheet. See Note 4 for additional information.

The changes in the net Level 3 commodity derivative assets and liabilities for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Asset (liability), net, beginning of the period	$ 8	$ 12	$ (6)
Gains (losses), net, included in earnings	4	1	(75)
Settlements	(2)	(5)	(6)
Asset (liability), net, end of the period	**$ 10**	**$ 8**	**$ (87)**

The significant unobservable inputs used in the Successor fair value measurement of Level 3 commodity derivatives at June 30, 2023 were:

Transaction Type	Valuation Technique	Unobservable Input	Low End Range	High End Range	Weighted Average (a)	Fair Value
Congestion Products	Congestion Auction Results	Forward congestion price	$0.39/MWh	$120.05/MWh	$46.84/MWh	10

(a) Weighted average is based on notional volumes at June 30, 2023.

The significant unobservable inputs used in the Predecessor fair value measurement of Level 3 commodity derivatives at June 30, 2022 (Predecessor) were:

Transaction Type	Valuation Technique	Unobservable Input	Low End Range	High End Range	Weighted Average (a)	Fair Value
Congestion Products	Historical congestion	Forward congestion price	$(8.05)/MWh	$171.83/MWh	$4.46/MWh	$ 12
Heat rate options	Option models	Power volatilities	27%	98%	54%	(101)
		Gas volatilities	6%	17%	13%	
		Power and gas correlation	(1)%	35%	16%	

(a) Weighted average is based on notional volumes at December 31, 2022.

The sensitivity of fair value measurements to changes in significant unobservable inputs at June 30, 2023 (Successor) and June 30, 2022 (Predecessor) were:

Significant Unobservable Input	Position	Change in Input	Fair Value Effect
Forward congestion price	Purchased pathway	Price increase / decrease	Higher / (Lower)
Forward congestion price	Sold pathway	Price increase / decrease	Lower / (Higher)
Power and gas spread volatilities	Sold call option	Spread increase / decrease	Lower / (Higher)
Power and gas correlation	Sold call option	Correlation increase / decrease	Higher / (Lower)

The net gains and losses of Level 3 commodity derivatives for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Energy Revenues			
Gains (losses) included in earnings	$ 4	$ 1	$ (75)
Change in unrealized gains (losses) (a)	2	(4)	(81)

(a) Amounts included in earnings for positions still held at the end of each reporting date.

Nonrecurring Fair Value Measurements

See Note 4 for information on the nonrecurring fair value measurements resulting in the application of fresh start accounting and Note 10 for information on the nonrecurring fair value measurement of Brandon Shores during 2023. There were no nonrecurring fair value measurements related to impairments of long-lived assets during the six months ended June 30, 2022 (Predecessor).

Reported Fair Value

The carrying value of certain assets and liabilities on the Condensed Consolidated Balance Sheets, including “Cash and cash equivalents,” “Restricted cash and cash equivalents,” "Accounts receivable, net,” and “Accounts payable and other accrued liabilities” approximate fair value.

The fair value measurements of indebtedness are classified as Level 2 within the fair value hierarchy. The fair value of fixed rate debt was estimated primarily by utilizing an income approach whereby the future cash flows of the obligations are discounted at the estimated current cost of funding rates, which incorporates the credit risk associated with the obligations. The carrying value of variable rate indebtedness approximates fair value.

The carrying value and fair value of indebtedness presented on the Condensed Consolidated Balance Sheets were:

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facilities	$ —	$ —	$ 848	$ 848
Long-term debt (a)	2,846	2,908	5,062	4,386

(a) Aggregate value of "Long-term debt" and "Long-term debt, due within one year" presented on the Condensed Consolidated Balance Sheets.

15. Postretirement Benefit Obligations

In the second quarter 2023, upon Emergence, Talen: (i) performed a valuation of its defined benefit pension plans and other postretirement benefit plans; and (ii) made changes to related accounting policies. See Notes 2 and 4 for additional information on these matters.

Obligations under defined benefit pension plans and other postretirement benefit plans are generally based on individual participant factors such as age, years of service, and compensation. The defined benefit pension plans and other postretirement benefit plans are closed to new participants. Due to the Restructuring, as of December 31, 2022, all of Talen's unfunded or underfunded postretirement obligations were presented as “Liabilities subject to compromise” on the Condensed Consolidated Balance Sheets. Following Emergence, Talen and Talen Montana's respective qualified defined benefit pension and other postretirement plans continue to be in effect in accordance with their terms pursuant to the Plan of Reorganization.

The components of net periodic benefit costs were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Postretirement benefits service cost (a)	$ —	$ 1	$ 3
Interest cost	8	27	26
Expected return on plan assets	(8)	(33)	(36)
Amortization of:			
Net loss	—	2	14
Postretirement benefits (gain) loss, net (b)	—	(4)	4
Net periodic defined benefit cost (credit)	**$ —**	**$ (3)**	**$ 7**

(a) Activity presented as "Operation, maintenance and development" on the Condensed Consolidated Statement of Operations.
(b) Activity presented as "Other non-operating income (expense), net" on the Condensed Consolidated Statement of Operations.

16. Capital Structure

Predecessor

At December 31, 2022, outstanding shares of Talen Energy Corporation owned by Riverstone affiliates and Talen Midco LLC were:

	Talen MidCo LLC	Raven Power Holdings, LLC	C/R Energy Jade, LLC	Sapphire Power Holdings LLC
Shares (in thousands)	221	130	83	16

These shares were cancelled upon Emergence pursuant to the Plan of Reorganization.

Successor

Our Third Amended and Restated Certificate of Incorporation, which became effective at Emergence, authorizes Talen Energy Corporation to issue up to 400,000,000 shares of capital stock, consisting of 350,000,000 shares of common stock, par value $0.001 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share. At Emergence, Talen Energy Corporation issued 59,028,843 shares of common stock. The same number of shares remained outstanding at June 30, 2023. No shares of preferred stock are outstanding.

Each share of common stock entitles the record holder to one vote on all matters on which stockholders generally are entitled to vote. Subject to the rights of the holders of preferred stock, if any, the holders of shares of common stock are entitled to receive dividends and other distributions (payable in cash, property or capital stock of the Company) when, as and if declared thereon by the board of directors of the Company.

Registration Rights Agreement and Stockholders Agreement. In connection with Emergence, Talen Energy Corporation entered into a Registration Rights Agreement and the Stockholders Agreement with certain of its stockholders party thereto. Under the Registration Rights Agreement, the Reg Rights Holders were granted customary registration rights that may be exercised after the consummation of an initial public offering by the Company, including customary shelf registration rights and piggyback rights. Pursuant to the Stockholders Agreement, the holders party thereto have certain limited information rights, drag-along rights and tag-along rights, and holders holding 5% or more of common stock have the right to designate a representative to an offering committee that, so long as the aggregate TEC ownership represented on the offering committee is at least 20%, will have rights to require Talen Energy Corporation to pursue and consummate an initial public offering and to consent to certain key elements of the initial public offering structure.

Liability-Classified Warrants. At Emergence, Riverstone received liability-classified warrants to purchase up to 5%, or 3,106,781 shares of common stock with (i) a tenor of five years, (ii) a strike price of $52.92, subject to adjustment in certain circumstances, and (iii) Black-Scholes protection in the event of certain change of control transactions. These warrants meet the criteria for liability classification due to a contingent put option which allows the holder to require that the Company redeem the warrants in cash upon certain change of control events. The fair value of the liability-classified warrants at June 30, 2023 was $49 million and was presented as "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets. In August 2023, Riverstone agreed to surrender these warrants in exchange for a cash payment. See Note 22 for more information.

Equity-Classified Warrants. Pursuant to an employment agreement with a former executive, at Emergence, the Company issued equity-classified warrants to the executive to purchase up to 457,142 shares common stock with a tenor of seven years and a strike price of $43.75, subject to adjustment in certain circumstances. The equity-classified warrants were initially valued at $8 million using the above strike price, 30.0% volatility, and a risk-free rate of 3.6%.

Retail PPA Incentive Equity. Pursuant to the Plan of Reorganization and the TEC Global Settlement, at Emergence, the Company issued approximately 243 thousand shares of TEC common stock to Riverstone in partial satisfaction of Riverstone's right to the Retail PPA Incentive Equity. The Retail PPA Incentive Equity also included a right of Riverstone to receive additional TEC common stock (or, at TEC's option, a cash payment) in the event Cumulus Data exercises an option with Talen Generation to purchase additional electricity generated by Susquehanna, as further described in the Plan of Reorganization. In August 2023, TEC agreed to waive its right to this additional portion of the Retail PPA Incentive Equity in exchange for a cash payment. See Note 22 for more information.

17. Earnings Per Share

Basic EPS is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the treasury stock method.

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Numerator: (Millions)			
Net Income (loss)	$ 31	$ 465	(1,154)
Exclude:			
Net income (loss) attributable to noncontrolling interest	2	(14)	—
Net Income (loss) attributable to the Company	**$ 29**	**$ 479**	**$ (1,154)**
Denominator: (Thousands)			
Weighted-average shares outstanding - Basic	59,029	—	—
Warrants	32	—	—
Restricted stock units	27	—	—
Weighted-average shares outstanding - Diluted	**59,088**	**—**	**—**
Basic earnings (loss) per share	**$ 0.49**	**$ —**	**$ —**
Diluted earnings (loss) per share	**0.49**	**—**	**—**

For the period from May 18 through June 30, 2023 (Successor), basic EPS of $0.49 per share includes 59,028,843 common shares outstanding. For the period from January 1 through May 17, 2023 (Predecessor), there were no outstanding common shares attributed to the Predecessor.

For the period from May 18 through June 30, 2023 (Successor), diluted EPS of $0.49 per share includes 31,631 warrants and 27,503 restricted stock units ("RSUs") outstanding. For the period from January 1 through May 17, 2023 (Predecessor), there were no outstanding warrants or RSUs attributed to the Predecessor.

Diluted EPS during the period ended June 30, 2023 excludes the impact of 3,106,781 warrants outstanding due to their anti-dilutive nature. The Company had share-based compensation awards outstanding during the periods presented with vesting provisions subject to certain time and performance based conditions. Because neither the time nor the performance conditions have been met during the reporting period, these awards are excluded from the calculation of diluted EPS.

18. Accumulated Other Comprehensive Income

The total changes in AOCI for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Beginning balance	$ —	$ (167)	$ (152)
Gains (losses) arising during the period	(6)	6	(54)
Reclassifications to Condensed Consolidated Statements of Operations	1	5	35
Income tax benefit (expense)	2	(5)	9
Other comprehensive income (loss)	(3)	$ 6	(10)
Cancellation of equity at Emergence		161	
Accumulated other comprehensive income	**$ (3)**	**$ —**	**$ (162)**

The components of AOCI, net of tax, at June 30 were:

	Successor	Predecessor
	2023	2022
Available-for-sale securities unrealized gain (loss), net	$ (3)	$ (14)
Qualifying derivatives unrealized gain (loss), net	—	9
Postretirement benefit prior service credits (costs), net	—	6
Postretirement benefit actuarial gain (loss), net	—	(163)
Accumulated other comprehensive income	**$ (3)**	**$ (162)**

The locations of pre-tax gains (losses) reclassified from AOCI and included on the Condensed Consolidated Statements of Operations for the periods were:

	Successor	Predecessor	
Location of gain (loss)	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Nuclear decommissioning trust funds gain (loss), net (a)	$ 1	4	$ (23)
Depreciation, amortization and accretion (b)	—	(1)	1
Postretirement benefit gain (loss), net (c)	—	2	(13)
Total	**$ 1**	**$ 5**	**$ (35)**

(a) Available-for-sale securities unrealized gain (loss), net
(b) Qualifying derivatives unrealized gain (loss)
(c) Postretirement benefit prior service credits (costs), net and Postretirement benefit actuarial gain (loss), net

The postretirement obligations components of AOCI are not presented in their entirety on the statement of operations during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 15 for additional information.

19. Supplemental Cash Flow Information

Supplemental information for the Condensed Consolidated Statements of Cash Flows for the periods were:

	Successor	Predecessor	
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022
Cash paid (received) during the period			
Interest and other finance charges, net of capitalized interest ($3 million for May 18 to June 30 and $12 million for January 1 to May 17 in 2023 and $3 million in 2022)	$ 2	$ 283	$ 99
Income taxes, net	3	7	11
Non-cash investing and operating activities			
Capital expenditure accrual increase (decrease)	$ 1	$ (28)	$ 8
Accounts receivable contributed to equity method investment	—	—	2
Depreciation, amortization and accretion included on the Statements of Operations:			
Depreciation, amortization and accretion	$ 28	$ 200	$ 270
Amortization of deferred finance costs and original issuance discounts (interest expense) (a)	1	8	18
Other	(2)	—	—
Total	**$ 27**	**$ 208**	**$ 288**
Non-cash financing/investing activities			
Non-cash increase to PP&E and decrease to other current assets for transfer of miners by Cumulus Coin (b)	$ —	$ 14	$ —
Non-cash decrease to PP&EE and decrease to noncontrolling interest for transfer of miners to TeraWulf	—	3	—
Non-cash increase to PP&E and increase to noncontrolling interest for transfer of miners by TeraWulf (b)	—	38	—
Unrealized (gain) loss on derivatives:			
Commodity contracts	$ (41)	$ 63	$ (206)
Interest rate swap contracts	2	2	(20)
Total	**$ (39)**	**$ 65**	**$ (226)**
Operating activities reconciliation adjustments, other:			
Net periodic defined benefit cost	$ 1	$ (3)	$ 6
Derivative option premium amortization	9	29	35
Bitcoin revenue	(15)	(27)	—
Non-cash environmental liability revisions	—	—	13
Gain on sale of mineral rights and western gas portfolio	—	(44)	—
Gain on cancellation of lease	—	(7)	—
Nonrecourse PIK interest	3	9	(7)
Mark-to-market on warrant	14	—	—
Derivatives with financing elements	—	—	21
Debt restructuring (gain) loss, net	—	—	6
Other	5	—	—
Total	**$ 17**	**$ (43)**	**$ 74**

(a) Includes previously recognized fair value adjustments on certain exchanges of indebtedness.
(b) In 2023, each of the joint venture partners of Nautilus made non-cash contributions to Nautilus of cryptocurrency miners that increased PPE.

Cash and Restricted Cash

The following provides a reconciliation of "Cash and cash equivalents" and "Restricted cash and cash equivalents" presented on the Condensed Consolidated Statements of Cash Flows to line items within the Condensed Consolidated Balance Sheets:

	Successor	Predecessor
	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 127	$ 724
Restricted cash and cash equivalents:		
Commodity exchange margin	3	85
Collateral deposits (a)	—	89
TES TLC debt restricted deposits	473	—
Cumulus Digital Holdings debt restricted deposits	35	49
Nautilus project restricted deposits	18	19
LMBE-MC major maintenance reserve deposits	—	7
LMBE-MC debt service reserve deposits (b)	15	7
TEC Global Settlement deposits (c)	—	7
Escrow deposits for professional fees	44	—
Other	—	1
Restricted cash and cash equivalents	588	264
Total	**$ 715**	**$ 988**

(a) Collateral deposits that support the DIP LCF. Funds were returned to Talen on the Emergence Date.
(b) Outstanding indebtedness was repaid in August 2023 and these funds were released. See Note 13 for additional information on the repayment.
(c) Funds were released to a third party on the Emergence Date.

20. Related Party Transactions

Registration Rights Agreement and Stockholders Agreement

See Note 16 for information on a Registration Rights Agreement and Stockholders Agreement entered into with certain TEC stockholders at Emergence.

Predecessor Transactions

Talen historically has incurred and paid customary management fees for services provided by Riverstone and its affiliates and reimbursed Riverstone for certain costs. In November 2021, Riverstone agreed to suspend Talen’s payment obligations for these management fees. In the third quarter 2022, as a result of the TEC Global Settlement, Talen adjusted the amounts previously accrued for these fees and Riverstone waived further payment of fees following the Emergence Date.

In the six months ended June 30, 2022 (Predecessor), the aggregate fees incurred for services and reimbursements was $3 million. These fees are presented as "General and administrative" on the Condensed Consolidated Statement of Operations.

Pursuant to the TEC Global Settlement: (i) upon confirmation of the Plan of Reorganization in December 2022 (Predecessor), Talen Energy Supply paid $8 million in fees and expenses of Talen Energy Corporation's professional advisors; (ii) deposited $7 million in a custodial account presented as "Restricted cash" on the December 31, 2022 Consolidated Balance Sheet that was to be used to pay fees and expenses of Talen Energy Corporation's advisors when due. The $7 million was released from Talen restricted cash at Emergence.

In recent years, Talen Energy Supply has paid certain expenses and liabilities incurred by Talen Energy Corporation. Accordingly, at December 31, 2022 (Predecessor), Talen Energy Supply presented $2 million due from Talen Energy Corporation as “Accounts receivable, net” presented on the Condensed Consolidated Balance Sheets. Such amounts were settled in connection with the Plan of Reorganization on the Emergence Date.

During 2022, Talen engaged parties related to two employees in management positions, both under two separate independent contractor agreements for office maintenance and IT services. In six months ended June 30, 2022 (Predecessor), Talen paid approximately $66 thousand under these agreements. The contracts with these independent contractors were terminated in July 2022.

See Notes 12 and 24 to the Audited Financial Statements for additional information on the above and other related party transactions.

Cumulus Digital Agreements with TES

Talen Energy Supply and (or) its subsidiaries have executed certain agreements with Cumulus Digital Holdings and (or) its respective subsidiaries. Such agreements include, but are not limited to: (i) the Nautilus FOA and the Cumulus Digital COSA, pursuant to which Talen Energy Supply provides administrative and operational services to Cumulus Digital and its subsidiaries; (ii) the Nautilus Ground Lease Agreement for the Nautilus site; and (iii) certain energy supply agreements, which are supporting, or will support, Cumulus Data's power requirements (including its obligations to provide sub-metered power to Nautilus under the Nautilus Ground Lease Agreement).

See Note 12 for information on LCs provided by TES and a guarantee provided by TEC supporting Cumulus Digital's obligations under the Cumulus Digital TLF.

21. Acquisitions and Divestitures

Potential Acquisition

Talen Montana Colstrip Units 3 and 4 Transaction. In September 2022, Talen Montana entered into an agreement under which Puget Sound Energy, Inc. will abandon its 25% share of Colstrip Units 3 and 4 to Talen Montana for no cash consideration. Under the agreement, Puget Sound Energy, Inc. will retain certain liabilities attributable to pre-closing operations, including environmental remediation and decommissioning costs, and Talen Montana will assume those liabilities for post-closing operations. Until the closing of the transaction, Talen Montana is entitled to increased voting rights (via Puget Sound's voting rights) regarding certain decisions relating to Colstrip Units 3 and 4. The agreement is subject to customary closing conditions, including Bankruptcy Court approval. In addition, the co-owners of Colstrip Units 3 and 4 have certain rights of first refusal that may entitle them to acquire a portion of the interest being transferred by Puget Sound. Subject to satisfaction of the closing conditions set forth in the agreement, the parties have agreed on a closing date of December 31, 2025. Talen also enjoys a right of first refusal on any other changes in ownership in Colstrip Units 3 and 4.

Talen Montana did not obtain Bankruptcy Court approval of the agreement and continues to evaluate the circumstances under which it would acquire Puget Sound Energy, Inc.'s interest in Colstrip Units 3 and 4.

Talen Montana owns 30% of Colstrip Unit 3 and does not own any portion of Colstrip Unit 4. However, it is a participant in agreements regarding the ownership and operation of Colstrip Units 3 and 4, whereby Talen Montana is responsible for 15% of the total operating costs and expenditures of Colstrip Unit 3 and 15% of Colstrip Unit 4. Accordingly, it is entitled to 15% of the available generation from each of these units. If the transaction is consummated on the terms of the agreement, assuming no co-owner exercises right of first refusal, Talen Montana will own a 55% share of Colstrip Unit 3 and a 25% share of Colstrip Unit 4 and continue to be the sole operator of both Colstrip Units 3 and 4.

Completed Divestitures

Pennsylvania Minerals Divestiture. In March 2023, Talen sold certain mineral interests located in Pennsylvania for $29 million, while preserving the right to certain royalty payments from existing and future producing natural gas wells. In 2023, For the period January 1 through May 17, 2023 (Predecessor), a $29 million gain was presented as "Other non-operating income (expense), net" on the Condensed Consolidated Statements of Operations.

Western Gas Book Divestiture. In April 2023, Talen sold certain contracts relating to the transportation of natural gas in the southwestern United States for approximately $15 million. For the period January 1 through May 17, 2023 (Predecessor), a $15 million gain was presented as "Other non-operating income (expense), net" on the Condensed Consolidated Statements of Operations.

22. Subsequent Events

Talen Energy Supply evaluated subsequent events through August 14, 2023, the date the financial statements are available to be issued; all significant subsequent events are included in their respective notes to the financial statements, with the exception of the agreements described below.

Riverstone Warrant Cancellation

On August 10, 2023, TEC, TES and Riverstone entered into an agreement pursuant to which (i) Riverstone agreed to surrender all of its warrants to purchase TEC common stock to TEC for cancellation and to waive all future rights to the Retail PPA Incentive Equity; and (ii) TEC, TES and Riverstone agreed to terminate and cancel a tax indemnity agreement executed by them in connection with the TEC Global Settlement. TEC agreed to pay Riverstone $40 million in exchange for these cancellations and waivers. The cancellations and waivers will be consummated concurrently with the consummation of the Riverstone Buyout described below.

Cumulus Digital Holdings-Riverstone Buyout

On August 10, 2023, Riverstone and TES entered into a purchase and sale agreement pursuant to which TES agreed to purchase all of the Class A common units of Cumulus Digital Holdings held by Riverstone for an aggregate purchase price of $20 million (the "Riverstone Buyout"). Under the terms of the Cumulus Digital Holdings limited liability company agreement, the other members of Cumulus Digital Holdings have a right to participate in the Riverstone Buyout on a pro rata basis based on their and TES's respective ownership of Cumulus Digital Holdings common units (the "ROFO Right"). The transaction is expected to close in the third quarter of 2023. Upon closing, TES's ownership interest in Cumulus Digital Holdings will increase to 95%, subject to reduction of approximately 1% if the ROFO Rights are exercised. TES will have sole control of the Cumulus Digital Holdings board of managers following closing of the transaction.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements, the accompanying Notes to the Condensed Consolidated Financial Statements, and the Audited Financial Statements. In addition, the following discussion contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements and Significant Business Risks" below for additional information on forward-looking statements. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, unless otherwise noted.

Executive Overview

Talen owns and operates high-quality power infrastructure in the United States. We produce and sell electricity, capacity and ancillary services into wholesale power markets in the United States, primarily in PJM, ERCOT and the Pacific Northwest, with our generation fleet principally located in the Mid-Atlantic, Texas and Montana. While the majority of our generation is already produced at zero-carbon nuclear and lower-carbon gas-fired facilities, we are reducing the carbon nature of our wholly-owned coal fleet through the conversion of additional facilities to lower-carbon fuels. In addition, we have developed a hyperscale data center adjacent to Susquehanna that will utilize carbon-free, low-cost energy provided directly from the plant. We believe our existing footprint, which includes significant land holdings, access to the power grid and zero-carbon sources of power, provides us with a competitive advantage.

At June 30, 2023, our 12,402 MW (summer rating) generation portfolio consists of 15 strategically located generation facilities across four wholesale power markets, anchored by our interest in the zero-carbon Susquehanna facility and augmented by highly-dispatchable gas-fired generation, with certain facilities capable of utilizing multiple fuel sources. Our fleet also includes additional fossil generation facilities, several of which are nearing completion of their conversions to lower-carbon fuel sources. Our integrated generation, wholesale marketing and commercial capabilities enable us to produce significant recurring cash flow, and our commercial and risk management strategies provide cash flow stability while balancing operational, price, credit and liquidity risk through physical and financial commodity transactions.

See "Organizational Structure" and "Generation Fleet" additional information on our organization and generation portfolio.

Significant Transactions and Developments

Emergence from Restructuring

In May 2022, Talen commenced a reorganization under Chapter 11 of the U.S. Bankruptcy Code to allow the Debtors to, among other things, strengthen their financial position and provide additional liquidity to fund their operations and protect their investments in certain energy transition projects.

The Plan of Reorganization became effective in May 2023. At Emergence, Talen adopted "fresh start" accounting, which required our assets and liabilities to be remeasured at fair value. Such measurement affected our financial statements beginning in the second quarter 2023 (the period in which we emerged from the Restructuring) and may cause them not to be comparable to our financial statements for prior periods.

Through consummation of the Exit Financings and the Plan of Reorganization, we achieved a significant reduction in debt and interest, provided for full repayment of Talen Energy Supply's Prepetition Secured Indebtedness, and completed the consensual equitization of all of TES's Prepetition Unsecured Notes and PEDFA 2009A Bonds.

See Notes 2, 3, and 4 in Notes to the Condensed Consolidated Financial Statements for additional information regarding the Restructuring. See "Liquidity and Capital Resources" for additional information on the Exit Financings and Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information on Talen's indebtedness.

Executive Officer Changes

In April 2023, the Company's previous CEO, Alejandro Hernandez, announced his departure, effective as of the Emergence Date. Mr. Hernandez was succeeded as CEO by Mark "Mac" McFarland. Mr. McFarland is responsible for overseeing all aspects of Talen's long-term strategy and overall performance, including leadership of Talen's wholesale power generation business.

In June 2023, the Company's previous CFO, John Chesser, announced his departure, effective in July 2023. Mr. Chesser was succeeded as CFO by Terry Nutt. Mr. Nutt is responsible for overseeing the finance, mergers and acquisitions, risk management and treasury activities of Talen.

In June 2023, the Company's previous General Counsel and Corporate Secretary, Andrew "Andy" Wright was appointed as the Company's Chief Administrative Officer. In his new role, Mr. Wright is responsible for overseeing the human resources, information technology, facilities and corporate security functions of Talen.

In June 2023, John Wander was appointed as the Company's General Counsel and Corporate Secretary. Mr. Wander oversees Talen's legal, regulatory and external affairs functions and corporate governance, and serves as the primary point of contact for Talen's Board of Directors.

In addition, upon Emergence, (i) all members of the pre-emergence boards of Talen Energy Corporation and Talen Energy Supply resigned from office, (ii) the Board of Directors of TEC was reconstituted to be comprised of Mr. McFarland, as Talen's CEO, and six independent members (including an independent chairperson), and (iii) TES no longer maintains a separate board of managers but rather became managed by TEC as its sole member.

Brandon Shores Conversion

In the first quarter 2023, due to increased project costs and declining PJM capacity revenues, management concluded that the lower return on investment to convert Brandon Shores' fuel source from coal to fuel oil no longer met Talen's investment criteria. In April 2023, Brandon Shores provided a generator deactivation notice to PJM that requested deactivation on June 1, 2025. Accordingly, we incurred an aggregate $379 million of non-cash, pre-tax charges, including $361 million for an impairment of the generation facility's asset group and $18 million for net realizable value and obsolescence charges on materials and supplies inventories and coal inventories. See Notes 8 and 10 in Notes to the Condensed Consolidated Financial Statements for additional information.

Factors Affecting Financial Position and Results of Operations

Market Conditions

Our revenue consists primarily of capacity revenues, energy revenues and unrealized gain (loss) on derivative instruments. See "Results of Operations" for a description of these sources of revenues. Each of these sources of revenue are affected by the following in the markets in which we operate.

Commodity Markets.

Below-average temperatures during the second quarter 2023 resulted in lower demand for cooling needs in the PJM and ERCOT regions and was a contributor to reduced power load during the quarter when compared to the prior year quarter. Natural gas storage levels increased compared to prior year levels due to the combined effect of higher natural gas production and below normal heating demand in the 2022 and winter 2023 periods. These factors contributed to quarterly average natural gas prices for Texas Eastern M-3 and Houston Ship Channel settling below each of their ten-year averages, despite higher generation from natural gas generation sources.

In the WECC region, above-average temperatures during the quarter resulted in lower demand for heating needs. Natural gas storage levels in the Mountain and Pacific regions continue to increase due to higher natural gas production. These factors contributed to Sumas quarterly average natural gas prices settling below prior year levels.

PJM. The average settled market prices for the three months ended June 30 were:

	2023	2022
PJM West Hub Day Ahead Peak - $/MWh	$ 35.40	$ 93.27
PJM PL Zone Day Ahead Peak - $/MWh	25.97	78.39
PJM BGE Zone Day Ahead Peak - $/MWh	42.70	109.07
Texas Eastern M-3 - $/MMBtu	1.50	6.78

The average January and February forward market prices as of June 30 were:

	2023	2022
2024 PJM West Hub Day Ahead Peak - $/MWh	$ 66.89	$ 94.87
2025 PJM West Hub Day Ahead Peak - $/MWh	70.86	89.38
2024 Texas Eastern M-3 - $/MMBtu	7.21	10.64
2025 Texas Eastern M-3 - $/MMBtu	7.51	8.85

In PJM, the reduced demand resulting from the mild temperatures along with lower natural gas prices contributed to the PJM West Hub Day Ahead Peak quarter average settled prices declining approximately 62% since the prior year quarter.

ERCOT. The average settled market prices for the three months ended June 30 were:

	2023	2022
ERCOT South Hub Day Ahead Peak - $/MWh	$ 58.65	$ 84.51
ERCOT South Hub Day Ahead Spark Spreads - $/MWh(a)	44.90	34.33
Houston Ship Channel - $/MMBtu	1.96	7.17

(a) Spark Spreads are computed based on a heat rate of 7 MMBtu/MWh.

The average July and August forward market prices as of June 30 were:

	2023	2022
2023 ERCOT South Hub Real Time Spark Spreads - $/MWh (a)	$ 99.55	$ 51.10
2024 ERCOT South Hub Real Time Spark Spreads - $/MWh (a)	61.80	39.73
2025 ERCOT South Hub Real Time Spark Spreads - $/MWh (a)	49.35	36.24

(a) Spark Spreads are computed based on a heat rate of 7 MMBtu/MWh.

In ERCOT, due to reduced demand resulting from the milder temperatures and lower natural gas prices, the ERCOT South Hub Day Ahead Peak quarter average settled prices declined approximately 30% compared to the prior year quarter.

The ERCOT South Hub 2024 and 2025 July and August average on-peak forward spark spreads prices increased by approximately 56% and 36%, respectively, since prior year quarter.

WECC. The average settled market prices for the three months ended June 30 were:

	2023	2022
Mid-Columbia Day Ahead Peak - $/MWh	$ 57.43	$ 58.33
Sumas - $/MMBtu	2.45	6.87

The average third quarter forward market prices as of June 30 were:

	2023	2022
2023 Mid-Columbia Day Ahead Peak - $/MWh	$ 173.51	$ 129.87
2024 Mid-Columbia Day Ahead Peak - $/MWh	170.06	115.69
2025 Mid-Columbia Day Ahead Peak - $/MWh	159.48	98.70

In WECC, the Mid-Columbia Day Ahead Peak quarter average settled prices remained relatively flat since prior year quarter.

The Mid-Columbia 2024 and 2025 first quarter average on-peak forward prices increased by approximately 47% and 62%, respectively, since prior year quarter.

Capacity Market

Approximately 84% of our generation capacity is located in markets with capacity products, which ensure long-term grid reliability for customers by securing sufficient power supply resources to meet predicted future demand. Capacity prices are affected by supply and demand fundamentals, such as generation facility additions and retirements, capacity imports from and exports to adjacent markets, generation facility retrofit costs, non-performance risk premium penalties, demand response products, ISO demand forecasts and reserve margin targets, and adjustments to PJM MSOC as determined by the PJM IMM.

See "Capacity Prices" below for additional information on capacity prices and see Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on the PJM Capacity Market and other PJM matters.

See "Environmental, Regulatory and Legislative - Regulatory Developments" below for information related to PJM capacity auction-related regulatory actions.

Capacity Prices. The following table displays the PJM Base Residual Auction's cleared capacity prices for the markets and zones in which we primarily operate and the ISO-NE Forward Capacity Market auction's clearing price for the zone in which we operate as of June 30, 2023:

	2021/2022	2022/2023	2023/2024	2024/2025
PJM Capacity Performance ($/MW-day) (a)				
MAAC	$ 140.00	$ 95.79	$ 49.49	$ 49.49
PPL	140.00	95.79	49.49	49.49
BGE	200.30	126.50	69.95	73.00
EMAAC	165.73	97.86	49.49	54.95
PSEG	204.29	97.86	49.49	54.95
PS North	204.29	97.86	49.49	54.95
ISO-NE ($/KW-month) (a) (b)				
Southeast New England	$ 4.63	$ 3.80	$ 2.00	$ 3.98

(a) Displayed prices are from the applicable market publications.
(b) Prices for 2025/2026 are $2.64 and 2026/2027 are $2.59.

Seasonality / Scheduled Maintenance

The demand for and market prices of electricity and natural gas are affected by weather. As a result, our operating results in the future may fluctuate substantially on a seasonal basis. For example, a lack of sustained cold weather in the Mid-Atlantic region may suppress regional natural gas prices and reduce our future capacity and energy revenues. Alternatively, above-average temperatures in the summer tend to increase summer cooling electricity demand, energy prices and revenues, and below-average temperatures in the winter tend to increase winter heating electricity demand, energy prices and revenues. Inversely, the milder weather during spring and fall tend to decrease the need for both cooling electricity demand and heating electricity demand. In addition, our operating expenses typically fluctuate geographically on a seasonal basis, with peak power generation during the winter in the Mid-Atlantic region and during the summer in Texas.

We ordinarily perform facility maintenance during lower or non-peak demand periods to ensure reliability during periods of peak usage. The pattern of the fluctuations in our operating results varies depending on the type and location of the power generation facilities being serviced, capacity markets served, the maintenance requirements of our facilities and the terms of bilateral contracts to purchase or sell electricity. The largest and recurring maintenance project is the annual spring refueling outage at Susquehanna. The outages normally occur during late March and into April each year. Susquehanna Unit 2 entered its spring refueling outage on March 20, 2023 and successfully completed the outage on April 24, 2023.

Unusual Market Events

Winter Storm Elliott. During December 2022, as a result of Winter Storm Elliott, PJM experienced extreme cold weather conditions that contributed to PJM declaring their first system-wide Maximum Generation Emergency Action since implementing Capacity Performance. PJM claimed that certain of Talen's generation facilities failed to meet the Capacity Performance requirements set forth by PJM, while Talen's' remaining generation facilities met or exceeded their capacity obligations. As a result, Talen: (i) incurred certain Capacity Performance penalties charged by PJM for some of its generation facilities; and (ii) earned bonus revenues from PJM for others of its generation facilities. Talen has recognized an aggregate penalty liability of $48 million, net of expected bonus revenues and has elected to pay its charges to PJM over a nine-month period beginning in April 2023. In 2023, $13 million of penalties were charged for the period January 1 through May 17, 2023 (Predecessor), as a reduction to "Capacity revenues" on the Condensed Consolidated Statement of Operations.

See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on Winter Storm Elliott, complaints filed at FERC disputing charges, risks regarding revisions to penalties, and other regulatory matters.

Environmental, Regulatory and Legislative Matters

Extensive federal, state and local environmental laws and regulations are applicable to our power generation operations, including the regulation of air emissions, water discharges and the management of hazardous and solid waste. In addition, many of these environmental considerations are also applicable to the operations of key suppliers and customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for our services. See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information.

The following is a discussion of the significant recent environmental, regulatory, and legislative developments impacting our business.

Environmental Developments

The EPA continues to reconsider several key regulatory matters that could materially impact our business and results of operations, such as CCR, Air regulations and federal climate change. See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on environmental matters.

Regulatory Developments

There have been a few actions related to the PJM MOPR and PJM market seller offer cap. See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on these and other regulatory matters.

Legislative Developments

The Inflation Reduction Act of 2022 was signed into law in August 2022. Among the Act's provisions are: (i) amendments to the Internal Revenue Code to create a nuclear production tax credit program; (ii) the creation, extension and modification of tax credit programs for certain clean energy projects, such as solar, wind and battery storage; and (iii) adjustments to corporate tax rates.

These changes are expected to increase Susquehanna Nuclear's income and impact the expected returns for Talen's expected future clean energy development projects. However, the Act's provisions are subject to implementation regulations, whose terms are not yet known, and are subject to amendment by future legislation. As such, Talen cannot fully predict the impacts to its liquidity or results of operations.

See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on legislative matters.

Liquidity and Capital Resources

Our liquidity and capital requirements are generally a function of: (i) debt service requirements; (ii) capital expenditures; (iii) maintenance activities; (iv) liquidity requirements for our commercial and hedging activities, including cash collateral and other forms of credit support; (v) legacy environmental obligations; and (vi) other working capital requirements.

Our primary sources of liquidity and capital include available cash deposits, cash flows from operations, amounts available under our debt facilities, and debt issuance proceeds. Generating sufficient cash flows for our business is primarily dependent on capacity revenue, the production and sale of power at margins sufficient to cover fixed and variable expenses, hedging and optimization strategies to mitigate price risk exposure, and the ability to access a wide range of capital market financing options.

We are exposed to financial risks arising from natural business exposures including commodity price and interest rate volatility. Within the bounds of our risk management program and policies, we use a variety of derivative instruments to enhance the stability of future cash flows to maintain sufficient financial resources for working capital, debt service, capital expenditures, debt covenant compliance, and (or) other requirements.

In May 2023, effective with Talen's Emergence, Talen completed several secured financing transactions including the issuance of: (i) $1.2 billion aggregate principal of New Secured Notes, due 2030, and (ii) approximately $1.1 billion New Term Loans, due 2030. See "Exit Financing" below for additional information. This included settling claims under the Plan of Reorganization such as the cash settlement of the following recourse long-term debt and revolver facility outstanding cash borrowings: DIP TLB; Prepetition TLB; Prepetition Secured Notes; and the Prepetition CAF and the settlement of Prepetition Unsecured Notes and PEDFA 2009A Bonds through the issuance of TEC common stock. Proceeds from the New TLC were initially used to collateralize letters of credit. See "Significant Transactions and Developments" above for additional information on the Restructuring and related financings. After funding of claims which were paid pursuant to the Plan of Reorganization, Talen had unrestricted cash on hand of $127 million at June 30, 2023 (Successor).

See Notes 3, 5, 11 and 19 in Notes to the Condensed Consolidated Financial Statements for additional information regarding various liquidity topics contained below.

Talen Liquidity

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
New RCF	$	700	$	—
Unrestricted cash and cash equivalents		127		724
DIP RCF (a)		—		267
Available liquidity	**$**	**827**	**$**	**991**

(a) Facility was extinguished post-emergence from bankruptcy in May 2023. See Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information.

Based on current and anticipated levels of operations, industry conditions, and market environments in which we transact, we believe available liquidity from financing activities, cash on hand and cash flows from operations (including changes in working capital) will be adequate to meet working capital, debt service, capital expenditures, and (or) other future requirements for the next twelve months and beyond.

Recourse Long-term Debt

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
Post-Emergence Principal				
New Secured Notes	$	1,200	$	—
New Term Loans		1,050		—
PEDFA 2009B and 2009C Bonds (a)		131		228
Prepetition Settled Principal				
DIP TLB		—		1,000
Prepetition Unsecured Notes, Secured Notes and TLB (a)		—		3,377
Total recourse principal	**$**	**2,381**	**$**	**4,605**
Less: recourse principal long-term debt, due within one year		6		1,000
Less: amounts classified as "Liabilities subject to compromise" (a)		—		1,558
Recourse principal long-term debt, due after one year	**$**	**2,375**	**$**	**2,047**

(a) Presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets at December 31, 2022.

Limited-recourse Liquidity and Long-term Debt

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
Cumulus Digital Liquidity				
Cumulus Digital Holdings cash and cash equivalents (a)	$	35	$	49
Nautilus project restricted cash and cash equivalents (b)		18		19
Available liquidity	**$**	**53**	**$**	**68**
Cumulus Digital Long-term Debt (c)				
Cumulus Digital TLF, including PIK	$	197	$	185

(a) Cash is available to Cumulus Digital Holdings and its subsidiaries for its operations, but is restricted from use by Talen Energy Supply.
(b) Cash is available to Nautilus for its operations, but is restricted from use by Talen Energy Supply and Cumulus Digital Holdings.
(c) See Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information on this debt, including interest rates at June 30, 2023.

Exit Financing

In May 2023, as part of the Exit Financings, Talen consummated several secured financings, the proceeds of which, together with proceeds from the Rights Offering and cash on hand, were used to fund the settlement of the transactions and claims contemplated by the Plan of Reorganization and to provide liquidity and working capital for Talen's business following Emergence. The Exit Financings included the:

- New Secured Notes, due 2030, in an aggregate principal amount of $1.2 billion.
- New RCF, due 2028, a $700 million revolving credit facility, including letter of credit commitments of $475 million;
- New TLB, due 2030, in an aggregate principal amount of $580 million (and subsequently increased to $870 million in August 2023);
- New TLC, due 2030, in an aggregate principal amount of $470 million, the proceeds of which are used to cash collateralize letters of credit under the New TLC LCF;
- New TLC LCF, which provides commitments for up to $470 million in letters of credit, cash collateralized with the proceeds of the New TLC, and reduced to the extent that borrowings under the New TLC are prepaid; and
- New Bilateral LCF, which provides commitments for up to $75 million in letters of credit.

See Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information on the Exit Financings and the subsequent incremental borrowing under the New TLB, the proceeds of which were used to repay the LMBE-MC TLB.

Financial Performance Assurances

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
Outstanding surety bonds	$	240	$	248

Talen Energy Supply has provided financial performance assurances in the form of surety bonds to third parties on behalf of certain subsidiaries for obligations including, but not limited to, environmental obligations and AROs. Surety bond providers generally have the right to request additional collateral to backstop surety bonds.

Working Capital

	Successor		Predecessor	
	June 30, 2023		December 31, 2022	
Working Capital	$	1,020	$	(598)

Working capital is computed as "Total current assets" less "Total current liabilities" as presented on the Condensed Consolidated Balance Sheet. The overall change in working capital during 2023 is primarily from:

- a decrease in net "Cash and cash equivalents" due to overall changes in net cash provided by (used in) operating activities, investing activities, and financing activities. See 'Cash Flow Activities' below for additional information on significant activities;
- a decrease in "Accounts receivable, net" primarily due to lower receivables outstanding from PJM. At December 31, 2022, Winter Storm Elliott led to an increase in revenue associated with electric generation that resulted in higher outstanding receivables that were collected in normal course of operations;

- a decrease in "Other current assets" partially due to: (i) returns of cash collateral deposits from counterparties to Talen on commodity-related deposits and deposits to support surety bonds, and (ii) reductions in prepayments for expenses and capital;

- a decrease in the overall net asset position on the non-cash mark-to-market of derivative instruments that is presented as "Derivative instruments" on the Condensed Consolidated Balance Sheet. See "Results of Operations - Operating Revenues, net of Total Energy Expenses" below for information on "Unrealized Gains (Losses) on Derivative Instruments;"

- a decrease in "Revolving credit facilities" due to settlement of Prepetition CAF at Emergence;

- a decrease in "Long-term debt, due within one year" due to the DIP Facilities settlements at Emergence;

- a decrease in "Accrued interest" at Emergence primarily due to the: (i) settlement of prepetition accrued interest and make-whole premiums pursuant to the Plan of Reorganization, and (ii) write-off of deferred financing and original issue discount on extinguished indebtedness;

- a decrease in "Accounts payable and other accrued liabilities" due to: (i) lower outstanding payables on swaps and purchased fuel, (ii) the settlement of postpetition terminated ISDA agreements, and (iii) lower project payables for construction activities related to the Montour natural gas conversion and Cumulus Digital projects. Such amounts were partially offset by reinstatement of payables that were presented as “Liabilities Subject to Compromise” on the Condensed Consolidated Balance Sheets; and

- a decrease in "Other current liabilities" primarily due to settlement of the Backstop Premium in the form of common stock pursuant to the Plan of Reorganization.

Cash Flow Activities

The net cash provided by (used in) operating, investing, and financing activities and the changes between the six months ended June 30 were:

	Successor	Predecessor		
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022	Combined 2023 versus 2022 Change
Operating activities	$ (1)	$ 462	$ 24	$ 437
Investing activities	(38)	(157)	(173)	(22)
Financing activities	—	(539)	535	(1,074)

Six Months Ended June 30, 2023 vs. June 30, 2022 (Successor and Predecessor combined)

Net cash provided by (used in) operating activities.

Change	
$ 730	Higher total Operating Revenues, net of total Energy Expenses between periods (See "Results of Operations")
(186)	Higher interest payments primarily due to: (i) payments for interest on certain prepetition indebtedness paid at Emergence to settle indebtedness in accordance with the Plan of Reorganization; (ii) higher payments on the DIP RCF that was executed in May 2022; and (iii) higher interest payments on the Prepetition CAF due to frequency of payment timing and changes to interest rates
(113)	Lower capacity payments between periods (See "Results of Operations")
16	Other changes in cash provided by (used in) operating activities
$ 437	**Total**

Net cash provided by (used in) investing activities.

Change	
$ (97)	Overall higher capital expenditures incurred primarily on Cumulus growth projects and the Montour natural gas conversion
(18)	Increase in nuclear fuel expenditures primarily due to the timing of payment schedules on certain contracts
45	Proceeds from sale of non-core assets in 2023
69	Lower equity investment contributions primarily due to contributions during the six months ended June 30, 2022 (Predecessor) by Cumulus Coin to Nautilus before it was consolidated by Cumulus Coin in September 2022.
(21)	Other changes in cash provided by (used in) investing activities
$ (22)	**Total**

See Note 21 in Notes to the Condensed Consolidated Financial Statements for additional information on the proceeds from sales of non-core assets.

Net cash provided by (used in) financing activities.

Change		
$	1,393	Contributions from Members in May 2023 pursuant to the Rights Offering
	2,219	Issuance of indebtedness in May 2023 as part of the Exit Financings
	(4,050)	Settlement of prepetition indebtedness and make whole premiums in May 2023 pursuant to the Plan of Reorganization
	(987)	Proceeds from the DIP Facilities in 2022
	341	Net repayments of Prepetition Deferred Capacity Obligations and Prepetition Inventory Repurchase Obligations in 2022
	10	Other changes in cash flows provided by (used in) financing activities
$	**(1,074)**	**Total**

See Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information on long-term debt and revolving and other credit facilities.

Results of Operations

Factors Affecting Operating Results

Earnings in future periods are subject to various uncertainties and risks. See "Forward-Looking Statements and Significant Business Risks" below and Notes 5 and 12 in Notes to the Condensed Consolidated Financial Statements for additional information on our risks.

Key Components of our Results of Operations

Operating Revenues and Energy Expenses.

“Operating Revenues and Energy Expenses” primarily consists of the following components:

Capacity revenues. Capacity revenues are primarily comprised of amounts earned from capacity auctions in PJM and under bilateral contracts to provide generation capacity that is needed to satisfy system reliability and integrity requirements.

Energy revenues. Energy revenues are primarily comprised of: (i) amounts earned from an ISO or RTO for electric generation and for ancillary services such as regulation and reserve services and other products that support transmission and grid operations; (ii) amounts earned for wholesale electricity sales to bilateral counterparties; and (iii) realized gains and losses on commodity derivative instruments.

Unrealized gain (loss) on derivative instruments. Revenues from unrealized gain (loss) on derivative instruments include unrealized gains and losses resulting from the changes in fair value on commodity derivative instruments.

Fuel and Energy Purchases.

“Fuel and energy purchases” are primarily comprised of: (i) costs incurred by our generation facilities for coal, natural gas and oil products; (ii) environmental product costs, such as emission allowances, that are mandated by certain states for compliance; and (iii) settlements of financial and physical transactions related to fuel and energy purchases. Energy purchases are presented net of physical electric generation sales on an hourly basis. Where the effect of such netting results in a net purchase, the net hourly amounts are presented within “Fuel and energy purchases.”

“Unrealized gain (loss) on derivative instruments” and “Nuclear fuel amortization” are referred to collectively as “Energy expenses.”

Nuclear fuel amortization.

“Nuclear fuel amortization” is composed of nuclear fuel-related costs, including the procurement of uranium, conversion, enrichment, the fabrication of assemblies and other related costs. Such costs are initially capitalized and presented as Property, plant and equipment, and are thereafter amortized and presented as Nuclear fuel amortization as the fuel is consumed using the units-of-production method. “Fuel and energy purchases,” “Unrealized gain (loss) on derivative instruments” and “Nuclear fuel amortization” are referred to collectively as “Energy expenses.”

Operation and Maintenance.

“Operation and maintenance” primarily consists of generation facility operating costs. Such costs include salary and benefit costs for generation-facility employees, the costs of removal, repairs and maintenance that are not capitalized, contractor costs and certain materials and supplies.

Interest Expense and Other Finance Charges.

“Interest expense and other finance charges” primarily include the interest costs to service indebtedness and the realized and unrealized gains and losses of interest rate derivative instruments.

Comparative Results of Operations

Our financial results for the period from January 1 through May 17, 2023 and for the six month period from January 1 through June 30, 2022 are referred to as the "Predecessor." Our financial results for the period from May 18 through June 30, 2023 are referred to as the "Successor." Our results of operations as reported in the Condensed Consolidated Financial Statements for these periods are prepared in accordance with GAAP. Although GAAP requires that we report on our results for the period from January 1 through May 17, 2023 and the period from May 18 through June 20, 2023 separately, management views the Company's operating results for the six months ended June 30, 2023 by combining the results of the Predecessor and Successor because such presentation provides the most meaningful comparison of our results to prior periods.

The operating results of May 18 through June 30, 2023 cannot be adequately compared against any of the previous periods reported in the Condensed Consolidated Financial Statements without combining it with the operating results of January 1 through May 17, 2023. Reviewing the uncombined results in isolation would not be useful in identifying trends in or reaching conclusions regarding overall operating performance. The combined results of operations: (i) provide a more meaningful comparisons to preceding periods, and (ii) are useful in identifying and describing current business trends. Accordingly, in addition to presenting the results of operations as reported in the Condensed Consolidated Financial Statements in accordance with GAAP, the tables and discussion below also present the combined results for the six months ended June 30, 2023.

The combined results for the six months ended June 30, 2023, which are referred to herein as the results for the "six months ended June 30, 2023" represent the combined reported amounts of January 1 through May 17, 2023 (Predecessor) and May 18 through June 30, 2023 (Successor). These combined results are not considered to be prepared in accordance with GAAP and have not been prepared as pro forma results per applicable regulations. The combined operating results do not present any actual results that would have achieved absent our Emergence and may not be indicative of future results.

In the comparative tables and subsequent explanations below, increases in revenue and income or decreases in expense are favorable variances and are displayed without brackets. Decreases in revenue and income or increases in expense are unfavorable variances and are shown with brackets. The following table and subsequent sections display the results of operations and the changes between the periods were:

	Successor	Predecessor		
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2022	Combined 2023 versus 2022 Change
Capacity revenues	$ 26	$ 108	$ 247	$ (113)
Energy and other revenues	188	1,042	657	573
Unrealized gain (loss) on derivative instruments	87	60	184	(37)
Operating Revenues	**301**	**1,210**	**1,088**	**423**
Energy Expenses				
Fuel and energy purchases	(57)	(176)	(417)	184
Nuclear fuel amortization	(25)	(33)	(47)	(11)
Unrealized gain (loss) on derivative instruments	(46)	(123)	22	(191)
Total Energy Expenses	**(128)**	**(332)**	**(442)**	**(18)**
Operating Expenses				
Operation, maintenance and development	(69)	(285)	(317)	(37)
General and administrative	(18)	(51)	(59)	(10)
Depreciation, amortization and accretion	(28)	(200)	(270)	42
Impairments	—	(381)	—	(381)
Operational restructuring	—	—	(447)	447
Other operating income (expense), net	(3)	(37)	(17)	(23)
Operating Income (Loss)	**55**	**(76)**	**(464)**	**443**
Nuclear decommissioning trust funds gain (loss), net	39	57	(191)	287
Interest expense and other finance charges	(33)	(163)	(172)	(24)
Reorganization income (expense), net	—	799	(331)	1,130
Other non-operating income (expense), net	(11)	60	(44)	93
Income (Loss) Before Income Taxes	**50**	**677**	**(1,202)**	**1,929**
Income tax benefit (expense)	(19)	(212)	48	(279)
Net Income (Loss)	**31**	**465**	**(1,154)**	**1,650**
Less: Net income (loss) attributable to noncontrolling interest	2	(14)	—	(12)
Net Income (Loss) Attributable to Members	**$ 29**	**$ 479**	**$ (1,154)**	**$ 1,662**

Six Months Ended June 30, 2023

Operating Revenues, net of total Energy Expenses. $405 million overall favorable change is comprised of changes in "Capacity revenue," "Energy Revenues, net of Fuel and energy purchases," "Unrealized Gains and Losses on Derivative Instruments", and "Nuclear fuel amortization":

	Change	
		Capacity Revenue
$	(90)	Unfavorable decrease primarily due to lower cleared capacity prices and less MWs cleared through the PJM's capacity auction for 2022/2023 PJM Capacity Year compared to the 2021/2022 PJM Capacity Year. See "Factors Affecting Financial Position - Capacity Market" above for information on capacity prices.
	(9)	Unfavorable decrease primarily due to lower cleared capacity prices and less MWs cleared through the PJM's capacity auction for 2023/2024 PJM Capacity Year compared to the 2022/2023 PJM Capacity Year. See "Factors Affecting Financial Position - Capacity Market" above for information on capacity prices.
	(14)	Unfavorable decrease due to a net PJM capacity penalty related to the 2022 Winter Storm Elliot extreme weather event. See "Unusual Events - Winter Storm Elliott" within "Factors Affecting Financial Position" for additional information.
$	(113)	*Total Capacity Revenue*
		Energy Revenues, net of Fuel and energy purchases
	890	Favorable increase in hedge results primarily due to gains on lower settled (i) PJM West Hub day ahead on-peak power prices; partially offset by losses on higher settled (ii) ERCOT South Hub day ahead Spark Spreads.
	157	Favorable increase in hedge results due to the absence of losses incurred during the first half of 2022 as a result of the termination of certain outstanding economic hedges.
	(319)	Unfavorable decrease in margin associated with electric generation primarily due to: (i) lower around-the-clock settled power prices received at Susquehanna; coupled with (ii) lower PJM West Hub day ahead on-peak power prices and (iii) lower Capacity Factors of our fossil-fueled generation portfolio; partially offset by (iv) higher settled ERCOT South Hub day ahead Spark Spreads and (v) higher settled Mid-Columbia day ahead on-peak.
	730	*Total Energy Revenues, net of Fuel and Energy Purchases*
		Unrealized Gains (Losses) on Derivative Instruments, net
	(478)	Unfavorable decrease primarily due to the "roll-off" of ($244) million in gain positions during 2023 compared to the "roll-off" of $231 million in loss positions during 2022.
	250	Favorable increase primarily due to gains in 2023 compared to losses in 2022 on positions existing in both periods
	(228)	*Total Unrealized Gains (Losses) on Derivative Instruments, net*
	(11)	*Nuclear Fuel Amortization.*
	27	*Other revenue*
$	**405**	**Total Operating Revenues, net of total Energy Expenses**

"Energy revenues" and "Fuel and energy purchases" are evaluated collectively because the price for power is generally determined by the variable operating cost of the next marginal generator dispatched to meet demand.

Unrealized gains (losses) on derivatives are presented separately as both revenues and expenses within "Operating Revenues, net of Total Energy Expenses" presented on the Consolidated Statements of Operations. We evaluate them collectively because it represents the changes in fair value of Talen's economic hedging activities. See Notes 5 and 14 in Notes to the Condensed Consolidated Financial Statements for additional information on unrealized gains and losses associated with commodity derivatives.

Operational Restructuring**.** $447 million favorable decrease due to a charge recognized in second quarter 2022 related to Talen Energy Marketing retail power contracts that were rejected in connection with the Restructuring. See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information on the Restructuring.

Impairments. $(381) million unfavorable increase primarily due to assessment of Brandon Shores asset group recoverability associated with Brandon Shores' requirement to stop combusting coal by June 1, 2025. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information on impairments.

Nuclear Decommissioning Trust Funds Gain (Loss), net. $287 million favorable increase in income due to an unrealized gain on equity securities of $57 million for the first half of 2023. Inflation, geopolitics, and rising interest rates weighed on the equity markets in the 2022 period resulting in an unrealized loss of $231 million. See Notes 9 and 14 in Notes to the Condensed Consolidated Financial Statements for additional information on the NDT.

Reorganization income (expense), net. $1,130 million favorable increase to income primarily due to the $1,459 million gain on debt discharge recognized upon Emergence partially offset by a $460 million loss on revaluation adjustments. See "Reorganization Income (Expense), net" in Note 4 in Notes to the Condensed Consolidated Financial Statements for additional information.

Other Non-operating Income (Expense), net. $93 million favorable increase to income due: (i) to non-recurring professional fees incurred in the six months ended June 20, 3022 related to liability and other management initiatives and, (ii) non-recurring sales in the period of January 1 through May 17, 2023 (Predecessor). See Note 21 in Notes to the Condensed Consolidated Financial Statements for additional information on the sales.

Income Tax Benefit (Expense). $(279) million unfavorable increase to tax expense primarily due to:

Change		
$	(405)	Increase in pre-tax book loss
	413	Change in valuation allowance
	(140)	Increase in state income taxes, net of federal benefit and increase in NDT net tax expense
	(138)	Reorganization adjustments
	(9)	Other
$	**(279)**	**Total**

See Note 7 in Notes to the Condensed Consolidated Financial Statements for additional information.

Non-GAAP Financial Measures

Non-GAAP financial measures do not have definitions under GAAP and may be defined and calculated differently by, and not be comparable to, similarly titled measures used by other companies. Non-GAAP measures are not intended to replace the most comparable GAAP measures as indicators of performance. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Management cautions readers of this financial information not to place undue reliance on this non-GAAP financial measure, but to also consider it with its most directly comparable GAAP measure. Non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.

Adjusted EBITDA

We use Adjusted EBITDA to: (i) assist in comparing operating performance and readily view operating trends on a consistent basis from period to period without certain items that may distort financial results; (ii) plan and forecast overall expectations and evaluate actual results against such expectations; (iii) communicate with our Board of Directors, shareholders, creditors, analysts, and the broader financial community concerning our financial performance; (iv) set performance metrics for the Company's annual short-term incentive compensation; and (v) assess compliance with our indebtedness.

Adjusted EBITDA is computed as net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization, or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions, and asset retirement; (ix) impairments, obsolescence, and net realizable value charges; (x) interest expense; (xi) income taxes; (xii) legal settlements, liquidated damages, and contractual terminations; (xiii) development expenses; (xiv) Cumulus Digital noncontrolling interests; and (xv) other adjustments. Such adjustments are computed consistently with the provisions of our indebtedness to the extent that they can be derived from the financial records of the business.

Additionally, we believe investors commonly adjust net income (loss) information to eliminate the effect of nonrecurring restructuring expenses, and other non-cash charges which vary widely from company to company, from period to period, and impair comparability. We believe Adjusted EBITDA is useful to investors and other users of the financial statements to evaluate our operating performance because it provides an additional tool to compare business performance across companies and across periods. Adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to such items described above. These adjustments can vary substantially from company to company depending upon accounting policies, book value of assets, capital structure and the method by which assets were acquired.

The reconciliation from "Net Income (Loss)" presented on the Condensed Consolidated Statements of Operations to Adjusted EBITDA for the periods were:

	Successor	Predecessor	Combined	Predecessor
	May 18 through June 30, 2023	January 1 through May 17, 2023	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Income (Loss)	**$ 31**	**$ 465**	**$ 496**	**$ (1,154)**
Less: Bankruptcy, Liability Management, and Restructuring Activities				
Hedge termination losses, net (a)	—	—	—	158
Reorganization (gain) loss, net (b)	—	(799)	(799)	331
Operational and other restructuring activities	8	17	25	468
Bankruptcy exit fees	4	—	4	—
Liability management costs and other professional fees	—	—	—	46
Total Bankruptcy, Liability Management, and Restructuring Activities	**$ 12**	**$ (782)**	**$ (770)**	**$ 1,003**
Other Adjustments				
Interest expense and other finance charges	33	163	196	172
Income tax (benefit) expense	19	212	231	(48)
Depreciation, amortization and accretion	28	200	228	270
Nuclear fuel amortization	25	33	58	47
Unrealized (gain) loss on commodity derivative contracts	(41)	63	22	(206)
Nuclear decommissioning trust funds (gain) loss, net	(39)	(57)	(96)	191
Stock-based compensation expense	16	—	16	—
Environmental and ARO revisions on fully depreciated property, plant and equipment	—	—	—	13
(Gain) loss on non-core asset sales, net (c)	—	(50)	(50)	(1)
Non-cash impairments	—	381	381	—
Unusual market events (d)	1	14	15	(1)
Net periodic defined benefit cost (e)	—	(3)	(3)	6
Development expenses	2	10	12	1
Non-cash fuel inventory net realizable value and obsolescence charges (f)	3	56	59	(1)
Cumulus Digital activities and noncontrolling interest	(8)	(14)	(22)	—
Other	(3)	4	1	6
Total Adjusted EBITDA	**$ 79**	**$ 695**	**$ 774**	**$ 298**

(a) 2022 relates to a nonrecurring charge on terminated power contracts. See Note 5 in Notes to the Condensed Consolidated Financial Statements for additional information.
(b) Represents amounts incurred directly related to Talen's bankruptcy. See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information.
(c) See Note 21 in Notes to the Condensed Consolidated Financial Statements for additional information.
(d) 2023 relates to the true up of capacity penalty charges due to the receipt of finalization of amounts by PJM compared to estimates recognized in 2022 related to Winter Storm Elliot.
(e) Consists of "Postretirement benefits service cost" and "Postretirement benefits gains (loss), net" presented on the Condensed Consolidated Statements of Operations.
(f) See Note 8 in Notes to the Condensed Consolidated Financial Statements for additional information.

FORWARD-LOOKING STATEMENTS AND SIGNIFICANT BUSINESS RISKS

Forward-Looking Statements

Statements contained herein concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions, and other statements that are not statements of historical fact, are forward-looking statements. These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "target," "project," "forecast," "seek," "will," "may," "should," "could," "would" or similar expressions. Although we believe that the expectations and assumptions presented in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. New factors that could cause actual results, including financial performance, to differ materially from those described in forward-looking statements included herein emerge from time to time. You should consider these important factors in evaluating any statement made herein, as it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. For the foregoing reasons, you are cautioned against relying on any forward-looking statement, which speaks only as of the date on which such statement is made, and we undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

Significant Business Risks

Talen is subject to business risks that could cause our future results to differ from historical results and include but are not limited to:

Market, Financial and Economic Risks

- Prices for power, nuclear fuel, natural gas, coal, fuel oil, Bitcoin and emission allowances are predominately impacted by supply and demand. Supply, which can vary by region, is impacted by generation and transmission capacity availability and governmental regulation. Demand can vary due to, among other things, weather, general economic conditions, and governmental and societal responses to pandemics such as COVID-19;

- The differences between the price received for power and the fuel prices for natural gas, coal and uranium, which significantly influence our margin;

- Changes in capacity revenues from annual and supplemental RTO and ISO capacity auctions, particularly the result for the uncleared capacity auctions;

- The price differences between the locations where we deliver power and liquid market hubs which may be impacted by, among other things, transmission constraints and congestion;

- Our ability to mitigate short-term and medium-term cash flow variability through the consummation of commercial hedging transactions;

- The effects of extreme natural gas, uranium, power, and coal price volatility on our energy margin and our hedging strategy;

- The availability of sufficient natural gas, uranium and coal fuel supplies at our generation facilities for electric generation;

- The effects of interest rate and equity security price volatility on the value of assets in, and potential cash funding requirements of, our NDT and our pension and other postretirement plans;

- The potential effects of the Ukraine and Russia conflict and attendant sanctions imposed on Russia, including supply chain disruptions, and disruptions in oil and natural gas production;

- Increases in the supply of electricity due to new power generation capacity, including new combined cycle gas and renewable power generation;

- Wholesale electric energy price volatility in the markets in which we operate due to increasing generation from intermittent renewable power generation;

- The effects of our reliance on the operations of, and financial results from, Susquehanna to fund our other operations and to satisfy our financial and liquidity requirements;

- Our ability to generate sufficient cash flow in order to fund our operations, debt service obligations and working capital requirements due to macroeconomic factors, such as a sustained period of low natural gas and (or) power prices in the markets in which we operate, decreases in demand for electricity, a slowdown in the U.S. economy, extended periods of moderate weather or broad increases in energy efficiency;

- The credit risk associated with the collection of shared operational expenses, capital expenditures, and other required jointly funded amounts due from the co-owners and (or) partners of jointly-owned facilities;

- The effects on our business resulting from the financial difficulties or creditworthiness of our hedging counterparties, contractors, fuel suppliers (including coal and nuclear fuel suppliers), and fuel transporters (including railroads and pipelines), and market operators;

- The risks associated with material payment defaults by other ISO and RTO market participants including: (i) the effects of such default on ISO and RTO market liquidity and the ability for the market operator to perform settlements in the ordinary course of business; (ii) the allocation by the market operator of settlement losses from defaulting market participants to non-defaulting market participants; and (iii) the lengthy recoverability period, if at all, of amounts owing to non-defaulting market participants due to disruptions in settlements;

- The effects of our stakeholders' increasing focus on environmental, social and governance issues on our ability to raise capital and access liquidity in the financial markets;

- Significant collateral requirements required by commodity exchanges and (or) hedging counterparties, due to, among other factors, unexpected volatility in the price for natural gas and wholesale power;

- The need to make cash contributions to defined benefit pension plans and other postretirement benefit plans, and the impact of volatility in interest rates, and prices of securities and their impact on the fair value of debt and equity securities in such plans, on the amount and timing of such required contributions;

- The financial effects of Capacity Performance penalties imposed by PJM due to operational issues at our power generation facilities or the failure of PJM to call on our generation in a timely manner;

- The effects of defaults and (or) cross-defaults that may occur under the terms of the Cumulus Digital Credit Agreement or future indebtedness relating to our renewables or digital infrastructure projects due to failure to achieve agreed upon milestones or due to other delays or counterparty non-performance, which could result in a draw on LCs or other credit support provided by Talen, and a loss in value of Talen's investment in such projects;

- Market conditions of, and overall sentiment towards, crypto assets, including the negative impacts caused by the extreme price volatility of cryptocurrencies and disruption caused by the recent bankruptcies in the industry;

Regulatory, Environmental and Legislative Risks

- Uncertainty around unknown future changes in the market construct of ISOs or RTOs, including but not limited to, changes in response to unusual events, such as Winter Storm Uri and Winter Storm Elliott;

- The influence of ESG based policies developed by regulators, legislatures, capital market participants and others that could materially affect Talen's operations and results of operations;

- The effects of rules, regulations, legislation and (or) international climate change treaty changes, including those that result from changes in the executive and legislative branches of the U.S. Government, on: (i) environmental and asset retirement obligations; (ii) market structure; and (iii) other matters applicable to our operations;

- Changes in other state, federal and local laws and regulations, and interpretations thereof, applicable to our current and future operations, including any future amendments to the nuclear production tax credit program provisions of the Inflation Reduction Act;

- Uncertainty of the rules and timing of PJM's capacity auction for subsequent delivery years and the pending implementation of any final FERC orders, appeals of such orders, and other actions that would impact the capacity market and (or) the prospects for our PJM generation facility portfolio to earn capacity revenues;

- Increasing scrutiny from investors, lenders, customers, and government regulators, related to the actual or perceived environmental impact of Bitcoin mining, including environmental concerns raised by private individuals and governmental actors related to the energy resources consumed in the Bitcoin mining process which may result in a significant reduction or complete halting of any Bitcoin mining activities;

- Uncertainty around the results from audits or other reviews by regulatory agencies of our business processes;

- Uncertainty around the effective date of Pennsylvania's entrance into the RGGI market;

- Future uncertainty related to our fossil fuel-fired power generation business and the associated environmental liabilities and asset retirement obligations, including estimates management has made related to the carrying value of such liabilities;

- Our ability to acquire the necessary permits for expansion of the data center and cryptocurrency mining facilities, should we determine that such expansion is economically justified;

Operational Risks

- The effects of transmission congestion, generally due to line maintenance outages, on the realized margin earned by our generation fleet;

- Risks associated with our nuclear facility including: (i) the safe operation of, and unscheduled outages, at the facility; (ii) the availability and cost of nuclear fuel and fuel-related components; (iii) increased nuclear industry security, safety and regulatory requirements; and (iv) the substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel;

- Operational risks associated with an aging fossil-fueled generation facility portfolio, including: (i) managing its useful lives; (ii) unscheduled outages and the effects of extreme weather, such as the freezing of operational plant and equipment components; (iii) potential disruptions in fuel supply for our generation facilities, including unavailable rail or pipeline capacity, and the unavailability of chemicals and (or) sorbents required for environmental regulation compliance; (iv) potential disruptions in our materials supply chains from regulations affecting the use of imported materials; and (v) increased state and federal regulation;

- The risk of disruption to our operations and energy marketing activities due to cyber-attacks on computer systems and networks on which our operations rely and the risk of damage to our generation facilities and (or) disruption to our operations due to attacks by terrorists, vandals or others;

- The ability of our generation units to: (i) be available in strong market conditions; (ii) achieve a reliable run-time; (iii) achieve safe low-cost operations; and (iv) complete planned outages on time and within budget;

- Our ability to operate and market power generated at our facilities during periods of planned and unplanned electric transmission outages;

- Our ability to exercise discipline in capital expenditures, which primarily include maintenance, safety, environmental and reliability projects, and effectively control operating expenses;

- The risk of disruption to our operations due to extreme weather conditions or other natural disasters and the risk of damage to generation facilities;

- Penalties incurred that are associated with non-performance of PJM Capacity Performance requirements and tariff non-compliance imposed by FERC or the PUCT;

- Our inability to obtain agreement on management decisions for joint owner and (or) joint venture projects, which could result in construction delays, increased costs and (or) abandonment of the affected projects;

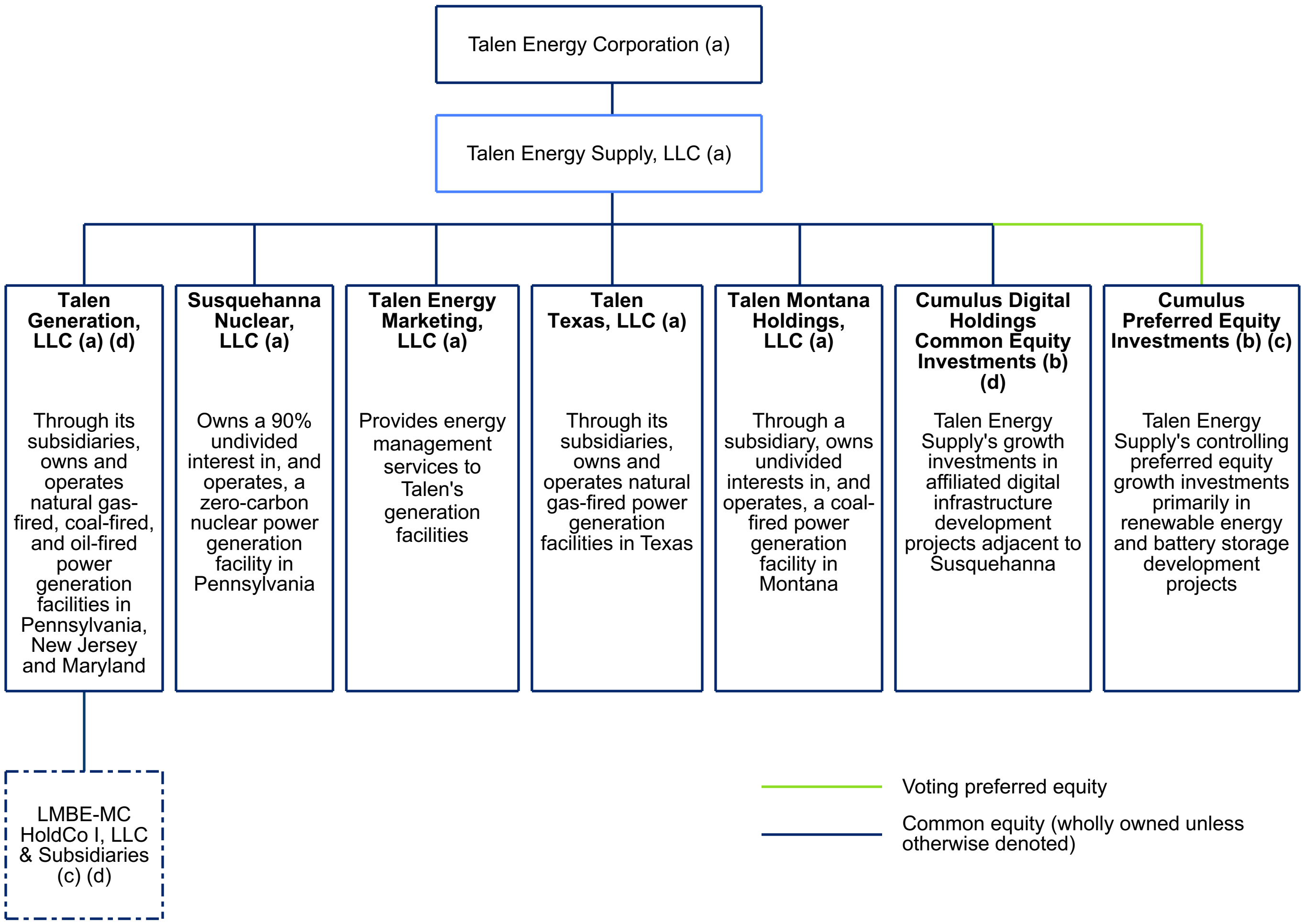
- Our aging workforce, including the difficulty in replacing retiring workers and the cost of funding legacy postretirement benefit obligations;

- The expiration or termination of commodity contracts and our inability to replace such contracts on favorable terms, or at all;

- The effect of future pandemics (and any governmental responses thereto) on Talen’s business, which effects are presently unknown and may also amplify many of the risks otherwise described herein;

- The agreements governing the New Credit Facilities and the New Secured Notes contain various covenants that impose restrictions on us and most of our subsidiaries that may affect our ability to operate our business.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
ORGANIZATIONAL STRUCTURE
JUNE 30, 2023 (UNAUDITED)



(a) See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information on the Restructuring that was completed in May 2023.
(b) Such entities were not Debtors in the Restructuring that was completed in May 2023.
(c) LMBE-MC indebtedness was non-recourse to Talen Energy Supply and Talen Energy Corporation. In August 2023, it was repaid with incremental borrowings on the New TLB. See Note 13 for additional information.
(d) Cumulus Digital indebtedness is limited-recourse to Talen Energy Supply and Talen Energy Corporation. See Note 12 for additional information on guarantees and LCs issued.

TALEN ENERGY CORPORATION AND SUBSIDIARIES
GENERATION FLEET AT JUNE 30, 2023 (UNAUDITED)

Generation Facility	MW Capacity (a)	Percentage Ownership	MW Ownership	Fuel Type	State	Market	Organizational Structure
PJM							
Susquehanna (b)	2,494	90 %	2,245	Nuclear	PA	PJM	Susquehanna Nuclear
Martins Creek	1,719	100 %	1,719	Natural Gas/Oil	PA	PJM	Talen Generation
Montour (c)	1,508	100 %	1,508	Coal	PA	PJM	Talen Generation
Brunner Island (d)	1,424	100 %	1,424	Coal/Natural Gas	PA	PJM	Talen Generation
Brandon Shores (e)	1,295	100 %	1,295	Coal	MD	PJM	Talen Generation
H.A. Wagner (f)	827	100 %	827	Coal/Natural Gas/Oil	MD	PJM	Talen Generation
Lower Mt. Bethel	610	100 %	610	Natural Gas	PA	PJM	Talen Generation
Conemaugh (b)	1,756	22.22 %	390	Coal	PA	PJM	Talen Generation
Peaking units (g)	13	100 %	13	Oil	MD	PJM	Talen Generation
Keystone (b)	1,735	12.34 %	214	Coal	PA	PJM	Talen Generation
Camden	145	100 %	145	Natural Gas	NJ	PJM	Talen Generation
Total	**13,526**		**10,390**				
ERCOT							
Barney Davis (h)	897	100 %	897	Natural Gas	TX	ERCOT	Talen Texas
Nueces Bay	635	100 %	635	Natural Gas	TX	ERCOT	Talen Texas
Laredo	178	100 %	178	Natural Gas	TX	ERCOT	Talen Texas
Total	**1,710**		**1,710**				
Other Power Markets							
Colstrip Unit 3 (b)	740	30 %	222	Coal	MT	WECC	Talen Montana
Dartmouth	80	100 %	80	Natural Gas/Oil	MA	ISO-NE	Talen NE
Total	820		302				
Generation Fleet	**16,056**		**12,402**				

(a) Electric generation capacity (summer rating) is based on factors, among others, such as operating experience and physical conditions which may be subject to revision.
(b) See Note 14 in Talen's 2022 Consolidated Financial Statements for additional information regarding jointly owned facilities.
(c) Montour is expected to complete its transition to natural gas-fired generation in the second half of 2023 with coal-fired generation required to cease by the end of 2025.
(d) Coal-based generation will cease by December 31, 2028. Coal-fired electric generation is restricted during the EPA Ozone Season, which is May 1 to September 30 of each year.
(e) A notice was provided to PJM that requested deactivation on June 1, 2025. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information.
(f) H.A Wagner is transitioning its coal-fired unit to fuel oil, which is expected to support electric grid stability as a capacity resource. The conversion is expected to be completed in 2023.
(g) LMBE-MC deactivated 33 MW of peaking unit capacity in June 2023.
(h) A notice was provided to ERCOT that requested suspension of operations for Barney Davis Unit 1 on November 24, 2023.

GLOSSARY OF TERMS AND ABBREVIATIONS

Adjusted EBITDA. Net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization, or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions, and asset retirement; (ix) impairments, obsolescence, and net realizable value charges; (x) interest; (xi) income taxes; (xii) legal settlements, liquidated damages, and contractual terminations; (xiii) development expenses; (xiv) Cumulus Digital activities and noncontrolling interest; and (xv) other adjustments.

American Nuclear Insurers. A joint underwriting association that acts on behalf of member companies that writes nuclear liability insurance policies.

AOCI. Accumulated other comprehensive income or loss, which is a component of stockholder's equity on the Condensed Consolidated Balance Sheets.

ARO. Asset retirement obligation.

ASC. Accounting Standards Codification.

ASU. Accounting standards update.

Audited Financial Statements. The audited Talen Energy Supply 2022 Consolidated Financial Statements and Notes thereto.

Backstop Commitment Letter. The Backstop Commitment Letter, dated as of May 31, 2022, by and among the Debtors and the Backstop Parties, as subsequently amended, supplemented or otherwise modified.

Backstop Parties. Those certain holders of claims under the Prepetition Unsecured Notes party to the Backstop Commitment Letter.

Backstop Premium. A premium, comprised of (i) a periodic premium, paid monthly by the Debtors to each Backstop Party at a rate equal to 10% per annum of each Backstop Party's portion of the aggregate backstop commitment under the Backstop Commitment Letter and (ii) an additional premium, payable by the Debtors in cash or equity upon consummation of the Plan of Reorganization, equal to 20% of each Backstop Party's portion of the aggregate backstop commitment under the Backstop Commitment Letter, reduced by the amount of monthly Backstop Premium previously paid.

Barney Davis. Barney Davis, LLC, a direct subsidiary of Talen Texas that owns and operates a generation facility in Corpus Christi, Texas.

Bitcoin. A virtual digital currency, with no central issuing authority, used in peer-to-peer online transactions.

Brandon Shores. Brandon Shores LLC, an indirect subsidiary of Talen Generation that owns and operates a generation facility in Curtis Bay, Maryland.

Brunner Island. Brunner Island, LLC, a direct subsidiary of Talen Generation that owns and operates a generation facility in York Haven, Pennsylvania.

CAA. Clean Air Act of 1963. The CAA established a federal program within the U.S. Public Health Service and authorized research into techniques for monitoring and controlling air pollution.

Camden. Camden Plant Holding, LLC, an indirect subsidiary of Talen Generation that owns and operates a generation facility in Camden, New Jersey.

Capacity Factor. The ratio of actual electrical energy output of one or more generating units over a given period of time to the theoretical maximum electrical energy output of the same unit or units over that period.

Capacity Performance. The sole class of capacity product that electricity providers within PJM can offer to satisfy PJM's capacity obligation and thereby receive capacity payments from PJM. Auctions for this opportunity, generally referred to as capacity auctions, are scheduled by PJM periodically, up to three years in advance of the applicable PJM Capacity Year and in accordance with the terms of PJM's Tariff and FERC's orders. Capacity Performance providers assume higher performance requirements during system emergencies and are subject to penalties for non-performance.

CCR. Coal Combustion Residuals including but not limited to fly ash, bottom ash, and gypsum, that are produced from coal-fired electric generation facilities.

Colstrip. A generation facility comprised of four coal-fired generation units located in Colstrip, Montana (collectively, the "Colstrip Units"). Talen Montana operates the Colstrip Units, owns an undivided interest in Colstrip Unit 3, and has an economic interest in Colstrip Unit 4. Colstrip Units 1 and 2 were permanently retired in January 2020. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information on jointly owned facilities and Talen Montana's ownership interests in the Colstrip units and Note 21 in Notes to the Condensed Consolidated Financial Statements for information on a pending acquisition by Talen Montana of additional interests in Colstrip Units 3 and 4.

Colstrip AOC. "Administrative Order on Consent" entered into in 2012 (with minor amendments in 2017) between: (i) Talen Montana, on behalf of the co-owners of the Colstrip Units and in its capacity as the operator of Colstrip, and (ii) the MDEQ.

Conemaugh. A generation facility located in New Florence, Pennsylvania, in which Talen Generation, through a direct subsidiary, owns a 22.22% undivided interest. Conemaugh is operated by an unaffiliated party. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information on jointly owned facilities.

Conemaugh Fuels. Conemaugh Fuels, LLC, an entity in which Talen Generation owns a 22.22% equity interest, which engages in the purchase of coal, the subsequent sale of coal to Conemaugh, and other fuel-related activities.

Cumulus Affiliates. Collectively includes Cumulus Real Estate Holdings, Cumulus Battery Storage Holdings, Cumulus Renewables Holdings, Cumulus Compute Holdings, Cumulus PT Energy Transitions Holdings and Cumulus Digital Holdings and their respective subsidiaries.

Cumulus Battery Storage Holdings. Cumulus Battery Storage Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply receives voting, convertible preferred equity units in exchange for investments made into this entity and, as a result, holds a majority equity interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules.

Cumulus Coin. Cumulus Coin LLC, a direct subsidiary of Cumulus Coin Holdings that owns a 75% equity interest in Nautilus at June 30, 2023.

Cumulus Coin Holdings. Cumulus Coin Holdings LLC, a direct subsidiary of Cumulus Digital that, through its direct subsidiary, Cumulus Coin, owns an equity interest in Nautilus. Talen Energy Supply and Talen Growth previously held voting, convertible preferred equity interests in this entity. In September 2022, in connection with the Cumulus Digital Equity Conversion, the preferred equity interests in this entity were converted to common equity interests in Cumulus Digital Holdings.

Cumulus Compute Holdings. Cumulus Compute Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply receives voting, convertible preferred equity units in exchange for investments made into this entity and, as a result, holds a majority equity interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules.

Cumulus Data. Cumulus Data LLC, formerly Susquehanna Data LLC, a direct subsidiary of Cumulus Data Holdings that is developing the Cumulus Data Center Campus.

Cumulus Data Center Campus. A data center campus under development by Cumulus Data, which is planned to be a zero-carbon data center campus adjacent to Susquehanna. The first data center building is initially expected to support 48 MW of capacity and is scalable to 164 MW through the construction of two additional buildings. Cumulus Data has an option agreement with subsidiaries of Talen Energy Supply to purchase electricity, which would in turn be submetered to tenants of the data center campus pursuant to data center lease supply agreements.

Cumulus Data Holdings. Cumulus Data Holdings LLC, a direct subsidiary of Cumulus Digital and the direct parent of Cumulus Data. Talen Energy Supply and Talen Growth previously held voting, convertible preferred equity interests in this entity. In September 2022, in connection with the Cumulus Digital Equity Conversion, the preferred equity interests in this entity were converted to common equity interests in Cumulus Digital Holdings.

Cumulus Digital. Cumulus Digital LLC, a direct subsidiary of Cumulus Digital Holdings and the direct parent of Cumulus Data Holdings and Cumulus Coin Holdings.

Cumulus Digital COSA. Corporate and Operational Services Agreement, dated as of September 20, 2021, between Talen Energy Supply and Cumulus Digital, pursuant to which Talen Energy Supply provides corporate, administrative and operational services to Cumulus Digital and its subsidiaries. This agreement was amended and restated in September 2022.

Cumulus Digital Credit Agreement. The Credit Agreement, dated as of September 20, 2021, by and among Cumulus Digital and its subsidiaries, Cumulus Digital Holdings, and affiliates of Orion, establishing the Cumulus Digital TLF, as the same may be amended, amended and restated, supplemented or otherwise modified from time-to-time.

Cumulus Digital Equity Conversion. The conversion of preferred equity in Cumulus Coin Holdings and Cumulus Data Holdings held by TES, Talen Growth and Riverstone V Coin Holdings L.P., and the conversion of class B units of Cumulus Digital Holdings held by Orion affiliates, in each case into common equity of Cumulus Digital Holdings, as contemplated by the Cumulus Term Sheet, dated as of August 29, 2022, by and among TES, TEC, Cumulus Digital Holdings, Orion, Riverstone, and certain of their respective affiliates, which was an attachment to the fifth amendment to the RSA..

Cumulus Digital Holdings. Cumulus Digital Holdings LLC, a subsidiary of Talen Energy Supply and the direct parent of Cumulus Digital. Prior to September 2022, Cumulus Digital Holdings was a subsidiary of Cumulus Growth. As a result of the Cumulus Digital Equity Conversion, Cumulus Digital Holdings became majority-owned by Talen Energy Supply, with minority interests held by Riverstone and Orion. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules. At June 30, 2023, Talen Energy Supply owned an 81% equity interest in Cumulus Digital Holdings.

Cumulus Digital TLF. The Cumulus Digital term loan facility, due September 2027, under which Cumulus Digital borrowed to $175 million support Cumulus Coin's required contributions to Nautilus, as well as Cumulus Data's construction of certain shared infrastructure supporting both Nautilus and the Cumulus Data Center Campus.

Cumulus Growth. Cumulus Growth Holdings LLC, a direct subsidiary of Talen Energy Corporation. Prior to September 2022, Cumulus Growth owned common equity interests in Cumulus Digital Holdings. As of June 30, 2023, Cumulus Growth owns 100% of the issued and outstanding common equity interests in Cumulus Renewables Holdings, Cumulus Battery Storage Holdings, Cumulus Compute Holdings, Cumulus Real Estate Holdings and Cumulus PT Energy Transitions Holdings. While Cumulus Growth owns the issued and outstanding common equity in these entities, Talen Energy Supply holds voting, convertible preferred equity interests in these entities that, on an as-converted basis, entitle Talen Energy Supply to majority control.

Cumulus PT Energy Transitions Holdings. Cumulus PT Energy Transitions Holdings LLC, a direct subsidiary of Cumulus Growth. Cumulus PT Energy Transitions Holdings owns a 50% interest in a joint venture entity with Pattern Energy that is intended to hold early-stage development assets prior to the formation of project-specific joint venture entity. Talen Energy Supply receives voting, convertible preferred equity units in exchange for investments made into this entity and, as a result, holds a majority equity interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules.

Cumulus Real Estate Holdings. Cumulus Real Estate Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply receives voting, convertible preferred equity units in exchange for investments made into this entity and, as a result, holds a majority equity interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules.

Cumulus Renewables Holdings. Cumulus Renewables Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply receives voting, convertible preferred equity units in exchange for investments made into this entity and, as a result, holds a majority equity interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this entity and its subsidiaries in accordance with accounting rules.

Dartmouth. Dartmouth Power Associates Limited Partnership, an indirect subsidiary of Talen NE LLC that owns and operates a generation facility in Dartmouth, Massachusetts.

Debtors. Prior to December 12, 2022, Talen Energy Supply and all of its direct and indirect subsidiaries, other than: (i) LMBE-MC Holdco and its subsidiaries, (ii) TRF and (iii) the Cumulus Affiliates. From and after December 12, 2022, the foregoing Debtors together with TEC.

DIP Facilities. Collectively, the DIP RCF, DIP TLB and DIP LCF.

DIP LCF. The letter of credit facility established under the Debtors' Superpriority Secured Debtor-In-Possession Letter of Credit Facility Agreement, dated as of May 11, 2022, which provided for LCs outstanding under the Prepetition RCF as of commencement of the Restructuring to remain outstanding with superpriority status.

DIP RCF. The revolving credit facility that provided aggregate revolving commitments of $300 million, including a letter of credit sub-facility of up to $75 million, under the Debtors' Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of May 11, 2022.

DIP Secured ISDAs. Certain bilateral secured International Swaps and Derivatives Association (ISDA) agreements of Talen Energy Marketing, the obligations under which were secured by a superpriority lien and security interest in substantially all of the assets of Talen Energy Supply and the Debtors.

DIP TLB. The term loan B facility in an aggregate principal amount of $1 billion under the Debtors' Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of May 11, 2022.

EBITDA. Net income (loss) before interest expense and other finance charges, income taxes, depreciation and certain amortization.

EGU. Electric Generating Unit.

EIS. Environmental Impact Statement related to mining permits.

Emergence or Emergence Date. May 17, 2023, the date that the Plan of Reorganization became effective in accordance with the terms thereof and the Debtors emerged from the Restructuring.

EPA. U.S. Environmental Protection Agency.

EPA 2008 Ozone Standard. In 2008, the EPA revised the 8-hour ozone EPA NAAQS from 84 parts per billion to 75 parts per billion; however, the EPA did not finalize the designations under this new standard until 2012.

EPA ACE Rule. Affordable Clean Energy rule, an EPA emissions guideline that directs states to develop plans that establish standards of performance for carbon dioxide (CO_2) emissions from existing coal-fired electricity generating units.

EPA CCR Rule. National regulatory standards required by the EPA for the management of CCRs in landfills and surface impoundments.

EPA CSAPR. Cross-State Air Pollution Rule. Requires 28 states in the eastern half of the U.S. to reduce power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. A cap and trade system is used to reduce the target pollutants—sulfur dioxide and nitrogen oxides.

EPA ELG Rule. Effluent limitation guidelines, which are national regulatory standards required by the EPA for wastewater discharged from specific industrial categories, including but not limited to coal-fired electric generation facilities, to surface waters and municipal sewage treatment plants.

EPA FIPS. The EPA's Federal Implementation Plans, which are air quality plans developed by the EPA under certain circumstances to help states or tribes attain and (or) maintain the EPA NAAQS criteria for air pollutants and fulfill other requirements of the Clean Air Act.

EPA MATS Rule. Mercury and Air Toxics Standards, EPA technology-based emissions standards for mercury and other hazardous air pollutants emitted by generation units with a capacity of more than 25 megawatts.

EPA NAAQS. National Ambient Air Quality Standards, which define the maximum amount of a pollutant averaged over a specified period of time that can be present in outdoor air without harming public health.

EPA NESHAP. National Emissions Standards for Hazardous Air Pollutants, an EPA standard that is applicable to the emissions of hazardous air pollutants produced by corporations, institutions and government agencies.

EPA RTR. The EPA's Risk and Technology Review of the EPA NESHAP, which is a combined effort to evaluate both risk and technology as required by the CAA after the application of maximum achievable control technology standards.

ERCOT. The Electric Reliability Council of Texas, operator of the electricity transmission network and electricity energy market in most of Texas, which is responsible for, among other things, scheduling electric deliveries and performing financial settlements for the competitive wholesale bulk-power market.

ERCOT ORDC. ERCOT's Operating Reserve Demand Curve, which is a market-based construct to value operating reserves in the wholesale electric market based on the scarcity of the resources and reflect that value in wholesale energy prices.

ERCOT QSE. ERCOT Qualified Scheduling Entity, which is responsible for offering and bidding energy in the ERCOT day-ahead and real-time market and settling financially with ERCOT.

ESG. Environmental, social and corporate governance.

Exit Financings. In connection with Emergence, TES's issuance of the New Secured Notes and entry into the New Credit Facilities.

Federal Quiet Title Act. A federal statute that provides for legal proceedings to determine ownership of real property.

FERC. U.S. Federal Energy Regulatory Commission. FERC regulates interstate transmission of electricity, natural gas, and oil, and also regulates hydropower projects and natural gas terminals.

GAAP. Generally Accepted Accounting Principles in the United States.

H.A. Wagner. H.A. Wagner LLC, an indirect subsidiary of Talen Generation that owns and operates a generation facility in Curtis Bay, Maryland.

IBEW. International Brotherhood of Electrical Workers, a labor union.

Inflation Reduction Act. The Inflation Reduction Act of 2022, which was signed into law in August 2022. Among the Inflation Reduction Act's provisions are: (i) amendments to the IRC to create a nuclear production tax credit program; (ii) the creation, extension and modification of tax credit programs for certain clean energy projects, such as solar, wind and battery storage; and (iii) adjustments to corporate tax rates.

IRC. Internal Revenue Code of 1986, as amended.

ISO. Independent System Operator.

ISO-NE. ISO New England Inc., the RTO that operates the electricity transmission network and wholesale power market that serves Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

Keystone. A generation facility located in Shelocta, Pennsylvania, in which Talen Generation, through a direct subsidiary, owns a 12.34% undivided interest. Keystone is operated by an unaffiliated party. See Note 10 in Notes to the Condensed Consolidated Financial Statements for additional information on jointly owned facilities.

Keystone Fuels. Keystone Fuels, LLC, an entity in which Talen Generation owns a 12.34% equity interest, which engages in the purchase of coal, the subsequent sale of coal to Keystone, and other fuel-related activities.

Kinder Morgan. Kinder Morgan Tejas Pipeline LLC, an unaffiliated third party.

KW. Kilowatt, one thousand watts of electric power.

Laredo. Laredo, LLC, a direct subsidiary of Talen Texas that owns and operates a generation facility in Laredo, Texas.

LC. Letter of credit.

LMBE-MC. LMBE-MC HoldCo II LLC, a direct subsidiary of LMBE-MC Holdco that, through its subsidiaries, owns generation facility operations in Pennsylvania and was the borrower under the LMBE-MC TLB and LMBE-MC RCF.

LMBE-MC Credit Agreement. The Credit and Guaranty Agreement, dated as of December 3, 2018, among LMBE-MC, as borrower, LMBE-MC Holdco, as holdings, the guarantors named therein, MUFG Union Bank, N.A., as initial issuing bank and MUFG Bank, LTD, as administrative agent, which governs the LMBE-MC RCF and the LMBE-MC TLB, as the same may be amended, amended and restated, supplemented or otherwise modified from time-to-time. The LMBE-MC Credit Agreement was terminated in August 2023.

LMBE-MC Holdco. LMBE-MC HoldCo I LLC, a direct subsidiary of Talen Generation and the parent of LMBE-MC that, through its subsidiaries, owns generation facility operations in Pennsylvania.

LMBE-MC RCF. The revolving credit facility, including a letter of credit sub-facility, maturing in December 2023, established under the LMBE-MC Credit Agreement. Obligations under the LMBE-MC RCF were guaranteed by LMBE-MC Holdco and its subsidiaries and secured by a first priority lien and security interest in substantially all of their assets. The LMBE-MC RCF was terminated in August 2023. See Note 13 for additional information.

LMBE-MC TLB. The term loan B facility, due December 2025, established under the LMBE-MC Credit and Guaranty Agreement. Obligations under the LMBE-MC TLB were guaranteed by LMBE-MC Holdco and its subsidiaries and secured by a first priority lien and security interest in substantially all of their assets. The LMBE-MC TLB was repaid in full and terminated in August 2023. See Note 13 for additional information.

Martins Creek. MC Project Company LLC, a direct subsidiary of LMBE-MC that owns and operates a generation facility in Bangor, Pennsylvania.

Lower Mt. Bethel. LMBE Project Company LLC, a direct subsidiary of LMBE-MC that owns and operates a generation facility in Bangor, Pennsylvania.

MBER. Montana Board of Environmental Review, a state-level government agency responsible for administering environmental regulatory, clean up, monitoring, pollution prevention and energy conservation laws.

MDEQ. Montana Department of Environmental Quality, which is responsible for regulating air, water, and ground resources to administer Montana's environmental and mine reclamation laws.

MEIC. Montana Environmental Information Center, a non-partisan, non-profit environmental advocacy group.

MMBtu. One million British Thermal Units.

Montour. Montour, LLC, a direct subsidiary of Talen Generation that owns and operates a generation facility in Washingtonville, Pennsylvania.

MW. Megawatt, one thousand kilowatts (one million watts) of electric power.

MWh. Megawatt hour, or megawatts of electric power per hour.

Nautilus. Nautilus Cryptomine LLC, a joint venture owned, as of June 30, 2023, 75% by Cumulus Coin and 25% by TeraWulf, which owns and operates a cryptomining project on land leased from Cumulus Data at the Cumulus Data Center Campus.

Nautilus FOA. Facilities Operation Agreement between Nautilus and Talen Energy Supply, whereby Talen Energy Supply agreed to provide, or arrange for Nautilus, certain infrastructure, construction, operations and maintenance and administrative services necessary to build out and operate the Nautilus facility and to support Nautilus' ongoing business at the Nautilus facility. Talen Energy Supply is entitled to reimbursement of its costs (including direct personnel costs) incurred in performing the services on a monthly basis, but is not otherwise entitled to a management fee. The Nautilus FOA expires in December 2025.

Nautilus Ground Lease Agreement. Agreement pursuant to which Nautilus leases land from Cumulus Data on which the Nautilus facility is located, and which also provides for submetering of electricity by Cumulus Data to Nautilus.

NAV. Net asset value.

NDT. Nuclear facility decommissioning trust for Susquehanna Nuclear.

NEIL. Nuclear Electric Insurance Limited.

NEPA. National Environmental Policy Act, which requires federal agencies to assess the environmental effects of their proposed actions prior to making decisions. The range of actions covered by NEPA is broad and includes: making decisions on permit applications, adopting federal land management actions, and constructing highways and other publicly-owned facilities.

NERC. North American Electric Reliability Corporation, a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

New Bilateral LC Agreement. The Letter of Credit Facility Agreement, dated as of May 17, 2023, by and among TES, as borrower, Barclays Bank PLC, as administrative agent and LC issuer, and Citibank, N.A., as collateral agent, which governs the New TLC LCF, as the same may be amended, amended and restated, supplemented or otherwise modified from time-to-time.

New Bilateral LCF. The senior secured bilateral letter of credit facility in an aggregate committed amount of $75 million under the New Bilateral LC Agreement, the proceeds of which are available to support the issuance of standby LCs. Obligations under the New Bilateral LCF are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New Credit Agreement. The Credit Agreement, dated as of May 17, 2023, by and among TES, as borrower, the lending institutions from time to time parties thereto, Citibank, N.A., as administrative agent and collateral agent, and the joint lead arrangers and joint bookrunners parties thereto, which governs the New RCF, the New Term Loans and the New TLC LCF, as the same may be amended, amended and restated, supplemented or otherwise modified from time-to-time.

New Credit Facilities. Collectively, the New RCF, the New Term Loans, the New TLC LCF and the New Bilateral LCF.

New Indenture. The Indenture, dated as of May 12, 2023, as supplemented by the First Supplemental Indenture, dated as of May 17, 2023, each between TES, the Subsidiary Guarantors and Wilmington Savings Fund Society, FSB, as trustee, which governs the New Secured Notes, as the same may be further amended, amended and restated, supplemented or otherwise modified from time-to-time.

New RCF. The senior secured revolving credit facility that provides aggregate revolving commitments of $700 million, including letter of credit commitments of $475 million, under the New Credit Agreement. Obligations under the New RCF are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New Secured ISDAs. Certain bilateral secured ISDA agreements and Base Contracts for Sale and Purchase of Natural Gas as published by the North American Energy Standards Board ("NAESB") of Talen Energy Marketing. Obligations under the New Secured ISDAs are secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New Secured Notes. The 8.625% Senior Secured Notes due 2030 issued by Talen Energy Supply. Obligations under the New Secured Notes are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New Term Loans. Collectively, the New TLB and the New TLC.

New TLB. The senior secured term loan B facility in an aggregate principal amount of $580 million under the New Credit Agreement. Obligations under the New TLB are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New TLC. The senior secured term loan C facility in an aggregate principal amount of $470 million under the New Credit Agreement, the proceeds of which are available to support the issuance of standby and trade LCs via 100% cash collateralization. Obligations under the New TLC are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

New TLC LCF. The $470 term letter of credit facility established under the New Credit Agreement. The New TLC LCF is cash collateralized with the proceeds of the New TLC, and commitments thereunder are reduced to the extent that borrowings under the New TLC are prepaid.

Newark Bay. Newark Bay Cogeneration Partnership, L.P., an indirect subsidiary of Talen Generation that owned and operated a generation facility in Newark, New Jersey that was retired in 2022.

NorthWestern. NorthWestern Corporation d/b/a NorthWestern Energy, a co-owner in Colstrip.

NRC. U.S. Nuclear Regulatory Commission, which was created as an independent agency by Congress in 1974 to ensure the safe use of radioactive materials for beneficial civilian purposes while protecting people and the environment. The NRC regulates commercial nuclear power plants and other uses of nuclear materials, such as in nuclear medicine, through licensing, inspection and enforcement of its requirements.

Nueces Bay. Nueces Bay, LLC, a direct subsidiary of Talen Texas that owns and operates a generation facility in Corpus Christi, Texas.

Orion. Orion Energy Partners, whose affiliates are third-party lenders involved in the Cumulus Digital TLF.

OSM. U.S. Office of Surface Mining Reclamation and Enforcement.

Ozone Season. A period of time in which ground-level ozone reaches its highest concentrations in the air.

Ozone Transport Commission. A multi-state organization created under the CAA responsible for advising the EPA and implementing regional solutions to ground-level ozone issues.

PA DEP. Department of Environmental Protection, the agency in the state of Pennsylvania responsible for protecting and preserving the land, air, water, and public health through enforcement of the state's environmental laws.

PA Mines. Pennsylvania Mines, LLC, a direct subsidiary of Talen Generation.

PA RACT. Reasonably Available Control Technology, is a Pennsylvania pollution control standard created by the PA DEP used to determine what air pollution control technology will be used to control a specific pollutant to a specified limit in order for Pennsylvania to satisfy the EPA NAAQS. PA RACT applies to existing sources in areas that are not meeting national ambient air quality standards on controlled air pollutants and is required on all sources that meet these criteria.

Pattern Energy. Pattern Renewables 2 LP, an unaffiliated third party in which Riverstone holds a minority interest.

PEDFA Bonds. The following series of Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Refunding Bonds: Series 2009A due December 2038 ("PEDFA 2009A Bonds"); Series 2009B due December 2038 ("PEDFA 2009B Bonds"); and Series 2009C due December 2037 ("PEDFA 2009C Bonds"). All series of the PEDFA Bonds were guaranteed by certain of the Prepetition Guarantors. Holders of the PEDFA 2009A Bonds received TEC common stock in connection with the Restructuring in satisfaction of their claims. The PEDFA 2009B Bonds and PEDFA 2009C Bonds currently remain outstanding, and are guaranteed by certain of the Subsidiary Guarantors.

PIK. Paid-in-kind.

PJM. PJM Interconnection, L.L.C., the RTO that operates the electricity transmission network and wholesale power market in 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.

PJM ACR. PJM's "Avoidable Cost Rate" defined under the PJM Open Access Transmission Tariff, if the formula that serves as the PJM MSOC.

PJM Base Residual Auction. A component of the PJM RPM, the PJM Base Residual Auction, is intended to secure power supply resources from market participants in advance of the PJM Capacity Year. It is usually held during the month of May three years prior to the start of the PJM Capacity Year.

PJM Capacity Year. PJM capacity revenues delivery years cover the period from June 1 to May 31.

PJM IMM. Independent Market Monitor for PJM, who is intended to operate independently from PJM staff and members to objectively monitor, investigate, evaluate, and report on PJM's markets and is responsible for guarding against the exercise of market power.

PJM Maximum Generation Emergency Action. An action to increase the PJM RTO generation above the maximum economic level. It is implemented whenever generation is needed over what can be economically procured. Following issuance of a PJM Maximum Generation Emergency Action, PJM may purchase available generation from any PJM member (as an emergency) that is available up to the amount required or until available generation is depleted.

PJM MOPR. Minimum Offer Price Rule, which limits the minimum price at which certain units can bid into the auction due to certain external subsidization.

PJM MSOC. PJM Market Seller Offer Cap, which is the price ceiling applied by PJM to certain capacity sell offers and is based on the PJM ACR.

PJM RPM. PJM's capacity market, or the Reliable Pricing Model, formed under PJM's Open Access Transmission Tariff, which is intended to ensure long-term grid reliability by securing the appropriate amount of power supply resources needed to meet predicted energy demand in the future. Under PJM's "pay-for-performance" model, generation resources are required to deliver on demand during system emergencies or owe a payment for non-performance.

Plan of Reorganization. The *Joint Chapter 11 Plan of Reorganization of Talen Energy Supply, LLC and Its Affiliated Debtors* [Docket No. 1206], as subsequently amended, supplemented or otherwise modified, and any exhibits or schedules thereto.

PP&E. Property, plant and equipment.

PPL. PPL Corporation, the former indirect parent holding company of Talen Energy Supply and Talen Energy Corporation until the Talen Formation Transactions in 2015.

Predecessor. Relates to the financial position or results of operations of Talen Energy Supply for periods prior to Emergence, or May 17, 2023. Recurring references to this period in this document includes the period from January 1, 2023 through May 17, 2023, the six months ended June 30, 2022, December 31, 2022 and June 30, 2022.

Prepetition CAF. The Credit Agreement, dated as of December 14, 2021, as subsequently amended, supplemented or otherwise modified, among Talen Energy Supply, as parent, Talen Energy Marketing and Susquehanna, as borrowers, the lenders party thereto, and Alter Domus (US) LLC, as administrative agent, which established a senior secured commodity accordion revolving credit facility. Obligations under the Prepetition CAF were guaranteed by the Prepetition Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Prepetition Guarantors.

Prepetition Deferred Capacity Obligations. Prepetition obligations arising under an auction specific MW transaction confirmation, executed in March 2021, between Talen and an unaffiliated third party, which involved the transfer by a Talen subsidiary to the third party of capacity rights and revenues associated with physical MW of capacity cleared under the PJM capacity auctions for planning years 2020/2021 and 2021/2022. These obligations had been fully performed as of June 2022.

Prepetition Guarantors. Certain wholly owned subsidiaries of Talen Energy Supply that guaranteed obligations under the Prepetition Indebtedness and the Prepetition Secured ISDAs.

Prepetition Indebtedness. Collectively, the Prepetition RCF, Prepetition TLB, Prepetition CAF, Prepetition Secured Notes, Prepetition Unsecured Notes, and PEDFA Bonds.

Prepetition Inventory Repurchase Obligations. Prepetition obligations arising under a product purchase and sale agreement, executed in December 2019, pursuant to which certain Prepetition Guarantors sold coal and fuel oil to an unaffiliated third party and then repurchased that fuel on a periodic basis for generation purposes, The remaining fuel was repurchased in May 2022 in connection with the termination of the arrangement. See Note 8 in Notes to the Condensed Consolidated Financial Statements for additional information.

Prepetition LCF-1. Talen Energy Supply's prepetition unsecured, bilateral LC facility with Credit Suisse International. Obligations under the Prepetition LCF-1 were guaranteed by the Prepetition Guarantors. The Prepetition LCF-1 expired in June 2023.

Prepetition LCF-2. Talen Energy Supply's prepetition unsecured, bilateral LC facility with Goldman Sachs Bank USA. Obligations under the Prepetition LCF-2 were guaranteed by the Prepetition Guarantors. The Prepetition LCF-2 was terminated in May 2023.

Prepetition RCF. The Credit Agreement dated as of June 1, 2015, as subsequently amended, supplemented or otherwise modified, among Talen Energy Supply, as borrower, Citibank, N.A., as administrative agent and collateral trustee, and the lenders party thereto, which established a senior secured revolving credit facility, including an LC sub-facility, which was subsequently amended to an LC-only facility. Obligations under the Prepetition RCF were guaranteed by the Prepetition Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Prepetition Guarantors.

Prepetition Secured Indebtedness. Collectively, the Prepetition RCF, Prepetition TLB, Prepetition CAF, and Prepetition Secured Notes.

Prepetition Secured ISDAs. Certain prepetition bilateral secured International Swaps and Derivatives Association (ISDA) agreements and Base Contracts for Sale and Purchase of Natural Gas as published by the North American Energy Standards Board (NAESB) of Talen Energy Marketing. Obligations under the Prepetition Secured ISDAs were secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Prepetition Guarantors.

Prepetition Secured Notes. The following series of prepetition senior secured notes issued by Talen Energy Supply, which were guaranteed by the Prepetition Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Prepetition Guarantors: (i) 7.25% Senior Secured Notes due 2027; (ii) 6.625% Senior Secured Notes due 2028 ; and (iii) 7.625% Senior Secured Notes due 2028.

Prepetition TLB. The Term Loan Credit Agreement, dated as of July 8, 2019, as subsequently amended, supplemented or otherwise modified, among Talen Energy Supply, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto, which established a senior secured term loan B facility. Obligations under the Prepetition TLB were guaranteed by the Prepetition Guarantors and secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Prepetition Guarantors.

Prepetition Unsecured Notes. The following series of prepetition senior unsecured notes issued by Talen Energy Supply, which were guaranteed by certain Prepetition Guarantors: (i) 4.6% Senior Notes due December 2021; (ii) 9.5% Senior Notes due July 2022; (iii) 6.5% Senior Notes due September 2024; (iv) 6.5% Senior Notes due June 2025; (v) 10.5% Senior Notes due January 2026; (vi) 7.0% Senior Notes due October 2027; and (vii) 6.0% Senior Notes due December 2036.

Price-Anderson Act. A federal law governing liability related issues and ensuring the availability of funds for public liability claims arising from an incident at any United States licensed nuclear facility.

PUCT. Public Utility Commission of Texas, which regulates the Texas electric, telecommunication, and water and sewer utilities, implements respective legislation, and offers customer assistance in resolving consumer complaints.

PUCT PCM. Performance Credit Mechanism, a market mechanism adopted by the PUCT in 2023.

Reg Rights Holders. Certain designated holders of TEC common stock and warrants to purchase TEC common stock that are party to the Registration Rights Agreement, and other holders of TEC common stock and warrants from time to time party thereto.

Registration Rights Agreement. The Registration Rights Agreement dated as of May 17, 2023 between TEC and the Reg Rights Holders that, among other things, granted customary registration rights to the Reg Rights Holders and certain of their permitted transferees, including customary shelf registration rights and piggyback rights.

Restructuring. The voluntary cases commenced by the Debtors under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, together with the related financial restructuring of the Debtors’ existing debt, existing equity interests, and certain other obligations pursuant to the Plan of Reorganization.

Retail PPA Incentive Equity. The right of Riverstone, pursuant to the Plan and TEC Global Settlement, to receive additional TEC common stock at and after Emergence based on the prices to be paid by Cumulus Data to Talen Generation for electricity generated at Susquehanna under retail electricity supply agreements. At Emergence, TEC issued approximately 243 thousand shares of TEC common stock to Riverstone in respect of the Retail PPA Incentive Equity. In addition, the Retail PPA Incentive Equity also includes a right of Riverstone to receive additional TEC common stock (or, at TEC's option, a cash payment) in the event Cumulus Data exercises an additional option with Talen Generation, as further described in the Plan of Reorganization. In August 2023 Riverstone agreed to waive its right to these additional amounts in exchange for a cash payment. See Note 22 for more information.

RGGI. The Regional Greenhouse Gas Initiative, a mandatory market-based program among certain states, including Maryland, New Jersey and Massachusetts, to cap and reduce carbon dioxide emissions from the power sector. RGGI requires certain electric power generators to hold allowances equal to their carbon dioxide emissions over a three-year control period. RGGI allowances, as issued by each participating state, represent an authorization for a power generation facility to emit one short ton of carbon dioxide. Allowances may be acquired by auction or through secondary markets. Pennsylvania has proposed joining this market-based program.

Rights Offering. The equity rights offering conducted in April and May 2023 in accordance with the RSA, resulting in subscriptions to purchase $1.4 billion of TEC common stock pursuant to the Plan of Reorganization.

Riverstone. Riverstone Holdings LLC, and certain of its affiliates.

Rosebud Mine. A coal mine in Montana owned by Westmoreland Rosebud Mining, LLC that supplies coal to the Colstrip Units.

RSA. The Restructuring Support Agreement (and all exhibits and schedules thereto), dated as of May 9, 2022, by and between the Debtors, certain holders of claims under the Prepetition Unsecured Notes, Prepetition CAF, Prepetition TLB, and Prepetition Secured Notes, Riverstone and TEC, as subsequently amended, supplemented or otherwise modified, and any exhibits or schedules thereto.

RTO. Regional Transmission Organization.

SOFR. Secured Overnight Financing Rate.

Stockholders Agreement. The Stockholders Agreement, dated as of May 17, 2023, between TEC and the holders TEC common stock at Emergence.

Subsidiary Guarantors. The subsidiaries of TES that guarantee (i) the obligations of TES under the New Credit Facilities and the New Secured Notes and (ii) the obligations of Talen Energy Marketing under the New Secured ISDAs.

Successor. Relates to the financial position or results of operations of Talen Energy Corporation for periods after Emergence, or May 18, 2023. Recurring references to this period in this document includes the period from May 18, 2023 through June 30, 2023, and June 30, 2023.
Susquehanna. A nuclear-powered generation facility located near Berwick, Pennsylvania.

Susquehanna Nuclear. Susquehanna Nuclear, LLC, a direct subsidiary of Talen Energy Supply. Susquehanna Nuclear operates and owns a 90% undivided interest in Susquehanna.

Talen (the "Company," "we," "us," or "our"). Unless the context clearly indicates otherwise, (i) for periods after May 17, 2023, Talen Energy Corporation and its consolidated subsidiaries (including Talen Energy Supply) and (ii) for periods on or before May 17, 2023, Talen Energy Supply and its consolidated subsidiaries.

Talen Energy Corporation (or "TEC"). Talen Energy Corporation, the parent company of Talen Energy Supply, Cumulus Growth and their consolidated subsidiaries.

Talen Energy Marketing. Talen Energy Marketing, LLC, a direct subsidiary of Talen Energy Supply that provides energy management services to Talen-owned and operated generation facilities and engages in wholesale commodity marketing activities.

Talen Energy Supply (or "TES"). Talen Energy Supply, LLC, a direct subsidiary of Talen Energy Corporation and the parent company of Talen Generation, Susquehanna Nuclear, Talen Montana Holdings, LLC, Talen Energy Marketing, Talen Texas, Talen NE, and Talen Growth.

Talen Formation Transactions. In 2015, the spinoff of Talen Energy Corporation from PPL and, simultaneously, the contribution of certain entities by the Sponsor Entities creating, at that time, an independent, publicly traded company.

Talen Generation. Talen Generation, LLC, a direct subsidiary of Talen Energy Supply that, through its subsidiaries, owns and operates generation facilities, and holds interests in other jointly owned, third-party operated generation facilities, in Pennsylvania, New Jersey, and Maryland.

Talen Growth. Talen II Growth Holdings LLC, an indirect subsidiary of Talen Energy Supply that owns common equity interests in Cumulus Digital Holdings. Talen Growth, through subsidiaries, previously owned other interests in proposed digital infrastructure, renewable energy and battery storage projects that are currently in the development stage, but sold its interests in the proposed projects to then-subsidiaries of Cumulus Growth in September 2021.

Talen Montana. Talen Montana, LLC, a direct subsidiary of Talen Montana Holdings, LLC that operates the Colstrip Units and owns an undivided interest in Colstrip Unit 3 and is party to a contractual economic sharing agreement for Colstrip Units 3 and 4.

Talen NE. Talen NE LLC, a direct subsidiary of Talen Energy Supply that, through subsidiaries, owns and operates a generation facility in Massachusetts.

Talen Texas. Talen Texas, LLC, a direct subsidiary of Talen Energy Supply that, through its subsidiaries, owns and operates generation facilities in Texas.

TEC Global Settlement. The settlement of all claims, interests, and controversies among the Debtors, Riverstone, TEC, and certain other creditors in the Restructuring, the terms of which are set out in the fifth amendment to the RSA and the attachments thereto.

TeraWulf. TeraWulf (Thales) LLC, a Beowulf Energy LLC subsidiary, and an unaffiliated third party.

TERP. The Talen Energy Retirement Plan, which is Talen's principal defined-benefit pension plan.

TRF. Talen Receivables Funding, LLC, a direct subsidiary of Talen Energy Marketing that, prior to the Restructuring, purchased certain receivables from Talen Energy Marketing and sold them to an unaffiliated financial institution. That agreement was terminated during the second quarter 2022 as a result of the Restructuring.

VIE. Variable interest entity.

WECC. The Western Electricity Coordinating Council, a not-for-profit entity that ensures the reliability of the electricity transmission network and energy market in all or parts of Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Texas, Utah, Washington, and the Canadian provinces of Alberta and British Columbia and the northern portion of the Mexican state of Baja California.

Winter Storm Elliott. An extra-tropical cyclone that created a storm of snow, rain and wind across the country occurring in December 2022 that had widespread impacts across the United States, which included PJM declaring a PJM Maximum Generation Emergency Action.

Winter Storm Uri. A major winter and ice storm occurring in February 2021 that had widespread impacts across the United States, including systemic energy market disruptions and price volatility throughout ERCOT.

TALEN ENERGY™