# Talen Energy Supply
# Debtors-In-Possession
# Condensed Consolidated Financial Statements

For the Period Ended March 31, 2023

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# TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
# DEBTORS-IN-POSSESSION
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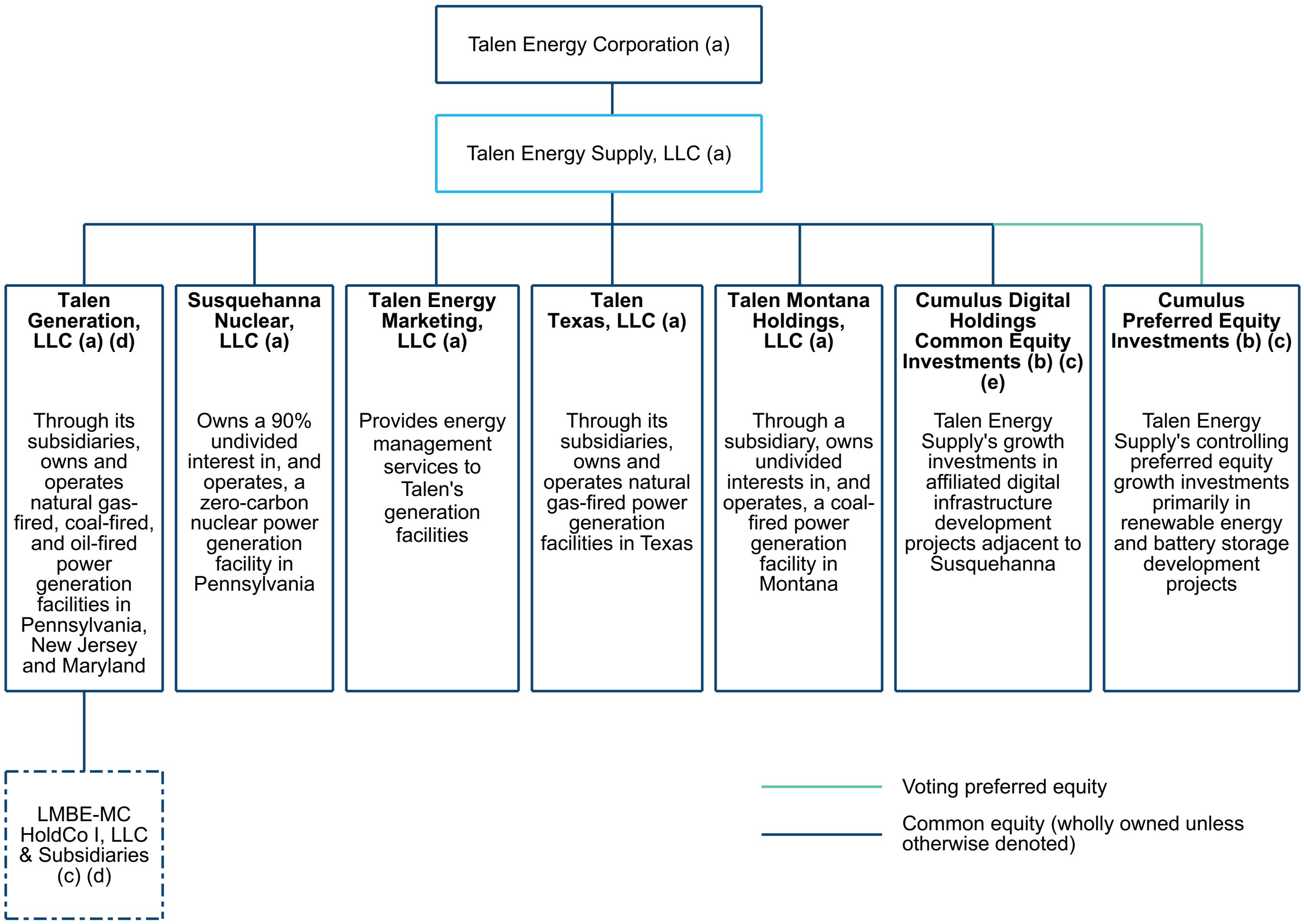
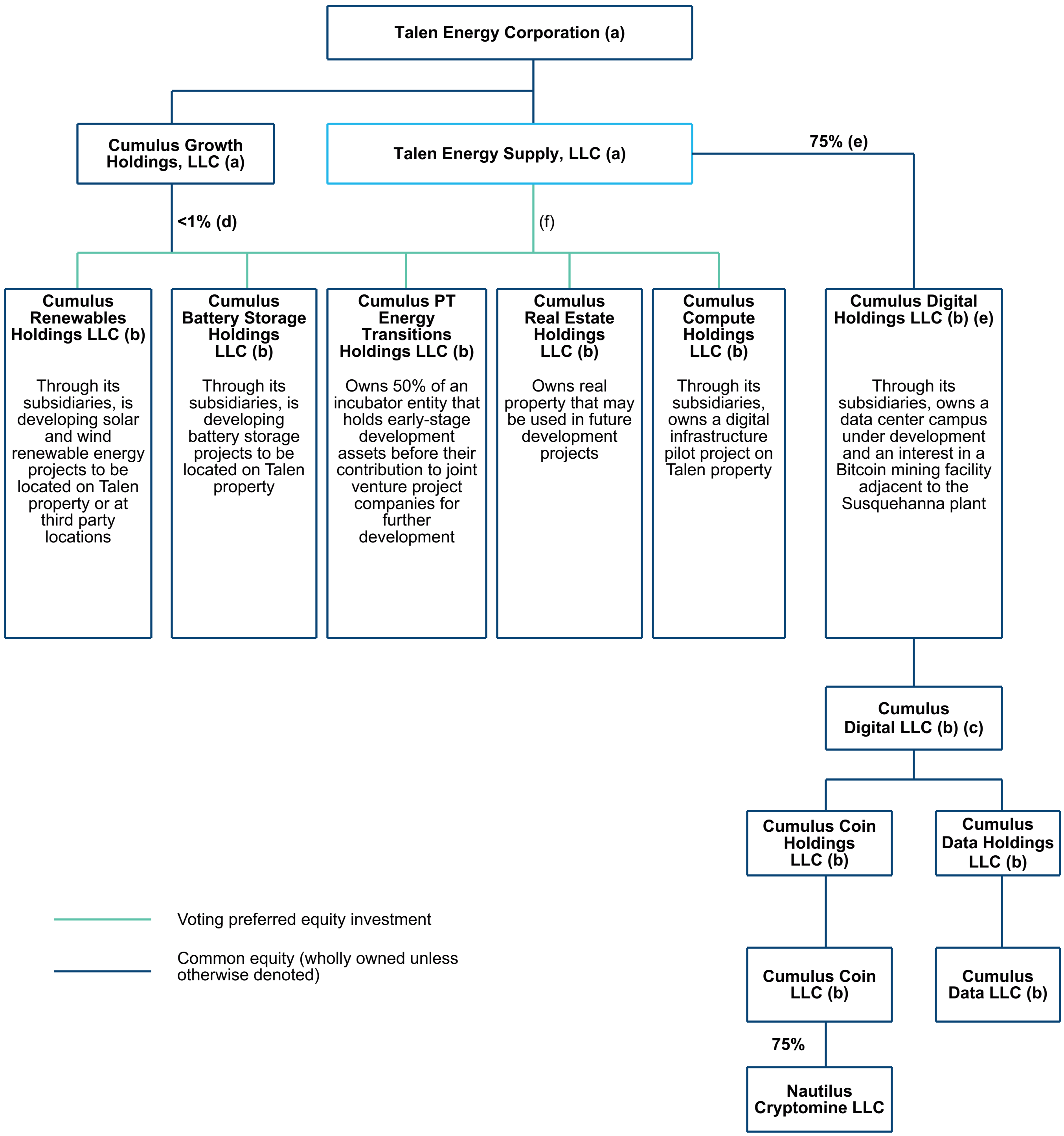
## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## ORGANIZATIONAL STRUCTURE
## MARCH 31, 2023 (UNAUDITED)




(a) See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information on the Talen Bankruptcy.
(b) See "Equity Interests Organizational Structure" on the next page for additional information on these growth investments.
(c) Such entities are not debtors in the Talen Bankruptcy.
(d) LMBE-MC indebtedness is non-recourse to Talen Energy Supply.
(e) Cumulus Digital indebtedness is limited-recourse to Talen Energy Supply.

**TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES**
**EQUITY INTERESTS ORGANIZATIONAL STRUCTURE**
**MARCH 31, 2023 (UNAUDITED)**




(a) See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information on the Talen Bankruptcy.
(b) Such entities are not part of the Talen Bankruptcy. See Note 3 in Notes to the Consolidated Financial Statements for additional information on the Talen Bankruptcy.
(c) Talen Energy Supply has posted a $50 million LC in support of Cumulus Digital Indebtedness. See Note 19 in Notes to the Condensed Consolidated Financial Statements for additional information on the LC.
(d) Cumulus Growth primarily holds less than 1% voting interest in its subsidiaries.
(e) Talen Energy Supply has provided services to Cumulus Digital through March 31, 2023 for which common equity in Cumulus Digital Holdings is expected to be issued later in 2023.
(f) Talen's Energy Supply's voting interests in the companies is greater than 99%, except for Cumulus PT Energy Transitions Holdings LLC which is approximately 67%.

## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## GENERATION FLEET AT MARCH 31, 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) | 46 | 100 % | 46 | Oil/Natural Gas | PA | 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** | 13,559 | | 10,423 | | | | |
| **ERCOT** | | | | | | | |
| Barney Davis | 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** | **16,089** | | **12,435** | | | | |

(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 noticed 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 owns 33 MW of peaking unit capacity. LMBE-MC expects to deactivate these peaking units in June 2023.

## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## DEBTORS-IN-POSSESSION
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Millions of Dollars)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2023** | **2022** |
| Capacity revenues | **$ 66** | $ 132 |
| Energy and other revenues | **862** | 325 |
| Unrealized gain (loss) on derivative instruments | **145** | (60) |
| **Operating Revenues** | **1,073** | 397 |
| **Energy Expenses** | | |
| Fuel and energy purchases | **(107)** | (258) |
| Nuclear fuel amortization | **(24)** | (27) |
| Unrealized gain (loss) on derivative instruments | **(114)** | 89 |
| **Total Energy Expenses** | **(245)** | **(196)** |
| **Operating Expenses** | | |
| Operation, maintenance and development | **(176)** | (142) |
| General and administrative | **(29)** | (30) |
| Postretirement benefits service cost | **(1)** | (1) |
| Depreciation, amortization and accretion | **(132)** | (138) |
| Impairments | **(365)** | — |
| Other operating income (expense), net | **(9)** | — |
| **Operating Income (Loss)** | **116** | (110) |
| Interest expense and other finance charges | **(104)** | (81) |
| Nuclear decommissioning trust funds gain (loss), net | **46** | (56) |
| Postretirement benefits gain (loss), net | **3** | (2) |
| Debt restructuring gain (loss), net | **—** | (4) |
| Reorganization income (expense), net | **(39)** | — |
| Other non-operating income (expense), net | **38** | (15) |
| **Income (Loss) Before Income Taxes** | **60** | (268) |
| Income tax benefit (expense) | **(14)** | (11) |
| **Net Income (Loss)** | **46** | (279) |
| Less: Net income (loss) attributable to noncontrolling interest | **(2)** | — |
| **Net Income (Loss) Attributable to Members** | **$ 48** | $ (279) |

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

## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## DEBTORS-IN-POSSESSION
## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Millions of Dollars)

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| **Net Income (Loss)** | **$ 46** | $ (279) |
| **Other Comprehensive Income (Loss)** | | |
| Available-for-sale securities unrealized gain (loss), net | **10** | (31) |
| Income tax benefit (expense) | **(4)** | 13 |
| Gains (losses) arising during the period, net of tax | **6** | (18) |
| Available-for-sale securities unrealized (gain) loss, net | **6** | 7 |
| Qualifying derivatives unrealized (gain) loss, net | **(1)** | (1) |
| Postretirement benefit actuarial (gain) loss, net | **1** | 7 |
| Income tax (benefit) expense | **(3)** | (4) |
| Reclassifications from AOCI, net of tax | **3** | 9 |
| **Total Other Comprehensive Income (Loss)** | **9** | (9) |
| **Comprehensive Income (Loss)** | **55** | (288) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | **(2)** | — |
| **Comprehensive Income (Loss) Attributable to Members** | **$ 57** | $ (288) |

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

**TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES**
**DEBTORS-IN-POSSESSION**
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**
(Millions of Dollars)

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 1,361** | $ 724 |
| Restricted cash and cash equivalents | **225** | 264 |
| Accounts receivable, net | **203** | 408 |
| Inventory, net | **463** | 457 |
| Derivative instruments | **911** | 2,165 |
| Other current assets | **123** | 247 |
| **Total current assets** | **3,286** | 4,265 |
| Property, plant and equipment, net | **4,372** | 4,705 |
| Nuclear decommissioning trust funds | **1,461** | 1,400 |
| Derivative instruments | **61** | 228 |
| Other noncurrent assets | **131** | 124 |
| **Total Assets** | **$ 9,311** | $ 10,722 |
| **Liabilities and Equity** | | |
| Revolving credit facilities | **$ 848** | $ 848 |
| Long-term debt, due within one year | **1,005** | 1,010 |
| Accrued interest | **292** | 278 |
| Accounts payable and other accrued liabilities | **353** | 454 |
| Derivative instruments | **711** | 1,927 |
| Other current liabilities | **383** | 346 |
| **Total current liabilities** | **3,592** | 4,863 |
| Long-term debt | **2,500** | 2,494 |
| Liabilities subject to compromise | **2,791** | 2,825 |
| Derivative instruments | **147** | 363 |
| Asset retirement obligations and accrued environmental costs | **574** | 567 |
| Deferred income taxes | **87** | 75 |
| Other noncurrent liabilities | **11** | 17 |
| **Total Liabilities** | **9,702** | 11,204 |
| **Equity** | | |
| Member's Equity | **(516)** | (573) |
| Noncontrolling interests | **125** | 91 |
| **Total Equity** | **(391)** | (482) |
| **Total Liabilities and Equity** | **$ 9,311** | $ 10,722 |

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

## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## DEBTORS-IN-POSSESSION
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Millions of Dollars)

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) | $ 46 | $ (279) |
| **Reconciliation adjustments:** | | |
| Impairments | 365 | — |
| Unrealized (gains) losses on derivative instruments | (28) | (55) |
| Nuclear fuel amortization | 24 | 27 |
| Depreciation, amortization and accretion | 138 | 148 |
| Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees) | (37) | 64 |
| Deferred income taxes | — | 2 |
| Other | (13) | 21 |
| **Change in assets and liabilities:** | | |
| Accounts receivable, net | 205 | 11 |
| Inventory, net | (6) | 39 |
| Other assets | 94 | (18) |
| Accounts payable and accrued liabilities | (72) | 47 |
| Accrued interest | 13 | 24 |
| Other liabilities | 15 | 7 |
| **Net cash provided by (used in) operating activities** | 744 | 38 |
| **Investing Activities** | | |
| Property, plant and equipment expenditures, generation facilities and other | (19) | (19) |
| Nuclear fuel expenditures | (46) | (21) |
| Property, plant and equipment expenditures, generation facility fuel conversion projects | (33) | (3) |
| Property, plant and equipment expenditures, Cumulus projects | (32) | (1) |
| Proceeds from the sale of non-core asset | 29 | — |
| Nuclear decommissioning trust funds investment purchases | (608) | (603) |
| Nuclear decommissioning trust funds investment sale proceeds | 598 | 594 |
| Investments in equity of affiliates and equity method investments | (7) | (17) |
| Other investing activities | — | 5 |
| **Net cash provided by (used in) investing activities** | (118) | (65) |
| **Financing Activities** | | |
| Talen Deferred Capacity Obligation repayments | — | (96) |
| Talen Commodity Accordion RCF proceeds | — | 45 |
| Talen Commodity Accordion RCF repayments | — | (45) |
| LMBE-MC long-term debt repayments | (7) | (6) |
| Derivatives with financing elements | (20) | — |
| Other | (1) | (12) |
| **Net cash provided by (used in) financing activities** | (28) | (114) |
| **Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents** | 598 | (141) |
| Beginning of period cash and cash equivalents and restricted cash and cash equivalents | 988 | 743 |
| End of period cash and cash equivalents and restricted cash and cash equivalents | $ 1,586 | $ 602 |

See Note 18 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 SUPPLY, LLC AND SUBSIDIARIES
## DEBTORS-IN-POSSESSION
## CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Millions of Dollars)

| | Member's Equity | Noncontrolling Interest | Total Equity |
|---|---|---|---|
| **December 31, 2021** | $ 733 | $ — | $ 733 |
| Net income (loss) | (279) | — | (279) |
| Other comprehensive income (loss) | (9) | — | (9) |
| **March 31, 2022** | $ 445 | $ — | $ 445 |
| **December 31, 2022** | **$ (573)** | **$ 91** | **$ (482)** |
| Net income (loss) | **48** | **(2)** | **46** |
| Other comprehensive income (loss) | **9** | **—** | **9** |
| Non-cash contributions (a) | **—** | **38** | **38** |
| Non-cash distribution, net (b) | **—** | **(2)** | **(2)** |
| **March 31, 2023** | **$ (516)** | **$ 125** | **$ (391)** |

(a) Relates to contributions of cryptocurrency mining machines by TeraWulf to Nautilus. See Note 19 in Notes to the Condensed Consolidated Financial Statements for additional information.
(b) Relates primarily to a distribution of cryptocurrency mining machines to TeraWulf. See Note 19 in Notes to the Condensed Consolidated Financial Statements for additional information.

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

## TALEN ENERGY SUPPLY, LLC AND SUBSIDIARIES
## DEBTORS-IN-POSSESSION
## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Capitalized terms and abbreviations appearing in the unaudited Notes to the Condensed Consolidated Financial Statements are defined in the glossary. Dollars are in millions, unless otherwise noted. The terms "Talen," "Talen Energy Supply," "the Company," "we," "us" and "our" refer to Talen Energy Supply, LLC and its consolidated subsidiaries, unless the context clearly indicates otherwise. This presentation has been applied where identification of subsidiaries is non-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 Supply insofar as such subsidiary's financial information is included in Talen Energy Supply's consolidated financial information. Talen Energy Supply 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 WECC, with our generation fleet principally located in the Mid-Atlantic, Texas and Montana. At March 31, 2023, our generation capacity was 12,435 MW (summer rating). Talen is headquartered in The Woodlands, Texas.

**Going Concern and the Talen Bankruptcy**

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. However, due to the circumstances described herein, such realization of assets and settlement of liabilities are currently subject to uncertainty.

In recent years, the competitive power industry in the markets in which the Company operates was challenged with depressed wholesale natural gas and power prices. However, during 2021, market conditions rapidly changed with sustained increases in commodity prices. While these market conditions provided for the opportunity to earn higher commodity margin associated with electric generation in future delivery months, they also resulted in increases of mark-to-market losses on hedges for the corresponding future delivery periods. As a result, Talen’s commercial counterparties and commodity exchanges that were party to certain hedge transactions required elevated levels of collateral for mark-to-market losses. Generally, under the terms of these arrangements, Talen is required to collateralize hedges for future mark-to-market losses upon demand by a counterparty. However, Talen does not receive settlements for its electric generation until delivery. Accordingly, these market conditions negatively impacted Talen's actual and forecasted cash flows and, by extension, liquidity to operate in the normal course of business.

The uncertainty related to these conditions raised substantial doubt about Talen Energy Supply’s ability to continue as a going concern in the second half of 2021 and first half of 2022. As a result of these conditions and uncertainty, in May 2022, Talen Energy Supply and the majority of its direct and indirect wholly owned subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the Southern District of Texas.

During the Talen Bankruptcy, the Talen Filing Parties are operating their business as debtors-in-possession while being subject to the jurisdiction of the Bankruptcy Court. While operating as debtors-in-possession, the Talen Filing Parties may enter into certain transactions or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business and subject to restrictions in the Talen DIP Credit Agreements and (or) other applicable orders of the Bankruptcy Court. Any such actions could materially impact the amounts and classifications of assets and liabilities reported in Talen Energy Supply’s financial statements.

In December 2022: (i) Talen Energy Corporation joined the Talen Bankruptcy as a Debtor; and (ii) the Bankruptcy Court confirmed the Talen Filing Parties’ Plan of Reorganization. While Talen expects to consummate the transactions contemplated by the Plan of Reorganization and exit bankruptcy in the first half of 2023, there can be no assurance that it will be successful in doing so. Accordingly, there remains uncertainty about Talen Energy Supply's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should Talen Energy Supply be unable to continue as a going concern.

The Plan of Reorganization is expected to become effective in May 2023, subject to consummation of the Rights Offering, secured financing offerings, and other customary closing conditions. As of its emergence from bankruptcy Talen is expected to adopt “fresh start” accounting which requires our assets and liabilities to be remeasured at fair value. Accordingly, such remeasurement could result in material adjustments to the existing carrying values presented on the Consolidated Balance Sheet which may result in future financial statement results to not be comparable with historical results.

See Note 3 for additional information on the Talen Bankruptcy and Notes 13 and 14 for information on Talen's credit facilities and long-term debt, including total and unused capacities and balance information of the Talen DIP Obligations and on exit financing arrangements.

## 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 audited Talen 2022 Consolidated Balance Sheet in the audited Talen 2022 Consolidated Financial Statements. The unaudited Condensed Consolidated Financial Statements and Notes thereto should be read contemporaneously with the audited Talen 2022 Consolidated Financial Statements and Notes thereto. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or other future periods, because the results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

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 12 of the 2022 Audited Consolidated Financial Statements for additional information.

### 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.

***Property, Plant, and Equipment.*** Talen has notified PJM that it will deactivate Brandon Shores on June 1, 2025. This decision triggered a recoverability assessment in the first quarter 2023 of the carrying value of the Brandon Shores asset group, which primarily includes H.A. Wagner facility. See Note 10 for additional information on this assessment. In addition, effective April 1, 2023, the estimated retirement dates of Brandon Shores generation facilities units were respectively amended from June 2038 to June 2025. The change in the estimated useful life, after considering the impact of the impairment, is expected to increase aggregate depreciation expense by approximately $9 million in 2023, $10 million in 2024, and $3 million in 2025.

## 3. Talen Bankruptcy

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

In May 2022, the Talen Filing Parties, or the Debtors, not including Talen Energy Corporation, filed voluntary petitions seeking relief under Chapter 11 of the Bankruptcy Code, subject to the Talen RSA. In December 2022: (i) Talen Energy Corporation filed a petition to become a Debtor in the Talen Bankruptcy in order to facilitate the implementation of certain restructuring transactions under the Plan of Reorganization; (ii) the Bankruptcy Court approved the joint administration of Talen Energy Corporation’s bankruptcy case with the other Debtors, and directed that certain orders previously entered apply to Talen Energy Corporation to the extent applicable; and (iii) the Plan of Reorganization was confirmed by the Bankruptcy Court.

Subject to certain exceptions, under the Bankruptcy Code, the filing of the Talen Bankruptcy automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filings of other actions against the Debtors or their property to recover, collect, or secure a claim arising prior to the Petition Date, including under our prepetition funded debt obligations

Since the commencement of the Talen Bankruptcy, the Debtors have continued to operate their business as debtors-in-possession under the jurisdiction of and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The Bankruptcy Court has approved, on a final basis, the first-day motions filed by the Debtors that were designed primarily to mitigate the impact of the Talen Bankruptcy on the Debtors’ operations and employees. The Debtors are authorized, under orders approving the first-day motions, to conduct their business activities in the ordinary course, and pursuant to orders entered by the Bankruptcy Court, are authorized to, among other things and subject to the terms and conditions of such orders: (i) pay employee wages and related obligations; (ii) pay certain taxes; (iii) pay amounts owed to certain critical vendors for work performed prior to the Petition Date; (iv) continue Talen’s hedging program under both prepetition agreements and new postpetition agreements; (v) maintain their insurance programs; and (vi) continue their cash management system (including funding of certain transactions with the Cumulus Affiliates and LMBE-MC).

Under the Bankruptcy Code, the Talen Filing Parties may assume, assign, or reject certain contracts, subject to the approval of the Bankruptcy Court and to certain other conditions. Other parties to the rejected contracts may assert claims in the Bankruptcy Court against the Debtors for damages related to these rejections. See “Liabilities subject to compromise and claims” below for additional information.

**Talen Restructuring Support Agreement**

Prior to the commencement of the Talen Bankruptcy, the Talen Filing Parties entered into the Talen RSA with the Consenting Noteholders and agreed to support the transactions set forth in the Talen RSA Term Sheet. The Talen RSA Term Sheet provides for an up to $1.9 billion common equity rights offering that, when combined with Talen's projected available cash at the time of consummation, would provide for the payment of claims under the Talen DIP Credit Agreements, the Talen Commodity Accordion RCF, the Talen Senior Secured Term Loans, the Talen Senior Secured Notes and the Talen ISDAs.

The Talen RSA includes, among other things, certain consent rights for the Consenting Noteholders, certain commitments of the Consenting Noteholders and the other parties to the RSA to support the restructuring, termination rights for both the Consenting Noteholders and the Talen Filing Parties, and customary milestone dates by which certain events in the Talen Bankruptcy must occur.

In August 2022 and December 2022, the Talen Filing Parties and the Consenting Noteholders executed amendments to the Talen RSA incorporating the CAF Settlement, the Non-CAF Settlement, and the TEC Global Settlement. As a result of these settlements, the Consenting CAF Parties, Consenting Non-CAF Parties, and Talen Energy Corporation and the Riverstone Entities settled outstanding issues, and agreed to join the parties to the Talen RSA and to support the Plan of Reorganization. Each of these settlements is incorporated into the Plan of Reorganization.

Additionally, in connection with the TEC Global Settlement, Talen Energy Supply, Talen Energy Corporation, certain of the Cumulus Affiliates, the Riverstone Entities and Orion entered into the Cumulus Term Sheet, which, among other things, provided for additional funding for Cumulus Data and Cumulus Coin, conversion of Talen’s preferred equity in Cumulus Data Holdings and Cumulus Coin Holdings into common equity of Cumulus Digital Holdings, and increased governance and consent rights for Talen Energy Supply with respect to Cumulus Digital Holdings and its subsidiaries.

The Plan of Reorganization has been confirmed by the Bankruptcy Court; however, there can be no assurance that it will be consummated as contemplated by the Talen RSA.

**Backstop Commitment Letter and Equity Rights Offering**

The Talen Filing Parties and the Backstop Parties have entered into the Backstop Commitment Letter, pursuant to which the Backstop Parties agreed to purchase up to $1.55 billion of the New Parent Equity offered in the Rights Offering in the event the Rights Offering is not fully subscribed.

The Backstop Commitment Letter also provides the Backstop Parties with subscription rights to purchase 30% of the New Parent Equity issued on account of each Backstop Party’s commitment. In April 2023, Talen launched the Rights Offering sized at $1.55 billion and later agreed to reduce the Rights Offering size to $1.4 billion. See "Exit Financing and Expected Emergence from Bankruptcy" below for additional information on the Rights Offering.

The Backstop Commitment Letter is terminable by the Requisite Backstop Commitment Parties, as defined in the Talen RSA, and (or) Talen, under certain conditions, including failure to achieve certain milestones or the termination of the Talen RSA.

In consideration of the Backstop Parties’ commitments under the Backstop Commitment Letter, the Backstop Parties are entitled to: (i) the Backstop Premium; (ii) the Backstop Periodic Premium; (iii) a fee, in certain instances, equal of up to 50% of the Backstop Premium in the event that the Backstop Commitment Letter is terminated and certain specified events have not occurred; and (iv) payment and reimbursement of all “Transaction Expenses” as defined in the Talen RSA.

In August 2022, the Bankruptcy Court approved the entry of Talen Energy Supply into the Backstop Commitment Letter.

**Plan of Reorganization**

In September 2022, the Debtors filed the Plan of Reorganization and related Disclosure Statement with the Bankruptcy Court. In October 2022, the Bankruptcy Court approved the Disclosure Statement and, in November 2022 the requisite creditors approved the Plan of Reorganization.

In December 2022, the Bankruptcy Court confirmed the Plan of Reorganization. As confirmed, the Plan of Reorganization would implement, among other things, the transactions contemplated by the Talen RSA, the TEC Global Settlement, and the Global Plan Settlement. The Plan of Reorganization and Confirmation Order provide for, among other things, the following resolution of claims and interests against the Debtors:

- Holders of Other Secured Claims shall receive at the applicable Debtor’s discretion: (i) payment in full in cash of the unpaid portion of such holder’s Allowed Other Secured Claim; (ii) reinstatement of such holder’s Allowed Other Secured Claim; (iii) the applicable Debtor’s interest in the collateral securing such holder’s Other Secured Claim; or (iv) such other treatment rendering such holder’s Allowed Other Secured Claim unimpaired.

- Holders of Prepetition First Lien Non-CAF Claims shall receive payment in full in cash of such holder’s pro rata share of the Settled First Lien Non-CAF Claim Amount.

- Holders of Prepetition CAF Claims shall receive payment in full in cash of such holder’s pro rata share of the Settled CAF Claim Amount.

- Holders of Unsecured Notes Claims shall receive 99% of the New Parent Equity, less the New Parent Equity distributed on account of the Retail PPA Incentive Equity, and subject to dilution, certain subscription rights to purchase New Parent Equity or cash.

- Each holder of a General Unsecured Claim shall receive its pro rata share of interests in the $26.05 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.

- Prepetition Intercompany Claims shall be cancelled, released, discharged, and extinguished.

- Intercompany Interests shall be reinstated so as to maintain the organizational structure of the Debtors as such structure exists on the Effective Date unless implementation of the restructuring requires otherwise.

- The Riverstone Entities will receive 1.00% of the New Parent Equity, after giving effect to the Rights Offering and the Backstop Put Premium; New Parent Equity (or cash, as applicable) equal to 25.00% of the net present value of projected savings and actual net savings under the amended retail energy agreements and the New Warrants.

- All claims against Talen Energy Corporation will be paid in full in cash or reinstated and all equity interests in Talen Energy Corporation will be extinguished.

**Regulatory Approvals, Rights Offering, Exit Financing and Expected Emergence from Bankruptcy**

In March 2023, Talen received the approvals from the NRC and the FERC necessary to implement the transactions contemplated by the Plan of Reorganization.

In April 2023, Talen commenced the Rights Offering. Pursuant to the Rights Offering, the Company offered holders of Unsecured Notes Claims (as defined in the Plan of Reorganization) the right to purchase the new common equity of reorganized Talen Energy Corporation, which will be authorized, issued, and outstanding on and after the Effective Date, for an aggregate purchase price of $1.4 billion. The Rights Offering was backstopped pursuant to the Backstop Commitment Letter (described above), which obligated the Backstop Commitment Parties to (i) participate in the Rights Offering to the full extent of Unsecured Notes Claims held by them and (ii) purchase all unsubscribed for shares pro rata based on their Commitments (as defined in the Backstop Commitment Letter). Approximately 92% of Unsecured Notes Claims were tendered in the Rights Offering, and the Backstop Commitment Parties are required to purchase the remainder of the unsubscribed for new common equity attributable to the remainder of the Unsecured Notes Claims. The aggregate proceeds to Talen in respect of the Rights Offering is expected to be $1.4 billion, net of a cash payment of $167 thousand to Ineligible Holders (as defined in the Plan of Reorganization).

In April 2023, Talen Energy Supply priced several secured financing offerings, which, together with cash on hand and proceeds of the Rights Offering will provide funding for the payment of claims as provided in the Plan of Reorganization and liquidity and working capital for Talen's business following its emergence from bankruptcy. The financings include: (i) commitments for a $700 million secured revolving credit facility, a $580 million secured term loan B facility, a $470 million secured term loan C facility (the proceeds of which will be used to cash collateralize LCs) and a stand-alone $75 million secured LC facility; and (ii) $1.2 billion in 8.625% senior secured notes due 2030. The senior secured notes offering has been consummated and the proceeds from the offering have been placed in escrow pending Talen's emergence from bankruptcy pursuant to the Plan of Reorganization.

The Plan of Reorganization is expected to become effective in May 2023, subject to consummation of the Rights Offering, secured financing offerings, and other customary closing conditions.

**Liabilities Subject to Compromise and Claims**

At March 31, 2023 and December 31, 2022, "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets presents the expected allowed amount of the prepetition claims of the Debtors that are not fully secured and that have at least a possibility of not being repaid at the full claim amount. Management will continue to evaluate the amount and classification of its prepetition liabilities until Talen's Debtors emerge from bankruptcy. Any additional liabilities that are subject to compromise will be recognized accordingly, and the aggregate amount of liabilities subject to compromise may change.

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Debt (a) | **$ 1,556** | $ 1,558 |
| Termination of retail and other contracts | **447** | 447 |
| Postretirement benefit obligations (a) | **305** | 309 |
| Asset retirement obligations and accrued environmental costs (a) | **219** | 219 |
| Other liabilities (a) | **96** | 114 |
| Deferred tax liabilities | **78** | 83 |
| Accounts payable and accrued liabilities | **49** | 53 |
| Accrued interest | **41** | 41 |
| Derivatives (a) | **—** | 1 |
| Liabilities Subject to Compromise | **$ 2,791** | $ 2,825 |

(a) Includes both current and noncurrent amounts.

In the preceding table:

- "Debt" represents principal values of long-term unsecured debt;
- "Derivatives" represent the fair value of prepetition derivative instruments with counterparties that, as of the filing date, have not executed new or amended ISDAs or consent agreements committing to any postpetition hedging arrangements under the Talen DIP Credit Agreements;
- "Asset retirement obligations and accrued environmental costs" represent all the Debtors' AROs except those related to Susquehanna Nuclear, which are secured by the NDT, and all the Debtors' accrued environmental costs;
- "Postretirement benefit obligations" represent all of the Debtors' unfunded or underfunded postretirement obligations; and
- "Postretirement benefit obligations" and "Asset retirement obligations and accrued environmental costs" are presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet as they represent unsecured liabilities. However. under the terms of the Plan of Reorganization, these liabilities will be assumed by Talen upon emergence from bankruptcy; other than a non-material amount associated with Talen's legacy non-qualified supplemental pension plan.

***Claims Processing.*** The Debtors have filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of the Debtors, on the basis of certain assumptions filed in connection therewith. The schedules and statements may be subject to further amendment or modification after filing. Certain holders of prepetition claims were required to file proofs of claim by the Bar Date, the deadline for general claims. This date excludes claims that are governmental units. Governmental units were required to file proof of claims by November 7, 2022.

As of April 21, 2023, the Debtors have received approximately 37,450 proofs of claim, primarily representing General Unsecured Claims, for an aggregate amount of approximately $92.1 billion. These values represent total claims filed and may include duplicative amounts.

Differences in amounts presented as “Liabilities subject to compromise” on the Consolidated Balance Sheet and claims filed by creditors are investigated and resolved, including through the filing of objections with the Bankruptcy Court, where appropriate. The Debtors may ask the Bankruptcy Court to disallow claims that are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. As a result of this process, the Debtors may identify additional recognizable liabilities. In light of the substantial number of claims filed, the claims resolution process may be lengthy and will continue after the Debtors emerge from bankruptcy.

**Reorganization Income (Expense), net**

Reorganization Income (Expense), net for the three months ended March 31 consisted of:

| | | 2023 |
|---|---|---|
| Professional fees | $ | (23) |
| Make-whole premiums and accrued interest on certain indebtedness | | (14) |
| Other | | (2) |
| Reorganization Income (Expense), net | $ | (39) |

In the preceding table, make-whole premiums and accrued interest on certain indebtedness" primarily represents charges recognized by the Debtor's for estimates related to make-whole premiums and accrued interest, where applicable, on the Talen Commodity Accordion RCF and certain senior 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, excluding cash outlays for DIP financing fees, was $29 million for the three months ended March 31, 2023. Cash outlays for the DIP financing fees are presented as "Financing Activities" on the Condensed Consolidated Statement of Cash Flows.

**Condensed Combined Debtors-in-Possession Financial Information**

This condensed combined financial information has been prepared on the same basis as Talen Energy Supply's financial statements. Intercompany transactions between Debtors have been eliminated in the amounts presented below.

The following table presents summarized condensed combined financial information of debtors of Talen Energy Supply at March 31, 2023 and December 31, 2022.

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 1,359 | $ 722 |
| Restricted cash and cash equivalents | 169 | 182 |
| Accounts receivable, net | 209 | 415 |
| Inventory, net | 450 | 445 |
| Derivative instruments | 954 | 2,195 |
| Other current assets | 121 | 228 |
| **Total current assets** | 3,262 | 4,187 |
| Property, plant and equipment, net | 3,470 | 3,868 |
| Nuclear decommissioning trust funds | 1,461 | 1,400 |
| Derivative instruments | 61 | 228 |
| Investments in affiliate subsidiaries | 344 | 322 |
| Other noncurrent assets | 153 | 139 |
| **Total Assets** | $ 8,751 | $ 10,144 |
| | | |
| **Liabilities and Equity** | | |
| Revolving credit facilities | $ 848 | $ 848 |
| Long-term debt, due within one year | 1,000 | 1,000 |
| Accrued interest | 292 | 277 |
| Accounts payable and other accrued liabilities | 332 | 422 |
| Derivative instruments | 751 | 1,927 |
| Other current liabilities | 378 | 322 |
| **Total current liabilities** | 3,601 | 4,796 |
| Long-term debt | 2,023 | 2,022 |
| Liabilities subject to compromise | 2,791 | 2,827 |
| Derivative instruments | 147 | 363 |
| Asset retirement obligations and accrued environmental costs | 571 | 564 |
| Deferred income taxes | 87 | 75 |
| Other noncurrent liabilities | 47 | 54 |
| **Total Liabilities** | 9,267 | 10,701 |
| **Member's Equity** | (516) | (557) |
| **Total Liabilities and Equity** | $ 8,751 | $ 10,144 |

At March 31, 2023 and December 31, 2022, "Accounts receivable, net" in the table above, includes $8 million and $9 million due for transactions between the debtors and non-debtors including: (i) LMBE-MC HC and its subsidiaries; (ii) the Cumulus Affiliates; and (iii) Talen Energy Corporation. The transactions primarily include: (i) amounts due under certain energy management agreements, support services or support cost reimbursement agreements; and (ii) amounts due for Talen Energy Supply's payment of certain expenses and liabilities incurred by Talen Energy Corporation. See Note 19 for additional information on amounts due from Cumulus Affiliates and Talen Energy Corporation.

At March 31, 2023 and December 31, 2022, "Derivative instruments," in the table above within current assets, includes $50 million and $38 million related to an ISDA agreement between Debtor, Talen Energy Marketing, and non-Debtor, LMBE-MC HC, pursuant to which Talen Energy Marketing enters into commodity hedging transactions with respect to the sale of energy and capacity and the purchase of fuel by Talen Energy Marketing under energy management agreements with LMBE-MC HC’s subsidiaries.

The following table presents summarized condensed combined financial information of debtors of Talen Energy Supply for the three months ended March 31:

| | 2023 |
|---|---|
| Capacity revenues | $ 52 |
| Energy revenues (a) | 820 |
| Unrealized gain (loss) on derivative instruments (a) | 54 |
| **Operating Revenues** | 926 |
| **Energy Expenses** | |
| Fuel and energy purchases (a) | (81) |
| Nuclear fuel amortization | (24) |
| Unrealized gain (loss) on derivative instruments (a) | (51) |
| **Operating Expenses** | |
| Operation and maintenance | (158) |
| General and administrative (b) | (28) |
| Postretirement benefits service cost | (1) |
| Depreciation, amortization and accretion | (120) |
| Other operating income (expense), net | (370) |
| Operating Income (Loss) | 93 |
| Interest expense and other finance charges | (97) |
| Nuclear decommissioning trust funds gain (loss), net | 46 |
| Postretirement benefits gain (loss), net | 3 |
| Reorganization income (expense), net | (39) |
| Other non-operating income (expense), net | 54 |
| **Income (Loss) Before Income Taxes** | 60 |
| Income tax benefit (expense) | (14) |
| **Net Income (Loss)** | 46 |
| Less: Net income (loss) attributable to noncontrolling interest | (2) |
| **Net Income (Loss) Attributable to Members** | $ 48 |

(a) Includes a non-material amount of revenue for the period, net related to transactions with non-debtor subsidiaries.
(b) See Note 19 for information on related party activity with Cumulus-related entities.

Included in table above is a non-material amount of revenue, net related to an ISDA agreement between debtor, Talen Energy Marketing, and non-debtor, LMBE-MC HC, pursuant to which Talen Energy Marketing enters into commodity hedging transactions with respect to the sale of energy and capacity and the purchase of fuel by Talen Energy Marketing under energy management agreements with LMBE-MC HC's subsidiaries.

The following table presents summarized condensed combined financial information of debtors of Talen Energy Supply for the three months ended March 31:

| | | 2023 |
|---|---|---|
| **Cash provided by (used in) operating activities** | $ | 727 |
| **Investing Activities** | | |
| Property, plant and equipment expenditures | | (48) |
| Nuclear fuel expenditures | | (46) |
| Proceeds from sale (a) | | 29 |
| Nuclear decommissioning trust funds investment purchases | | (608) |
| Nuclear decommissioning trust funds investment sale proceeds | | 598 |
| Investments in preferred equity of affiliates and equity method investments | | (7) |
| **Net cash provided by (used in) investing activities** | | (82) |
| **Financing Activities** | | |
| Derivatives with financing elements | $ | (20) |
| Other | | (1) |
| **Net cash provided by (used in) financing activities** | $ | (21) |

(a) Represents the sale of mineral rights. See Note 20 for additional information.

## 4. 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. The Company's Risk Management Committee, comprised of certain senior management members across the Talen organization and one independent member, oversees the management of these risks in accordance with our risk policy.

Management has established procedures to monitor, measure, and manage hedge and optimization 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 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 March 31, 2023 range in maturity through 2026. The net notional volumes of open commodity derivatives were:

| | March 31, 2023 (a) | December 31, 2022 (a) |
|---|---|---|
| Power (MWh) | (36,495,520) | (34,810,559) |
| Natural gas (MMBtu) | 53,804,500 | 57,621,580 |
| Emission allowances (tons) | 2,500,000 | 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. Certain interest rate derivative instruments were required through December 2021 under the LMBE-MC Credit and Guaranty Agreement; others are entered into at the discretion of Talen.

Open interest rate derivatives at March 31, 2023 range in maturity dates through 2023. The net notional volumes of open interest rate derivatives were:

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Interest rate (in millions) (a) | $ 277 | $ 289 |

(a) Value at March 31, 2023 and December 31, 2022 relates to LMBE-MC indebtedness.

***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 credit worthiness, 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 these are subject to mandatory margin requirements and are cleared with an exchange. However, Talen is exposed to the credit risk of the future 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 Energy Marketing.

Outstanding accounts receivable include those from sales of capacity, generated electricity and ancillary services through contracts directly with ISOs and RTOs, sales of physical electricity to commercial and industrial retail customers 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 which 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 March 31, 2023 and December 31, 2022.

*Concentrations of Credit Risk.* At March 31, 2023 Talen’s aggregate credit exposure, which excludes the effects of netting arrangements, cash collateral, letters of credit and any allowances for doubtful collections, was $1,180 million and its credit exposure net of such effects was $227 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 97% 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, which contain credit risk-related contingent features, was $4 million at March 31, 2023 and was $2 million at December 31, 2022. There was $3 million and $2 million in collateral posted on those positions at March 31, 2023 and December 31, 2022. The additional potential collateral requirements, which primarily related to further adequate assurance features, were $1 million at March 31, 2023 and were a non-material amount at December 31, 2022.

*Effect of Netting.* Generally, the right of set off 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 as Condensed Consolidated Balance Sheets without the effect of such permitted netting.

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 | Net Amounts |
|---|---|---|---|---|---|---|
| **March 31, 2023** | | | | | | |
| Assets | $ 972 | $ (731) | $ — | $ 241 | $ (34) | $ 207 |
| Liabilities | 858 | (731) | — | 127 | (74) | 53 |
| **December 31, 2022** | | | | | | |
| 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 3 for additional information.

**Derivative Instrument Presentation**

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

| | March 31, 2023 | | December 31, 2022 (a) | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Commodity contracts | $ 905 | $ 711 | $ 2,156 | $ 1,928 |
| Interest rate contracts | 6 | — | 9 | — |
| Less: amounts presented as "Liabilities subject to compromise" | — | — | — | 1 |
| Total current derivative instruments | $ 911 | $ 711 | $ 2,165 | $ 1,927 |
| Commodity contracts | $ 61 | $ 147 | $ 228 | $ 363 |
| Interest rate contracts | — | — | — | — |
| Total non-current derivative instruments | $ 61 | $ 147 | $ 228 | $ 363 |

(a) A portion of liability values has been presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 3 for additional information.

All commodity and interest rate derivatives are economic hedges where the changes in fair value are presented immediately in income. 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 15 for additional information on fair value.

The location and pre-tax effect of derivative instruments presented on the Condensed Consolidated Statements of Operations for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| **Realized gain (loss) on commodity contracts** | | |
| Energy revenues (a) | $ 579 | $ (242) |
| Fuel and energy purchases (a) | (21) | 19 |
| **Unrealized gain (loss) on commodity contracts** | | |
| Operating revenues (b) | $ 145 | $ (60) |
| Energy expenses (b) | (114) | 89 |
| **Realized and unrealized gain (loss) on interest rate contracts** | | |
| Interest expense and other finance charges | $ — | $ 22 |

(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 2022, Talen Energy Marketing 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 Energy Marketing realized a $63 million termination loss and agreed to settle the obligation on a monthly basis through January 2023. For the three months ended March 31, 2022, the realized termination loss is presented as "Energy revenues" on the Consolidated Statement of Operations and repayments are presented as "Derivatives with financing elements" on the Consolidated Statement of Cash Flows.

## 5. Revenue

The disaggregation of our operating revenues for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Capacity revenues | $ 66 | $ 132 |
| Electricity sales and ancillary services, ISO/RTO | 196 | 445 |
| Physical electricity sales, bilateral contracts, other | 49 | 121 |
| Other revenue | 9 | — |
| Total revenue from contracts with customers | 320 | 698 |
| Realized and unrealized gain (loss) on derivative instruments | 753 | (301) |
| Operating revenues | $ 1,073 | $ 397 |

**Accounts Receivable**

During the three months ended March 31, 2023 and 2022, there were no significant changes in accounts receivable other than normal billing and collection transactions. See Note 4 for additional information on Talen's credit risk on the carrying value of its receivables.

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

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Customer accounts receivable | $ 60 | $ 350 |
| Other accounts receivable | 143 | 58 |
| Accounts receivable, net | $ 203 | $ 408 |

**Deferred Revenue**

Deferred revenues that were: (i) presented as a liability on the Condensed Consolidated Balance Sheets at March 31, 2023 and December 31, 2022; or (ii) recognized as revenue on the Condensed Consolidated Statements of Operations for the three months ended March 31, 2023 and 2022 were non-material amounts.

**Future Performance Obligations**

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

At March 31, 2023, the expected future period capacity revenues subject to unsatisfied or partially unsatisfied performance obligations were:

| | 2023 (a) | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Expected capacity revenues | $ 152 | $ 166 | $ 68 | $ — | $ — |

(a) For the period beginning April 1, 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.

## 6. Income Taxes

The components of "Income tax benefit (expense)" for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Federal | $ (9) | $ (8) |
| State | (5) | — |
| Current income taxes | (14) | (8) |
| Federal | (4) | 26 |
| State | 4 | (29) |
| Deferred income taxes | — | (3) |
| Income tax benefit (expense) | $ (14) | $ (11) |
| Income (loss) before income taxes | $ 60 | $ (268) |
| Effective income tax rate | 23.3 % | (4.1)% |

**Effective Tax Rate Reconciliations**

The reconciliations of the effective tax rate for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Income (loss) before income taxes | $ 60 | $ (268) |
| Income tax benefit (expense) | (14) | (11) |
| Effective tax rate | 23.3 % | (4.1)% |
| Federal income tax statutory tax rate | 21 % | 21 % |
| Income tax benefit (expense) computed at the federal income tax statutory tax rate | $ (13) | $ 56 |
| Income tax increase (decrease) due to: | | |
| State income taxes, net of federal benefit | (2) | 14 |
| Change in valuation allowance | 13 | (89) |
| Permanent differences | (5) | — |
| Nuclear decommissioning trust taxes | (7) | 8 |
| Other | — | — |
| Income tax benefit (expense) | $ (14) | $ (11) |

The effective tax rate for the three months ended March 31, 2023 and 2022 differed from the statutory rate primarily due to the change in valuation allowance, additional 20% trust tax on the income from the NDT, permanent differences and state taxes.

**Valuation Allowance**

During the three months March 31, 2023 and 2022, Talen recognized a $13 million benefit for the reduction of federal and state valuation allowance and an $89 million expense for the increase in federal and state valuation allowance related to the portion of Talen's net deferred tax asset that is not more likely than not to be realized. Such an allowance resulted from a customary deferred tax asset valuation allowance assessment which is performed on net deferred tax asset positions that utilizes available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. Talen's most significant deferred tax assets are its net operating losses and interest limitation carryforwards. A significant objective input of negative evidence considered in the assessment included the cumulative book losses incurred over a three-year period. The existence of objective evidence limits the availability to consider other subjective evidence, including (but not limited to) Talen's projections for future income which may allow for utilization of net operating losses and interest limitation carryforwards. At each period, including at the Effective Date of the Plan of Reorganization, management will continue to assess the available positive and negative evidence to determine the need for a valuation allowance. Additionally, it is reasonably possible that sufficient positive evidence may become available that concludes a significant portion of the valuation allowance should be released. No assurance can be provided as to the timing or any amount associated with a valuation allowance release.

**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 Nuclear after December 31, 2023 through December 31, 2032 will 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. 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 Nuclear generated approximately 18 million MWhs each year in 2020 through 2022.

Section 45 of the IRC was modified to provide qualified clean energy projects with a $3 per MWh, ten-year transferable credit for electricity produced and sold to an unrelated party during each tax year. To qualify for the credit, the eligible facility must be placed in service after December 31, 2021 or begin construction prior to January 1, 2025. Additionally, the Inflation Reduction Act expands the investment tax credit program, within section 48 of the IRC, beyond the existing technologies, such as solar, to include qualified energy storage projects. A transferable base credit equaling 6% of the basis value of qualified property is also created. These programs are each subject to potential adjustments for inflation escalators, meeting prevailing wage and apprenticeship requirements, attaining specified percentages of domestic content, and locating the project within an energy community. After January 1, 2025, under the relevant qualification criteria, clean energy projects with a zero-greenhouse gas emission rate qualify for a new 10-year clean electricity production credit and energy storage projects qualify for a new clean electricity investment credit with equivalent terms as above.

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.

## 7. Inventory

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Coal | $ 212 | $ 189 |
| Oil products | 60 | 61 |
| Fuel inventory for electric generation | 272 | 250 |
| Materials and supplies, net | 185 | 195 |
| Environmental products | 6 | 12 |
| Inventory, net | $ 463 | $ 457 |

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 $13 million for the three months ended March 31, 2023 and a non-material amount for the three months ended March 31, 2022.

Net realizable value and obsolescence charges on materials and supplies inventories are presented as "Operation and maintenance" on the Condensed Consolidated Statements of Operations. Such non-cash charges were $11 million for the three months ended March 31, 2023 and a non-material amount for the three months ended March 31, 2022.

The above charges incurred during the three months ended March 31, 2023, include an aggregate $18 million of Brandon Shores inventories. See Note 10 for additional information on the Brandon Shores recoverability assessment.

## 8. Equity Method Investments

The carrying values of equity method investments, which are presented as "Other noncurrent assets" on the Condensed Consolidated Balance Sheets, were:

| | Formation | Ownership Interest (a) | March 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Conemaugh Fuels, LLC | 2002 | 22.22 % | $ 20 | $ 15 |
| Keystone Fuels, LLC | 2000 | 12.34 % | 10 | 8 |
| Renewable joint ventures (b) | 2019 - 2021 | 49% / 50% | 6 | 6 |
| Total | | | $ 36 | $ 29 |

(a) Ownership at March 31, 2023.
(b) The equity interests in these companies are owned through the Cumulus Affiliates.

**Receivables Company**

Under a receivables sales arrangement that was terminated during the second quarter of 2022 in connection with the Talen Bankruptcy, Talen Energy Marketing sold qualifying retail receivables at fair value for cash and equity consideration to TRF. Prior to termination of the arrangement, Talen was not the primary beneficiary of TRF because it did not have the power to direct the most significant activities that impacted TRF's economic performance. In June 2022, as a result of the termination of the arrangement, Talen Energy Marketing obtained a controlling financial interest in TRF and TRF was determined to no longer be a VIE. Accordingly, Talen Energy Marketing derecognized its equity method investment in TRF and consolidated TRF's assets and liabilities.

The sales, contributions and return of capital activities associated with TRF, prior to the derecognition of the equity method investment, for the three months ended March 31 were:

| | 2022 |
|---|---|
| Receivable sales by Talen to TRF | $ 104 |
| Receivable contributions by Talen to TRF (non-cash) | 2 |
| Return of capital to Talen by TRF | 3 |

**Fuels Companies**

Talen holds equity interests in Conemaugh Fuels and Keystone Fuels equal to its respective undivided ownership interests in Conemaugh and Keystone. Conemaugh Fuels and Keystone Fuels were formed to purchase coal and sell it to Conemaugh and Keystone. Additionally, they may sell coal to any entity that manufactures or produces synthetic fuel from coal for resale to Conemaugh and Keystone. The aggregate affiliated fuel purchases by Talen from Conemaugh Fuels and Keystone Fuels is presented as “Fuel and energy purchases” on the Consolidated Statements of Operations.

Talen's aggregate fuel purchases, capital contributions, and return of capital for Conemaugh Fuels and Keystone Fuels for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Fuel purchases | $ 8 | $ 22 |
| Return of capital | — | 1 |
| Capital contributions | 7 | 2 |

**Renewable Development Joint Ventures**

Talen, through its Cumulus Affiliates, is party to joint venture agreements with Pattern and BQ Energy for potential solar and wind projects to be located on or near Talen owned land adjacent to certain current and previously owned generation facilities. The joint ventures are pursuing an aggregate 280 MW of photovoltaic solar development projects and 600 MW of wind development projects. The joint venture project companies are currently each owned either 49% or 50% by Talen. Talen Energy Supply had no cash contributions to these joint ventures for the three months ended March 31, 2023 and cash contributions were not material for the three months ended March 31, 2022.

## 9. Nuclear Decommissioning Trust Funds

| | March 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Cash equivalents | $ 7 | $ — | $ — | $ 7 | $ 6 | $ — | $ — | $ 6 |
| Equity securities | 522 | 520 | 62 | 980 | 521 | 485 | 69 | 937 |
| Debt securities | 486 | 4 | 19 | 471 | 507 | 1 | 31 | 477 |
| Receivables (payables), net | 3 | — | — | 3 | (20) | — | — | (20) |
| Nuclear decommissioning trust funds | $ 1,018 | $ 524 | $ 81 | $ 1,461 | $ 1,014 | $ 486 | $ 100 | $ 1,400 |

See Note 15 for additional information on the fair value of the Nuclear decommissioning trust funds. There were no available-for-sale debt securities with credit losses at March 31, 2023 or December 31, 2022.

As of March 31, 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 at March 31, 2023 were:

| | Fair Value | Unrealized Losses |
|---|---|---|
| Corporate debt securities | $ 108 | $ (17) |
| Municipal debt securities | 31 | (1) |
| U.S. Government debt securities | 73 | (1) |
| Total debt securities in unrealized loss position (a) | $ 212 | $ (19) |

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

There were securities in an unrealized loss position for a duration of one year or longer. The aggregate fair value of these securities and unrealized losses at March 31, 2023 were:

| | Fair Value | Unrealized Losses |
|---|---|---|
| Corporate debt securities | $ 86 | $ (16) |
| U.S. Government debt securities | 13 | (1) |
| Total debt securities in unrealized loss position | $ 99 | $ (17) |

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

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Maturities within one year | $ 9 | $ 32 |
| Maturities within two to five years | 175 | 173 |
| Maturities thereafter | 287 | 272 |
| Debt securities, fair value | $ 471 | $ 477 |

The sales proceeds, gains, and losses for available-for-sale debt securities for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Sales proceeds of nuclear decommissioning trust funds investments (a) | $ 596 | $ 493 |
| Gross realized gains | 10 | 2 |
| Gross realized (losses) | (5) | (9) |

(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

| | March 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Provision | Carrying Value | Cost | Accumulated Provision | Carrying Value |
| Electric generation | $ 9,827 | $ (6,480) | $ 3,347 | $ 10,596 | $ (6,797) | $ 3,799 |
| Nuclear fuel | 576 | (340) | 236 | 491 | (316) | 175 |
| Digital-related assets (a) | 193 | (3) | 190 | — | — | — |
| Other property and equipment | 145 | (80) | 65 | 157 | (82) | 75 |
| Intangible assets | 121 | (55) | 66 | 137 | (64) | 73 |
| Capitalized software | 103 | (96) | 7 | 102 | (95) | 7 |
| Construction work in progress | 461 | — | 461 | 576 | — | 576 |
| Property, plant and equipment, net | $ 11,426 | $ (7,054) | $ 4,372 | $ 12,059 | $ (7,354) | $ 4,705 |

(a) Digital related assets were transferred from construction-work-in-progress and placed in service during the first quarter 2023.

The components of "Depreciation, amortization and accretion" presented on the Condensed Consolidated Statements of Operations for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Depreciation expense (a) | $ 115 | $ 116 |
| Amortization expense (b) | 3 | 4 |
| Accretion expense (c) | 15 | 19 |
| Qualifying derivative (gain) loss, net (d) | (1) | (1) |
| Depreciation, amortization, and accretion | $ 132 | $ 138 |

(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.

**2023 Impairment**

***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 the Brandon Shores to an oil combustion capacity resource due to increased costs. This decision triggered a recoverability assessment of the carrying value of the Brandon Shores asset group. Additionally, Brandon Shores has notified PJM that it will deactivate electric generation on June 1, 2025.

The recoverability analysis indicated 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 asset group was determined by a discounted cash flow technique that utilized significant unobservable inputs including an 11% discount rate. The discount rate and other discounted cash flow assumptions that were utilized are believed to be 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, Talen recognized a $361 million non-cash pre-tax impairment charge on its undepreciated property, plant and equipment during the three months ended March 31, 2023, which is presented as "Impairments" on the Condensed Consolidated Statements of Operations.

## 11. Asset Retirement Obligations and Accrued Environmental Costs

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Asset retirement obligations (a) | $ 758 | $ 751 |
| Accrued environmental costs (a) | 35 | 35 |
| Total asset retirement obligations and accrued environmental costs (a) | 793 | 786 |
| Less: asset retirement obligations and accrued environmental costs due within one year (a) (b) (c) | — | — |
| Less: amounts presented as "Liabilities subject to compromise" (a) (c) | 219 | 219 |
| Asset retirement obligations and accrued environmental costs due after one year | $ 574 | $ 567 |

(a) A portion of these amounts is presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 3 for additional information.
(b) Presented as "Other current liabilities" or "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets.
(c) "Liabilities subject to compromise" includes $20 million of asset retirement obligations and accrued environmental costs due within one year.

**Asset Retirement Obligations**

The changes of the ARO carrying value during the three months ended March 31 were:

| | | 2023 |
|---|---|---|
| Carrying value, January 1 | $ | 751 |
| Obligations settled | | (10) |
| Changes in estimates and (or) settlement dates | | 3 |
| Accretion expense | | 14 |
| Carrying value, March 31 | $ | 758 |
| | | |
| **Supplemental Information** | | |
| Nuclear (a) | $ | 571 |
| Non-Nuclear (b) | | 187 |
| Carrying value, March 31 | $ | 758 |

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

At March 31, 2023 and December 31, 2022, ARO liabilities presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets represent all AROs except those related to Susquehanna Nuclear, which are secured by the 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 (or its affiliates) is involved in certain legal proceedings, claims and litigation. See "Regulatory Matters - Winter Storm Elliot" below for information on complaints Talen has filed against PJM at FERC. While Talen believes that we have meritorious defenses or claims, as applicable, 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. See "Talen Bankruptcy" below.

No estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described below because the inherently unpredictable nature of legal proceedings may be exacerbated by various factors such as ongoing discovery, significant facts that are in dispute, the stage of the proceeding and the wide range of potential outcomes for any such matter. As a result, additional losses actually incurred in excess of amounts accrued could be substantial.

***Talen Bankruptcy.*** Upon the commencement of the Talen Bankruptcy, the Bankruptcy Code automatically stayed third-party actions to collect prepetition debts owed by the Debtors and all litigation pending against the Debtors, subject to certain exceptions provided under the Bankruptcy Code. Absent an order of the Bankruptcy Court providing otherwise, substantially all prepetition liabilities will be administered pursuant to a Chapter 11 plan of reorganization approved by the Bankruptcy Court and through a Chapter 11 claims resolution process. To the extent the automatic stay does not apply to an action or proceeding, we will continue to defend our positions vigorously in these matters. See Note 3 for additional information on the Talen Bankruptcy.

***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. If any of the defendants are found liable, a second trial on the issue of damages will be scheduled. The Bankruptcy Court has entered an order that allows the Montana District Court to issue a decision on defendants' liability and allows the parties to file notices of appeal of such decision to preserve their appeal rights, provided that briefing on any appeals is stayed through June 30, 2023. The case is otherwise stayed through the date the Debtors' Plan of Reorganization becomes effective. At this time, Talen cannot predict the outcome of this matter or its effect on Talen Montana; however, a material adverse judgment could have an adverse effect on Talen Montana's results of operations and liquidity.

***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. 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. Approximately 130 insurance companies filed a similar suit against the same Talen subsidiaries and certain other defendants seeking 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. The State of Texas multi-district litigation panel ordered all of these cases transferred to the multi-district litigation pretrial court, designated a district court and assigned a judge for purposes of pretrial matters. In January 2023, the district court issued an order denying a motion to dismiss filed by defendants owning generation facilities. These defendants will seek appellate review of the order. As a result of the Talen defendants' bankruptcy cases, certain plaintiffs have agreed to voluntarily dismiss their claims against the Talen defendants. The Talen subsidiaries named as defendants in these lawsuits are Talen Filing Parties. These remaining lawsuits have been stayed under the Bankruptcy Code and plaintiffs are limited to recovering any damages from the Talen defendants' insurers under the plan of reorganization confirmed by the Bankruptcy Court in the Talen defendants' bankruptcy cases.

In June 2021, Talen Energy Corporation intervened in five cases in which, among other things, certain market participants are challenging the validity of the PUCT's order setting the price cap at $9,000/MWh during Winter Storm Uri. One case is pending in the Texas Court of Appeals, Third District, and three of these cases are pending in the State of Texas District Court in Travis County. One district court case has been abated pending resolution of the appellate cases and no briefing schedule has been entered in the remaining two district court cases. In March 2023, the Third District issued an opinion in one of the cases that, in part, reversed the PUCT's order setting the price cap at $9,000/MWh during Winter Storm Uri because such order exceeded the PUCT's authority and remanded the case to the PUCT to take actions consistent with its opinion. The PUCT (along with Talen Energy Corporation and others) has requested leave to appeal the Third District's ruling to the Texas Supreme Court. Talen Energy Corporation is coordinating its efforts in these suits with certain of the other parties in the suits, including the PUCT. 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, an affiliate of Kinder Morgan filed a suit in the State of Texas District Court in Harris County against Talen Energy Marketing, Nueces Bay and affiliates of Texas Eastern and NextEra. In the suit, the Kinder Morgan affiliate alleges, among other things, that affiliates of Talen agreed to purchase natural gas from it during Winter Storm Uri at the then-prevailing market rate. Talen disputes that it purchased gas from the Kinder Morgan affiliate. The case has been removed to the Bankruptcy Court. In September 2022, NextEra was dismissed from the case, and in December 2022, Texas Eastern was dismissed from the case. In May 2023, the Talen entities and Kinder Morgan agreed to a settlement in the suit subject to Bankruptcy Court approval. Under the terms of the settlement, the Talen entities have agreed to pay Kinder Morgan $10 million upon approval of the Bankruptcy Court of the settlement, assign their rights against NextEra with respect to the activities that gave rise to the suit to Kinder Morgan and entered into certain long term natural gas supply, storage and transportation agreements with Kinder Morgan affiliates. During the year ended December 31, 2022, Talen recognized an $18 million charge with respect to this suit, which was presented as "Other operating income (expense), net" on the Consolidated Statement of Operations.

***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), which was during PPL's tenure as owner of Talen Montana. The action generally alleges that the Distribution was improper under applicable law and 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. After commencement of the Talen Bankruptcy and following numerous procedural matters, the case has been transferred to the Bankruptcy Court.

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. After the commencement of the Talen Bankruptcy and following numerous procedural matters, the case has been transferred to the Bankruptcy Court.

In addition, after the commencement of the Talen Bankruptcy, Talen Montana filed an adversary complaint against PPL and its affiliates in the Bankruptcy Court. The adversary complaint asserts actual and constructive fraudulent transfer claims arising from the Distribution, similar to the claims asserted in the Montana action. In August 2022, the Bankruptcy Court entered an order consolidating the Montana and Delaware cases with the adversary proceeding and Talen Montana and Talen Energy Supply filed an amended and consolidated complaint. The amended and consolidated complaint asserts substantially the same fraudulent transfer claims as in the adversary complaint, an indemnity claim by Talen Energy Supply 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 an answer responding to the amended and consolidated complaint and asserted counterclaims against the Talen defendants substantially similar to the claims asserted in the Delaware Court. At the PPL defendants' request, the parties participated in a mediation in February 2023. No settlement was reached during the mediation. Talen Montana and its affiliates believe that PPL's claims are without merit and intend to vigorously prosecute and defend these actions. PPL is expected to vigorously defend the claims asserted by Talen Montana. Talen Montana and Talen cannot predict the outcome of this matter or its effect on Talen Montana and Talen; however, a material adverse judgment could have an adverse effect on Talen Montana's and 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 Talen Energy retirement plan committee, alleging that they are owed enhanced benefits under the TERP because: (i) either or both of the 2015 Talen Formation Transactions and (or) 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 plaintiffs also allege they are entitled to such benefits because certain provisions in a PPL pension plan were not included in the TERP, and that the availability of the claimed additional benefits was not properly disclosed or made known to them. 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 February 2021, the Talen defendants filed a motion to dismiss the plaintiffs' claims on the grounds that plaintiffs released the claims in connection with their termination of employment, and further that certain claims are time-barred by the applicable statute of limitations. In September 2021, the court denied this motion on procedural grounds and ordered the parties to commence discovery, but also noted that the court remained willing to consider the Talen defendants' arguments at a later point in the proceeding. In January 2022, plaintiffs filed a motion for class certification seeking to certify the class outlined above. We filed our opposition to this motion in April 2022. After commencement of the Talen Bankruptcy and following the filing of a joint motion, the District Court in Pennsylvania abated the litigation through January 31, 2023, subject to certain exceptions. In March 2023, the District Court granted plaintiffs leave to amend their complaint to add ten former retirement plan committee members as defendants, and the plaintiffs amended their complaint accordingly. In May 2023, the plaintiffs and the Talen Defendants filed a joint stipulation with the District Court staying the proceedings pending the outcome of third-party mediation, which is expected to be held in the third quarter of 2023. 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. During the relevant periods, the Talen plaintiffs purchased rail freight transportation directly from certain of the Railroads to ship coal. The Talen plaintiffs were assessed rail fuel surcharges in connection with that transportation, and the Talen plaintiffs claim that they paid higher rail freight shipment rates than they otherwise would have paid absent the alleged conspiracy. In the suit, the Talen plaintiffs have requested, among other things, compensatory damages, to be automatically trebled under the antitrust laws, and attorneys' fees. In February 2020, this litigation was consolidated with certain other similar litigation in the District Court for the District of Columbia under the multi-district litigation rules. Talen expects the Railroads to vigorously defend this suit and the other similar suits. 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 will be submitted under the agreement in 2023. This agreement has been extended three times, most recently in September 2020, through the end of 2022. Susquehanna Nuclear has been notified by the U.S. Government of its desire and intention to renew and extend this agreement and Susquehanna Nuclear is currently in negotiating the terms of this planned extension. In November 2022, the U.S. Government expressed an intent to extend the settlement agreement through the end of 2025. The extension will likely be executed in the second quarter of 2023. 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 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.

**Regulatory**

Talen is subject to regulation by federal and state agencies in the various regions where we conduct business, including, but not limited to: the FERC; 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. During the Talen Bankruptcy, the Talen Filing Parties may be required to obtain regulatory approvals from various federal, state, and local regulators in order to consummate the plan and restructuring pursuant to the Talen RSA and Talen RSA Term Sheet.

Talen is party to proceedings before such agencies arising in the ordinary course of business and has other regulatory exposure due to new and (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. Additionally, as FERC subsequently failed to act on requests for rehearing within 30 days, such requests for rehearing were similarly deemed to be denied by operation of law. As the Federal Power Act allows aggrieved parties to seek judicial review in such circumstances, 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.

In April 2023, PJM proposed to delay certain PJM Residual Base Auctions through a filing with FERC in order for it to propose additional changes to the PJM RPM. The proposed delay would have the PJM Residual Base 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 Residual Base Auction results due to certain issues regarding DPL-South, a PJM location delivery area). In December 2022, PJM filed a request with FERC to revise its tariff to enable it to adjust an auction parameter for DPL-South 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 accepting PJM's proposal that requires the PJM ACR for each generator to be administratively determined by the PJM IMM. In February 2022, FERC denied rehearing requests on its September 2021 order that were filed by multiple parties, including Talen. Appeals have been filed by various parties, including Talen. The final impact of this order on Talen's financial condition, results of operations or liquidity is unknown at this time.

*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 not been able to pay market participants for all amounts owed to them and has instituted "short payments." The short payment delays 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.

There is a likelihood that due to market participant defaults, ERCOT could require Talen, as a non-defaulting market participant, to pay for unrecovered amounts in the form of uplift default charges or similar payments. The potential requirement for Talen and (or) our ERCOT QSE (on our behalf) to make default uplift payments, or have short payments imposed, could have a material impact on our results of operations, financial condition and cash flows. However, at this time, we cannot predict any amounts of uplift default charges or short payments that would be applicable to Talen.

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 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 first payment to ERCOT occurred in December 2022, based on the agreed upon payment schedule over a period of years.

Under PUCT rules that govern certain electricity system events, the ERCOT system-wide offer cap for energy for 2022 was set at $5,000/MWh. While this cap was in place, generation resources could seek reimbursement for any actual marginal costs in excess of the larger of $5,000/MWh or the resource's real-time energy price.

In January 2023, the PUCT adopted the PCM market design in response to a directive contained within Texas Senate Bill 3 from 2021 to address market reliability concerns in Texas. There remains significant uncertainty surrounding the details of the proposed PCM design, the timing for implementation and whether the legislature will take further action to dictate a market design other than PCM. While waiting for PCM to be implemented, the ERCOT Board recommended an ERCOT ORDC enhancement to place a multi-step floor on reserve prices. At this time, Talen cannot fully predict the impacts of the PCM market design, when and if implemented, on its results of operation and liquidity.

See Note 4 for additional information on short payments to Talen by ERCOT and the effects of Winter Storm Uri and see "Litigation - ERCOT Weather Event Lawsuits" above for Talen intervening in certain PUCT orders related to the event.

***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. 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 its under-performing generation facilities; and (ii) earn bonus revenues from PJM for its over-performing generation facilities.

In April 2023, PJM notified Talen Energy Marketing of an update to the expected Capacity Performance penalties incurred by Talen's alleged underperforming generation facilities and bonus revenues earned by its over-performing generation facilities. Accordingly, Talen Energy Marketing has recognized an aggregate penalty liability of $46 million, net of expected bonus revenues. PJM's estimate could be revised as PJM finalizes its market settlements. For the three months ended March 31, 2023, approximately $13 million of penalties are charged as a reduction to "Capacity revenues" on the Consolidated Statement of Operations. Talen Energy Marketing has elected to pay its penalties over a nine-month period beginning in April 2023.

Because Talen Energy Marketing and its affiliates have filed complaints against PJM at FERC disputing a significant portion of the penalties assessed by PJM, the net penalty recognized by Talen Energy Marketing 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 Energy Marketing and others for overperformance, which would increase its net penalty exposure. No assurance can be provided that Talen Energy Marketing will be successful in reducing the penalties assessed by PJM.

Additionally, in February 2023, PJM filed proposed tariff revisions with FERC  that would impact the time by which capacity performance 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. Talen Energy Marketing has elected the extended payment terms. In April 2023, FERC granted PJM's request to extend payment terms.

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 generator, 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 Talen 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. Due to court actions and the change of political party control of the U.S. government executive branch, the EPA has decided to make certain changes to the EPA CCR and EPA ELG Rules, EPA proposed changes to the EPA ELG Rule in March 2023 and expects to propose changes to the EPA CCR Rule by mid-2023. Although Talen is still reviewing the ELG proposal for potential impacts, it 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 indicated they will begin to address legacy CCR impoundments, which could affect several Talen facilities, and 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 that EPA make 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 (or) 2015 ozone EPA NAAQS in their respective states (each state pointing to different generation facilities). The EPA has denied each states' petitions. After Delaware, Maryland, New York and certain environmental groups 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, citing Section 184 of the CAA, 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 they 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 not yet taken any 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 EPA 2015 Ozone Standard, in March 2023, EPA released a pre-publication version of the final rule covering the EPA CSAPR ozone season nitrogen oxide allowance trading program for 2023 and beyond. The final changes are known as the 'Good Neighbor FIP.' The EPA has made some reductions in allowance allocations, among other changes, to minimize nitrogen oxide emissions during the Ozone Season. 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 a FIP to tighten the standards. The PA DEP agreed to stay the state standard while all the parties consider the different standards. The 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 the EPA RTR on residual risks 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, EPA has proposed changes to the EPA MATS Rule, most notably to reduce particulate matter emissions from coal plants. Talen is evaluating the proposal and plans to provide comments to EPA. 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 DEP’s proposed final rulemaking. However, in October and December 2021, the Pennsylvania House and Senate passed resolutions disapproving the 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. Compliance with the rule was meant 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***

The U.S. executive administration has identified climate change policy as a priority that includes, but is not limited to, goals for greenhouse gas emissions reductions. Specifically, for the power sector, after the D.C Circuit Court vacated and remanded the EPA ACE Rule, the EPA has proposed a new Clean Air Act 111(b)/111(d) rule on May 11,2023, that would establish new source performance standards for new EGUs 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 GHG limits. Existing baseload-type EGUs, whether combustion turbines or steam units, would be able to operate beyond 2031, but would be subject to capacity factor limits or GHG reduction requirements. Other EGUs would typically not require additional controls; however, EPA is considering further controls in the future. At this time, Talen is unable to determine the full impact of the 111(b)/111(d) rule, when and if implemented, 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, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from our operations and undertake 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 March 31, 2023 and December 31, 2022, the aggregate amount of surety bonds outstanding was $248 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 March 31, 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 $113 million of surety bonds to the MDEQ on behalf of Talen Montana’s proportional share of remediation and closure activities at March 31, 2023 and December 31, 2022. 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 a result of such reviews as Colstrip's coal ash impoundments remediation and closure activities are completed. MDEQ is still finalizing review of financial assurance initiated in 2022 and it is expected to be a non-material increase for Talen Montana.

***Cumulus Digital Assurances.*** At March 31, 2023 Talen Energy Supply has issued LC's in the aggregate amount of $50 million to the lenders of the Cumulus Digital 2027 TLF on behalf of Cumulus Digital. See Note 19 for additional information.

***NorthEast Gas Gen Letters of Credit Assurance.*** At March 31, 2023 and December 31, 2022, pursuant to the terms of NorthEast Gas Gen's Chapter 11 plan of reorganization which is unrelated to the Talen Bankruptcy. Talen Energy Supply has provided $11 million of letters of credit, at both period ends, to backstop long-term letters of credit issued by Northeast Gas Gen's lender for Northeast Gas Gen's generating facility located in Athens, New York. Talen's backstop LCs will remain outstanding, but such amounts may be reduced in accordance with arrangements agreed to in connection with NorthEast Gas Gen's Chapter 11 plan of reorganization (as amended) until the earlier of the date the underlying letters of credit are no longer outstanding or the date that NorthEast Gas Gen’s generation facilities are no longer owned by NorthEast Gas Gen's lender. Talen will be reimbursed by reorganized NorthEast Gas Gen, subject to a cap, for fees incurred for these backstop LCs.

**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 March 31, 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 March 31, 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 $44 million at March 31, 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 coal-mine operator an amendment to one of its mine permits expanding the area authorized for mining. Environmental groups 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. The environmental groups 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 by certain environmental groups to a third permit amendment expanding the area authorized for mining by the coal-mine operator. The environmental groups 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 environmental groups 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 this matter or its effect on Talen Montana's operations, results of operations or liquidity.

***Labor Union Agreement.*** At March 31, 2023, collective bargaining agreements to which Talen Energy Supply and (or) its subsidiaries are subject, govern 44% of our workforce. The collective bargaining agreement with IBEW Local 1638, which covers approximately 180 Talen Montana employees, was set to expire in August 2023. In April 2023, the agreement was amended to extend the term to April 2026.

In November 2022, the Company and IBEW Local 1600 in Pennsylvania, which represents approximately 30% of our workforce agreed to a memorandum of agreement to extend the term of the existing collective bargaining agreement to August 2025.

## 13. Revolving Credit Facilities and Other Facilities

### Talen Bankruptcy

In May 2022, the Talen Filing Parties filed voluntary petitions seeking relief under Chapter 11 of the Bankruptcy Code. The Talen Bankruptcy constituted an event of default and accelerated obligations owed under Talen's recourse credit facilities outstanding prior to the Petition Date. See Note 3 for additional information on the Talen Bankruptcy, including exit financing and Rights Offering, and Note 17 of the 2022 Audited Financial Statements for additional information on the Talen DIP Credit Agreements and Talen's pre-petition credit facilities.

### Revolving Credit and Other Facilities

| | | March 31, 2023 | | | | December 31, 2022 | |
|---|---|---|---|---|---|---|---|
| | Expiration | Committed Capacity | Direct Cash Borrowings | LCs Issued | Unused Capacity | Direct Cash Borrowings | LCs Issued |
| **Recourse** | | | | | | | |
| Talen DIP Revolver | November 2023 | $ 300 | $ — | $ 64 | $ 236 | $ — | $ 33 |
| Talen DIP Continuing LC Agreement | November 2023 | 430 | — | 430 | — | — | 434 |
| Talen Commodity Accordion RCF (a) | September 2024 | 848 | 848 | — | — | 848 | — |
| **Non-Recourse** | | | | | | | |
| LMBE-MC RCF | December 2023 | 25 | — | 12 | 13 | — | 12 |
| Total | | $ 1,603 | $ 848 | $ 506 | $ 249 | $ 848 | $ 479 |

(a) The weighted average interest rate was 12.66% and 12.12% at March 31, 2023 and December 31, 2021.

Outstanding direct cash borrowings under the: (i) Talen DIP Revolver; (ii) Talen Commodity Accordion RCF; and (iii) LMBE-MC RCF are each presented as "Revolving credit facilities" on the Condensed Consolidated Balance Sheets. See Note 14 for information on long-term debt and interest expense and other finance charges.

LC issuances are not permitted under the Talen Unsecured LCF-1 and LCF-2 due to the Talen Bankruptcy. In May 2023, the Talen Unsecured LCF-2 was terminated by Talen Energy Supply. Talen Energy Supply expects to also terminate Talen Unsecured LCF-1.

At March 31, 2023: (i) Talen Energy Supply was not in default under the Talen DIP Revolver and Talen DIP Continuing LC Agreement, and LMBE-MC was not in default under the LMBE-MC RCF; and (ii) certain Debtors were in default of the Talen Defaulted Credit Agreements. See Note 3 for information on the Talen Bankruptcy.

In March 2023, the Talen DIP New Money Agreement was amended to permit the sales of mineral interests and gas transportation contracts described in Note 20.

***Talen Postpetition ISDAs.*** Following commencement of the Talen Bankruptcy and as authorized by a final order of the Bankruptcy Court, Talen Energy Marketing is party to the Talen Postpetition ISDAs, under which Talen Energy Supply and the Talen Postpetition Subsidiary Guarantors provide the counterparty with superpriority liens (which rank pari passu with the liens securing the Talen DIP Obligations) against certain assets in lieu of posting collateral comprised of cash equivalents or LCs. The secured obligations under the Talen Postpetition ISDAs were $42 million and $77 million at March 31, 2023 and December 31, 2022.

***Talen ISDAs.*** Talen Energy Marketing is party to the Talen ISDAs, under which Talen Energy Supply and the Subsidiary Guarantors provide the counterparty with a lien against certain assets in lieu of posting collateral comprised of cash equivalents or LCs. Although the obligations under the Talen ISDAs are still secured by the lien, the lien is subordinate to the liens securing the Talen DIP Obligations and the Talen Postpetition ISDAs. The secured obligations under the Talen ISDAs at December 31, 2022 were $1 million. The Talen ISDAs remain in place after the filing of the Talen Bankruptcy, although some counterparties have terminated their agreements as result of the Talen Bankruptcy.

## 14. Long-term Debt

### Talen Bankruptcy

In May 2022, the Talen Filing Parties filed voluntary petitions seeking relief under Chapter 11 of the Bankruptcy Code. The Talen Bankruptcy constituted an event of default and accelerated obligations owed under Talen's long-term recourse indebtedness outstanding prior to the Petition Date, other than the Talen 2038 PEDFA Series 2009B and Talen 2037 PEDFA Series 2009C bonds. See Note 3 for additional information on the Talen Bankruptcy, including exit financing and Rights Offering, and Note 18 of the 2022 Audited Financials for additional information on the Talen DIP Credit Agreements and Talen's pre-petition credit facilities.

### Long-term Debt

| | Interest Rate (a) | March 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Talen DIP Term Loan** | | | |
| Talen 2023 DIP TLB | 9.52 % | $ 1,000 | $ 1,000 |
| **Talen Senior Secured Term Loans** | | | |
| Talen 2026 TLB | 8.59 % | 427 | 427 |
| **Talen Senior Secured Notes** | | | |
| Talen 2027 Secured Notes | 7.25 % | 750 | 750 |
| Talen 2028 Secured Notes | 6.63 % | 470 | 470 |
| Talen 2028 Secured Notes | 7.63 % | 400 | 400 |
| **Talen Senior Unsecured Notes (b)** | | | |
| Talen 2022 Notes | 9.50 % | 17 | 17 |
| Talen 2024 Notes | 6.50 % | 24 | 24 |
| Talen 2025 Notes | 6.50 % | 543 | 543 |
| Talen 2026 Notes | 10.50 % | 607 | 607 |
| Talen 2027 Notes | 7.00 % | 20 | 20 |
| Talen 2036 Notes | 6.00 % | 119 | 119 |
| **Talen PEDFA Bonds (b)** | | | |
| Talen 2038 PEDFA Series 2009A | 6.40 % | 100 | 100 |
| Talen 2038 PEDFA Series 2009B | 5.00 % | 48 | 49 |
| Talen 2037 PEDFA Series 2009C | 5.00 % | 78 | 79 |
| Total recourse principal | | $ 4,603 | $ 4,605 |
| **Non-recourse Senior Secured Term Loan** | | | |
| LMBE-MC 2025 TLB | 9.05 % | 294 | 301 |
| Total non-recourse principal | | 294 | 301 |
| **Limited-recourse Senior Secured Term Loan** | | | |
| Cumulus Digital 2027 TLF, including PIK | 12.50 % | 191 | 185 |
| Total limited-recourse principal | | 191 | 185 |
| Total principal | | 5,088 | 5,091 |
| Unamortized deferred finance costs and original issuance discounts, recourse (c) | | (24) | (25) |
| Unamortized deferred finance costs and original issuance discounts, non-recourse | | (3) | (4) |
| Total carrying value | | 5,061 | 5,062 |
| Less: recourse long-term debt, due within one year (b) | | 1,000 | 1,000 |
| Less: non-recourse long-term debt, due within one year | | 5 | 10 |
| Less: amounts presented as "Liabilities subject to compromise" (b) | | 1,556 | 1,558 |
| Long-term debt | | $ 2,500 | $ 2,494 |

(a) Computed interest rate at March 31, 2023.
(b) At March 31, 2023 and December 31, 2022, amounts or a portion of such are presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets. See Note 3 for additional information.
(c) Previously unamortized fees related to unsecured indebtedness were written-off to "Reorganization income (expense), net presented on the Condensed Consolidated Statements of Operations.

See Note 13 for information on revolving credit facilities, LC issuances and facilities and the Talen ISDAs.

At March 31, 2023: (i) Talen Energy Supply was not in default under the Talen DIP Term Loan, LMBE-MC was not in default under the LMBE-MC 2025 TLB and Cumulus Digital was not in default under the Cumulus Digital 2027 TLF; and (ii) certain Debtors were in default of the Talen Defaulted Credit Agreements. See "Talen Bankruptcy" above for information on the impact of the Talen Bankruptcy on Talen's recourse long-term debt.

Under the terms of the Plan of Reorganization related to the Talen Bankruptcy, the $1.4 billion of recourse unsecured debt and the Talen 2038 PEDFA Series 2009A, presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet at March 31, 2023, are expected to be converted to New Parent Equity upon the Debtors emergence from bankruptcy. The Talen 2038 PEDFA Series 2009B and Talen 2037 PEDFA Series 2009C, presented as "Liabilities subject to compromise" at March 31, 2023, are expected to continue in accordance with the agreed upon terms. See Note 3 for additional information on the Talen Bankruptcy.

As a result of the Talen Bankruptcy, interest no longer accrues on the Consolidated Statements of Operation on certain outstanding pre-petition debt, including the Talen Unsecured Notes and the Talen PEDFA Bonds. For the three months ended March 31, 2023, $31 million of contractual interest expense has not been presented on the Condensed Consolidated Statement of Operations. Talen continues to reimburse the direct-pay LC provider for interest paid on the Talen 2038 PEDFA Series 2009B and Talen 2037 PEDFA Series 2009C bonds, as permitted by the final Bankruptcy Court order approving the Talen DIP Credit Agreements. The interest payments are treated as a reduction to principal.

**Cumulus Digital 2027 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 on a defined weekly schedule from May 2023 through June 2023, in order to provide funding for Cumulus Data to complete construction of the first data center shell and related infrastructure. In May 2023, the required funding schedule was amended to provide that funding commence in June 2023 and be completed no later than July 2, 2023. Failure to procure funding on the agreed-upon schedule will be an event of default under the Cumulus Digital Credit Agreement.

See Note 19 for information on letters of credit issued by Talen Energy Supply related to the Cumulus Digital 2027 TLF.

## 15. 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:

| | March 31, 2023 | | | | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | NAV | Total | Level 1 | Level 2 | Level 3 | NAV | Total |
| **Assets** | | | | | | | | | | |
| Cash equivalents | $ — | $ — | $ — | $ 7 | $ 7 | $ — | $ — | $ — | $ 6 | $ 6 |
| Equity securities (a) | 541 | — | — | 439 | 980 | 508 | — | — | 429 | 937 |
| U.S. Government debt securities | 257 | — | — | — | 257 | 272 | — | — | — | 272 |
| Municipal debt securities | — | 84 | — | — | 84 | — | 91 | — | — | 91 |
| Corporate debt securities | — | 130 | — | — | 130 | — | 114 | — | — | 114 |
| Receivables (payables), net (b) | | | | | 3 | | | | | (20) |
| Nuclear decommissioning trust funds | 798 | 214 | — | 446 | 1,461 | 780 | 205 | — | 435 | 1,400 |
| Commodity derivatives | 492 | 465 | 9 | — | 966 | 1,807 | 565 | 12 | — | 2,384 |
| Interest rate derivatives | — | 6 | — | — | 6 | — | 9 | — | — | 9 |
| Total assets | $ 1,290 | $ 685 | $ 9 | $ 446 | $ 2,433 | $ 2,587 | $ 779 | $ 12 | $ 435 | $ 3,793 |
| **Liabilities** | | | | | | | | | | |
| Commodity derivatives (c) | $ 560 | $ 298 | $ — | $ — | $ 858 | $ 1,879 | $ 411 | $ — | $ — | $ 2,290 |
| Less: amounts presented as "Liabilities subject to compromise" | — | — | — | — | — | — | 1 | — | — | 1 |
| Total liabilities | $ 560 | $ 298 | $ — | $ — | $ 858 | $ 1,879 | $ 410 | $ 0 | $ — | $ 2,289 |

(a) Includes commingled equity and fixed income funds and real estate investment trusts.
(b) Represents: (i) interest and dividends earned but not received; and (ii) net sold or purchased investments, but not settled.
(c) A portion of these amounts have been presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheet. See Note 3 for additional information.

The changes in the net Level 3 commodity derivative assets and liabilities for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Asset (liability), net, beginning of the period | $ 12 | $ (6) |
| Gains (losses), net, included in earnings | 1 | (28) |
| Settlements | (4) | (4) |
| Asset (liability), net, end of the period | $ 9 | $ (38) |

The significant unobservable inputs used in the fair value measurement of Level 3 commodity derivatives at March 31, 2023 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 | $(11.18)/MWh | $63.05/MWh | $1.03/MWh | $ 9 |

(a) Weighted average is based on notional volumes at March 31, 2023.

The significant unobservable inputs used in the fair value measurement of Level 3 commodity derivatives at March 31, 2022 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 | $129.95/MWh | $2.90/MWh | $ 9 |
| Heat rate options | Option models | Power volatilities | 14% | 128% | 55% | (47) |
| | | Gas volatilities | 4% | 16% | 10% | |
| | | Power and gas correlation | (5)% | 35% | 14% | |

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

The sensitivity of fair value measurements to changes in the significant unobservable inputs at March 31, 2023 and March 31, 2022 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 three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| **Energy Revenues** | | |
| Gains (losses) included in earnings | $ 1 | $ (28) |
| Change in unrealized gains (losses) (a) | (3) | (32) |

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

**Nonrecurring Fair Value Measurements**

See Note 10 for information on the nonrecurring fair value measurement of Brandon Shores during the three months ended March 31, 2023. There were no nonrecurring fair value measurements related to impairments of long-lived assets during the three months ended March 31, 2022.

**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 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:

| | March 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Revolving credit facilities | $ 848 | $ 848 | $ 848 | $ 848 |
| Long-term debt (a) | 5,061 | 4,272 | 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.

## 16. Postretirement Benefit Obligations

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. In May 2022, the Talen Filing Parties filed for protection under chapter 11 of the Bankruptcy Code. Subsequent to that filing, the Bankruptcy Court approved the continued management and operation of Talen's pension and other postretirement plans during the Talen Bankruptcy. At March 31, 2023 and December 31, 2022, all of Talen's unfunded or underfunded postretirement obligations have been reclassified to “Liabilities subject to compromise” on the Condensed Consolidated Balance Sheets. Furthermore, the terms of the Talen RSA contemplate that Talen’s and Talen Montana's, as applicable, qualified defined benefit pension plans will continue in effect in accordance with their terms following the Talen's Debtors' emergence from bankruptcy.

The components of net periodic benefit costs for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Postretirement benefits service cost | $ 1 | $ 1 |
| Interest cost | 18 | 13 |
| Expected return on plan assets | (22) | (18) |
| **Amortization of:** | | |
| Net loss | 1 | 7 |
| Postretirement benefits (gain) loss, net | (3) | 2 |
| Net periodic defined benefit cost (credit) | $ (2) | $ 3 |

## 17. Accumulated Other Comprehensive Income

The total changes in AOCI for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $ (167) | $ (152) |
| Gains (losses) arising during the period | 10 | (31) |
| Reclassifications to Condensed Consolidated Statements of Operations | 6 | 13 |
| Income tax benefit (expense) | (7) | 9 |
| Other comprehensive income (loss) | 9 | (9) |
| Accumulated other comprehensive income | $ (158) | $ (161) |

The components of AOCI, net of tax, at March 31 were:

| | 2023 | 2022 |
|---|---|---|
| Available-for-sale securities unrealized gain (loss), net | $ (8) | $ (10) |
| Qualifying derivatives unrealized gain (loss), net | 9 | 11 |
| Postretirement benefit prior service credits (costs), net | 7 | 6 |
| Postretirement benefit actuarial gain (loss), net | (166) | (168) |
| Accumulated other comprehensive income | $ (158) | $ (161) |

The locations of pre-tax gains (losses) reclassified from AOCI and included on the Condensed Consolidated Statements of Operations for the three months ended March 31 were:

| **Location of gain (loss)** | 2023 | 2022 |
|---|---|---|
| Nuclear decommissioning trust funds gain (loss), net (a) | $ (6) | $ (7) |
| Depreciation, amortization and accretion (b) | 1 | 1 |
| Postretirement benefit gain (loss), net (c) | (1) | (7) |
| Total | $ (6) | $ (13) |

(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 16 for additional information.

## 18. Supplemental Cash Flow Information

Supplemental information for the Condensed Consolidated Statements of Cash Flows for the three months ended March 31:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Cash paid (received) during the period** | | | | |
| Interest and other finance charges, net of capitalized interest ($8 million in 2023 and $2 million in 2022) | $ | 93 | $ | 74 |
| Income taxes, net | | 1 | | (1) |
| **Non-cash investing and operating activities** | | | | |
| Capital expenditure accrual increase (decrease) | $ | (8) | $ | 21 |
| Accounts receivable contributed to equity method investment (a) | | — | | 2 |
| Non-cash preferred equity method investment contribution and accounts payable accrual (b) | | — | | 5 |
| **Depreciation, amortization and accretion included on the Statements of Operations:** | | | | |
| Depreciation, amortization and accretion | $ | 132 | $ | 138 |
| Amortization of deferred finance costs and original issuance discounts (interest expense) (b) | | 6 | | 10 |
| Total | $ | 138 | $ | 148 |
| **Non-cash financing/investing activities** | | | | |
| Non-cash increase to PPE and decrease to other current assets for transfer of miners by Cumulus Coin (c) | $ | 14 | $ | — |
| Non-cash decrease to PPE and decrease to noncontrolling interest for transfer of miners to TeraWulf | | 2 | | — |
| Non-cash increase to PPE and increase to noncontrolling interest for transfer of miners by TeraWulf (c) | | 38 | | — |
| **Unrealized (gain) loss on derivatives:** | | | | |
| Commodity contracts | $ | (30) | $ | (29) |
| Interest rate swap contracts | | 2 | | (26) |
| Total | $ | (28) | $ | (55) |
| **Operating Activities Reconciliation Adjustments, Other:** | | | | |
| Net periodic defined benefit cost | $ | (2) | $ | 3 |
| Derivative option premium amortization | | 19 | | 18 |
| Gain on sale of mineral rights | | (29) | | — |
| Gain on cancellation of lease | | (7) | | — |
| Nonrecourse PIK interest | | 6 | | (3) |
| Debt restructuring (gain) loss, net | | — | | 4 |
| Other | | — | | (1) |
| Total | $ | (13) | $ | 21 |

(a) See Note 8 for information on equity method investments.
(b) Includes previously recognized fair value adjustments on certain exchanges of indebtedness.
(c) In 2023, the joint venture partners of Nautilus each 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:

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 1,361 | $ 724 |
| **Restricted cash and cash equivalents:** | | |
| Commodity exchange margin | 72 | 85 |
| Collateral deposits (a) | 89 | 89 |
| Cumulus Digital Holdings debt restricted deposits | 33 | 49 |
| Nautilus project restricted deposits | 11 | 19 |
| LMBE-MC major maintenance reserve deposits | 1 | 7 |
| LMBE-MC debt service reserve deposits | 11 | 7 |
| TEC Global Settlement deposits (b) | 7 | 7 |
| Other | 1 | 1 |
| Restricted cash and cash equivalents | 225 | 264 |
| Total | $ 1,586 | $ 988 |

(a) Collateral deposits that support the Talen DIP Continuing LC Agreement. Funds will be returned to Talen on the Effective Date of the Plan of Reorganization.
(b) Funds will be released to a third party on Effective Date of the Plan of Reorganization.

## 19. Related Party 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 and UCC Settlement, Talen adjusted the amounts previously accrued for these fees and no fees are expected to be paid following the Plan of Reorganization Effective Date.

For the three months ended March 31, 2023, no fees were incurred for service or reimbursement and for the three months ended March 31, 2022, the aggregate fees incurred for services and reimbursements was $2 million. These fees are presented as "General and administrative" on the Condensed Consolidated Statement of Operations.

In recent years, Talen Energy Supply has paid certain expenses and liabilities incurred by Talen Energy Corporation. Accordingly, at March 31, 2023 and December 31, 2022, Talen Energy Supply presented $2 million due from Talen Energy Corporation as "Accounts receivable, net" presented on the Condensed Consolidated Balance Sheets. Pursuant to the TEC Global Settlement, this amount will either be waived or reinstated, at the option of New Parent effective upon the Plan of Reorganization Effective 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. During the three months ended March 31, 2022, Talen paid approximately $33 thousand under these agreements. Talen terminated the contracts with these independent contractors in July 2022 as their services were no longer required.

**Cumulus Digital Intercompany Agreements**

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 CSA, Nautilus FOA, and Cumulus Digital COSA, pursuant to which Talen Energy Supply provides administrative and operational services to Cumulus Digital and its subsidiaries; (ii) Nautilus Ground Lease Agreement for the Nautilus site; and (iii) certain energy supply agreements in order to support the power requirements of Cumulus Data and Nautilus.

Additionally, under the terms of the Cumulus Digital Credit Agreement, Talen Energy Supply has provided $50 million in LCs to the Cumulus Digital lender to support certain of Cumulus Digital's obligations under the Cumulus Digital 2027 TLF. Cumulus Digital has agreed to reimburse Talen Energy Supply for fees associated with the LCs with payment of such amounts deferred, until the earlier of: (i) two years from the commercial operation date of the Nautilus facility; or (ii) the date Cumulus Data and Cumulus Coin meet a minimum interest coverage threshold. Talen Energy Supply will have the option to receive payment for the deferred fees in cash payments ratably over the next succeeding 24 months or in additional common units of Cumulus Digital Holdings, subject to certain caps under the Cumulus Digital COSA.

Talen Energy Corporation has provided a guarantee to the lenders under the Cumulus Digital 2027 TLF for certain shortfalls in principal and interest payments by Cumulus Digital (up to a maximum of 23% of the principal amount of outstanding loans under the Cumulus Digital 2027 TLF). The guarantee will terminate if the principal amount of loans outstanding is reduced to $50 million or less.

## 20. Acquisitions and Divestitures

### Potential Acquisition

***Talen Montana Colstrip Units 3 and 4 Transaction.*** In September 2022, Talen Montana entered into a definitive agreement under which Puget Sound Energy, Inc. will transfer its 25% share of Colstrip Units 3 and 4 to Talen Montana for nominal consideration. As part of the transaction, Puget Sound Energy, Inc. will retain certain liabilities attributable to pre-closing operations, including environmental remediation and decommissioning costs. Until the closing of the transaction, Talen Montana is entitled to increased voting rights (via Puget's voting rights) regarding certain decisions relating to Colstrip Units 3 and 4. The agreement is subject to customary closing conditions. 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 Energy, Inc. The anticipated closing date of the transaction is 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 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. Following the consummation of the transaction, 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. Talen recognized a gain on the transaction, which approximates the sales price, during the three months ended March 31, 2023 that is included in "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.

## 21. Subsequent Events

Talen Energy Supply evaluated subsequent events through May 16, 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.

# TALEN ENERGY SUPPLY, LLC 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 Talen's 2022 Consolidated Financial Statements. In addition, the following 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.

## 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 WECC, with our generation fleet principally located in the Mid-Atlantic, Texas and Montana. We believe our existing footprint, which includes significant land holdings, access to the power grid and zero-carbon based sources of power, provides us with a competitive advantage.

At March 31, 2023, our generation capacity was 12,435 MW (summer rating). Our generation fleet includes zero-carbon generation facilities and has significant fuel diversity, with certain facilities capable of utilizing multiple 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, and liquidity risk through physical and financial commodity transactions.

We are helping advance the transition of the electric power industry to a more sustainable future by implementing, where economical, the Talen Transition Plan:

- We committed to cease burning coal at Montour, Brandon Shores and Wagner by the end of 2025 and Brunner Island by the end of 2028.
- We are converting Montour to natural gas and Wagner to fuel oil, each of which are expected to be complete in 2023, at which time both generation facilities will cease burning coal.
- We intend to leverage our existing asset footprint to develop, in certain cases with joint venture partners, utility-scale renewable and battery storage projects. We currently have a development pipeline of 10 renewables projects, representing 1.5 GW across three states, and a development pipeline of 10 battery storage projects, representing approximately 0.9 GW across four states.

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

## Significant Transactions and Developments

### Talen Bankruptcy

In recent years, the competitive power industry in the markets in which we operate was challenged with depressed wholesale natural gas and power prices. However, in mid-2021, changes in market conditions provided for an environment of rapid and sustained increases to wholesale natural gas and power prices. While these market conditions provided for the opportunity to earn higher commodity margin associated with electric generation in future delivery months, they also resulted in increases of mark-to-market losses on hedges for corresponding future delivery periods. As a result, our commercial counterparties and commodity exchanges that were party to certain hedge transactions required us to provide elevated levels of collateral for mark-to-market losses.

Because we are generally required to collateralize hedges that settle in future delivery periods, but do not receive settlements for electric generation until delivery, this resulted in lower available cash and liquidity to operate our business. As a result, Talen Energy Supply concluded that commencing a reorganization under Chapter 11 of the Bankruptcy Code was necessary to allow the Debtors to, among other things, strengthen their financial position and provide additional liquidity to fund their operations and protect their equity investments in projects supporting the Talen Transition Plan. In connection with the Chapter 11 filing, we entered into the Talen DIP Credit Agreements to provide liquidity to fund our operations during the restructuring process.

In December 2022, the Bankruptcy Court confirmed the Plan of Reorganization. As confirmed, the Plan of Reorganization would implement, among other things, the transactions contemplated by the Talen RSA, the TEC Global Settlement, and the Global Plan Settlement. In March 2023, Talen received the approvals from the NRC and the FERC necessary to implement the transactions contemplated by the Plan of Reorganization.

Upon emergence from bankruptcy and consummation of exit financings, we will have achieved a significant reduction in debt and interest, provided for full repayment of Talen Energy Supply's first lien funded debt outstanding at the commencement of the Chapter 11 case, and the consensual equitization of all of Talen Energy Supply's existing unsecured notes outstanding at the commencement of the Chapter 11 case.

The Plan of Reorganization is expected to become effective in May 2023, subject to consummation of the Rights Offering, secured financing offerings, and other customary closing conditions. At emergence Talen will adopt “fresh start” accounting which requires our assets and liabilities to be remeasured at fair value. Such measurement will affect our financial statements beginning in the period we emerge from bankruptcy and may cause them not to be comparable to our financial statements for prior periods.

See Note 1 and Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information regarding the Talen Bankruptcy.

**Exit Financing**

In April 2023, Talen Energy Supply priced several secured financing offerings, which, together with cash on hand and proceeds of the Rights Offering. will provide funding for the payment of claims as provided in the Plan of Reorganization and liquidity and working capital for Talen’s business following its emergence from bankruptcy. The exit financing includes:

- A committed senior secured revolving credit facility with an initial committed amount of $700 million;
- A committed senior secured term loan B facility in the aggregate principal amount of $580 million;
- A committed senior secured term loan C facility in the aggregate principal amount of $470 million;
- A committed senior secured letter of credit facility with an initial committed amount of $75 million; and
- Senior secured notes due 2030 in an aggregate principal amount of $1.2 billion, which closed in escrow on May 12, 2023.

After funding of claims to be paid pursuant to the Plan of Reorganization, Talen expects to have unrestricted cash on hand between $175 million and $185 million on the Effective Date.

**Brandon Shores Conversion**

In the first quarter 2023, due to increased project costs and declining PJM capacity revenues, management concluded the lower return on investment to convert Brandon Shores’ fuel source from coal to fuel oil no longer met its 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 a $361 million for an impairment of the generation facility’s asset group and $18 million for NRV and obsolescence charges on materials and supplies inventories and coal inventories. See Notes 7 and 10 in Notes to the Consolidated Financial Statements for additional information.

**CEO Transition**

On April 5, 2023, the Company’s CEO, Alejandro Hernandez, announced his departure, effective as of the Plan Effective Date. Mr. Hernandez will be succeeded as CEO by Mark “Mac” McFarland. Mr. McFarland will be responsible for overseeing all aspects of the Company’s long-term strategy and overall performance, including leadership of the Company's wholesale power generation business.

## Factors Affecting Talen’s 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.***

Above-average temperatures during January and February 2023 resulted in lower demand for heating needs in the PJM and ERCOT regions and was a contributor to reduced power load during the first quarter 2023. Natural gas storage levels increased above the five-year average due to the combined effect of higher natural gas production and below-average demand on winter storage withdrawals. The above-average temperatures and higher natural gas production contributed to natural gas prices for Texas Eastern M-3 and Houston Ship Channel declining below each of their ten-year averages, despite the increase in LNG exports and higher generation from natural gas generation sources.

In the WECC region, below-average temperatures during the quarter resulted in higher demand for heating needs. Natural gas storage levels in the Mountain and Pacific regions declined to below the five-year average which contributed to Sumas natural gas prices settling above its five-year average.

*PJM.* The average settled market prices for the three months ended March 31 were:

| | 2023 | 2022 |
|---|---|---|
| PJM West Hub Day Ahead Peak - $/MWh | $ 36.35 | $ 58.10 |
| PJM PL Zone Day Ahead Peak - $/MWh | 31.43 | 54.97 |
| PJM BGE Zone Day Ahead Peak - $/MWh | 40.18 | 61.79 |
| Texas Eastern M-3 - $/MMBtu | 2.93 | 6.73 |

The average January and February forward market prices as of March 31 were:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| 2024 PJM West Hub Day Ahead Peak - $/MWh | $ | 76.90 | $ | 80.03 |
| 2025 PJM West Hub Day Ahead Peak - $/MWh | | 80.40 | | 76.06 |
| 2024 Texas Eastern M-3 - $/MMBtu | | 8.77 | | 8.24 |
| 2025 Texas Eastern M-3 - $/MMBtu | | 8.80 | | 6.96 |

In PJM, the reduced demand resulting from the mild winter along with lower natural gas prices contributed to the PJM West Hub Day Ahead Peak quarter average settled prices declining approximately 37% since the prior year quarter.

*ERCOT.* The average settled market prices for each of the three months ended March 31 were:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| ERCOT South Hub Day Ahead Peak - $/MWh | $ | 27.46 | $ | 39.32 |
| ERCOT South Hub Day Ahead Spark Spreads - $/MWh(a) | | 11.92 | | 9.36 |
| Houston Ship Channel - $/MMBtu | | 2.23 | | 4.27 |

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

The average July and August forward market prices as of March 31 were:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| 2023 ERCOT South Hub Real Time Spark Spreads - $/MWh (a) | $ | 62.90 | $ | 52.56 |
| 2024 ERCOT South Hub Real Time Spark Spreads - $/MWh (a) | | 51.61 | | 38.00 |
| 2025 ERCOT South Hub Real Time Spark Spreads - $/MWh (a) | | 45.63 | | 33.56 |

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

In ERCOT, there was lower coal and higher renewable sourced power generation as a total percentage of power load compared to the first quarter 2022. Combined with reduced demand resulting from the milder winter 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 for both delivery years by approximately 36% since the prior year quarter.

*WECC.* The average settled market prices for each of the three months ended March 31 were:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Mid-Columbia Day Ahead Peak - $/MWh | $ | 107.98 | $ | 38.44 |
| Sumas - $/MMBtu | | 8.26 | | 4.45 |

The average third quarter forward market prices as of March 31 were:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| 2023 Mid-Columbia Day Ahead Peak - $/MWh | $ | 197.90 | $ | 115.00 |
| 2024 Mid-Columbia Day Ahead Peak - $/MWh | | 180.76 | | 106.59 |
| 2025 Mid-Columbia Day Ahead Peak - $/MWh | | 172.36 | | 94.93 |

In WECC, the increase in demand caused by below-average temperatures combined with higher natural gas prices resulted in the Mid-Columbia Day Ahead Peak quarter average settled prices increasing by approximately 181% to the highest first quarterly average price in the past 20 years.

The Mid-Columbia 2024 and 2025 first quarter average on-peak forward prices increased by approximately 66% and 77%, 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, as well as adjustments to PJM MSOC as determined by the PJM IMM.

***PJM Capacity Auctions.*** Under the PJM RPM, Talen participates in PJM Base Residual Auctions conducted under the PJM RPM. Typically, PJM conducts these auctions each May for the PJM Capacity Year that is scheduled to begin three years from the date of the auction. Capacity auctions have recently been delayed, resulting in the auctions being held with less than 3 years between the auctions and the PJM Capacity Year. The capacity market construct provides generation owners the opportunity for some revenue visibility on a multiyear basis. The results of each of these auctions impacts Talen's capacity revenues in the specific PJM Capacity Year.

The 2023/2024 PJM Capacity Year auction was completed in June 2022 and the 2024/2025 PJM Capacity Year auction was completed in December 2022 with results released in February 2023. In April 2023, PJM proposed to delay certain PJM Residual Base Auctions through a filing with FERC in order for it to propose additional changes to the PJM RPM. The proposed delay would have the PJM Residual Base Auctions for 2025/2026 in June 2024, 2026/2027 in December 2024, 2027/2028 in June 2025, and 2028/2029 in December 2025. Certain parties have filed appeals of certain FERC orders regarding the PJM capacity auction rules.

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:

| | 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.

**Nuclear Production Tax Credit**

The Inflation Reduction Act of 2022 was signed into law in August 2022. Among the Act’s provisions are amendments to the IRC to create a nuclear production tax credit program.

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 Nuclear after December 31, 2023 through December 31, 2032 will 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 exceeds $25 per MWh. 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 Nuclear generated approximately 18 million MWh in each of the calendar years 2022, 2021 and 2020.

The credit would be:

| Annual Gross Receipts | Credit Amount |
|---|---|
| $25 per MWh or less | $15 per MWh |
| Greater than $25 per MWh | Ratably reduced until gross receipts equal $43.75 per MWh, $0 after that threshold |

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 impact to its liquidity or results of operations.

**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. 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. 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 its under-performing generation facilities; and (ii) earn bonus revenues from PJM for its over-performing generation facilities. Talen Energy Marketing has recognized an aggregate penalty liability of $46 million, net of expected bonus revenues and has elected to pay its charges to PJM over a nine-month period beginning in April 2023. For the three months ended March 31, 2023, approximately $13 million of penalties are charged as a reduction to "Capacity revenues" on the 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, as described below.

*Coal Combustion Residuals.* Talen owns various CCR impoundments, some are receiving CCR materials, and some of which are closed. EPA's Coal Combustion Residual (CCR) regulation applies to some of these impoundments and Talen is in compliance with these regulations. However, through changes in EPA's interpretation and expected changes to the rule that may expand its scope, there may be additional impacts on Talen. 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.* There has been significant attention by EPA, certain states and environmental non-governmental organizations on reducing nitrogen oxide emissions from coal-fired generation. The most recent, significant change has come in the form of a new ozone season nitrogen oxide allowance trading program under EPA CSAPR, known as the Good Neighbor FIP, which EPA published in March 2023. This rule will, over time, reduce the nitrogen oxide allowances provided to Talen's power generation facilities in Texas, Maryland, Pennsylvania and New Jersey to cover generation during the ozone season. Additionally, in April 2023 EPA proposed revisions to the EPA MATS Rule, which, if adopted, would lower the particulate matter emission limits at Talen's coal-fired power plants. 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.

*Federal Climate Change Actions.* The U.S. executive administration has identified climate change policy as a priority that includes, but is not limited to, goals for greenhouse gas emissions reductions. Specifically, for the power sector, after the D.C Circuit Court vacated and remanded the EPA ACE Rule, the EPA has proposed a new Clean Air Act 111(b)/111(d) rule on May 11,2023, that would establish new source performance standards for new EGUs 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 GHG limits. Existing baseload-type EGUs, whether combustion turbines or steam units, would be able to operate beyond 2031, but would be subject to capacity factor limits or GHG reduction requirements. Other EGUs would typically not require additional controls; however, EPA is considering further controls in the future. At this time, Talen is unable to determine the full impact of the 111(b)/111(d) rule, when and if implemented, on its results of operations and liquidity.

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

***Regulatory Developments***

*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.

In 2023, PJM announced that it is planning a process to assess changes to the PJM RPM, which has resulted in delays of PJM Base Residual Auctions.

*Capacity Auctions.* See "Capacity Market" above for information on capacity auctions and prices.

*PJM Market Seller Offer Cap.* In March 2021, FERC responded to complaints filed by the PJM IMM for 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 accepting the PJM's proposal that requires the PJM ACR for each generator to be administratively determined by the PJM IMM and PJM. In February 2022, FERC denied rehearing requests on its September 2021 order that were filed by multiple parties, including Talen. Appeals have been filed by various parties, including Talen. The final impact of this order on Talen's financial condition, results of operations or liquidity is unknown at this time.

See Note 12 in Notes to the Condensed Consolidated Financial Statements for additional information on 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 April 2023, Talen Energy Supply received commitments for several secured financing facilities, including $1.2 billion senior secured notes due 2030 which closed in escrow on May 12, 2023. See "Significant Transactions and Developments" above for additional information on the Talen Bankruptcy and related financings. After funding of claims to be paid pursuant to the Plan of Reorganization, Talen expects to have unrestricted cash on hand between $175 million and $185 million on the Effective Date.

See Note 3, Note 4, Note 11, Note 13, and Note 18 in Notes to the Condensed Consolidated Financial Statements for additional information regarding various liquidity topics contained below.

**Talen Liquidity**

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Talen DIP Revolver (a) | $ 236 | $ 267 |
| Unrestricted cash and cash equivalents | 1,361 | 724 |
| Available liquidity | $ 1,597 | $ 991 |

(a) Facility expires in November 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, non-discretionary capital expenditures, and (or) other future requirements for at least the next twelve months.

This liquidity assessment depends, in part, on projected market conditions, the ability to obtain sufficient exit financing on favorable terms, and other estimates that management believes are reasonable.

**Recourse Long-term Debt**

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Talen 2023 DIP TLB | $ 1,000 | $ 1,000 |
| Talen Senior Secured Term Loans | 427 | 427 |
| Talen Senior Secured Notes | 1,620 | 1,620 |
| Talen Senior Unsecured Notes (a) | 1,330 | 1,330 |
| Talen PEDFA Bonds (a) | 226 | 228 |
| Total recourse principal | 4,603 | 4,605 |
| Less: recourse principal long-term debt, due within one year | 1,000 | 1,000 |
| Less: amounts classified as "Liabilities subject to compromise" (a) | 1,556 | 1,558 |
| Recourse principal long-term debt, due after one year | $ 2,047 | $ 2,047 |

(a) Presented as "Liabilities subject to compromise" on the Condensed Consolidated Balance Sheets at March 31, 2023 and December 31, 2022.

**Non-recourse Liquidity and Long-term Debt**

| | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **LMBE-MC Liquidity** | | | | |
| LMBE-MC RCF unused capacity (a) | $ | 13 | $ | 13 |
| LMBE-MC restricted cash and cash equivalents (b) | | 12 | | 14 |
| Available liquidity | $ | 25 | $ | 27 |
| **LMBE-MC Long-term Debt (c)** | | | | |
| LMBE-MC 2025 TLB | $ | 294 | $ | 301 |
| Less: principal long-term debt, due within one year | | 5 | | 10 |
| Non-recourse principal long-term debt, due after one year | $ | 289 | $ | 291 |

(a) The committed capacity was $25 million at March 31, 2023 and December 31, 2022. Facility expires in December 2023.
(b) Cash is available to LMBE-MC for its operations, but is restricted from use by Talen Energy Supply.
(c) See Note 14 in Notes to the Condensed Consolidated Financial Statements for additional information on this debt and interest rates at March 31, 2023.

**Limited-recourse Liquidity and Long-term Debt**

| | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **Cumulus Digital Liquidity** | | | | |
| Cumulus Digital Holdings cash and cash equivalents (a) | $ | 33 | $ | 49 |
| Nautilus project restricted cash and cash equivalents (b) | | 11 | | 19 |
| Available liquidity | $ | 44 | $ | 68 |
| **Cumulus Digital Long-term Debt (c)** | | | | |
| Cumulus Digital 2027 TLF, including PIK | $ | 191 | $ | 185 |
| Limited-recourse principal long-term debt, due after one year | $ | 191 | $ | 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 14 in Notes to the Condensed Consolidated Financial Statements for additional information on this debt, including interest rates at March 31, 2023.

**Working Capital**

| | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Working Capital | $ | (306) | $ | (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:

- an increase in net "Cash and cash equivalents" and "Restricted cash and cash equivalents," partially driven by the cash generated by operations in the first quarter 2023, including Realized Energy Margin, and changes in working capital, some of which are described below, and from the sale of mineral rights for proceeds of $29 million. See "Non-GAAP Financial Measures - Realized Energy Margin" below for information.;

- a decrease in "Accounts receivable, net" primarily due to decrease in PJM receivables and ERCOT receivables due to Winter Storm Elliot that caused an increase at December 31, 2022, partially offset by increase in receivables related to financial swaps as a result of lower prices;

- a decrease in "Other current assets" partially due to returns of cash for collateral deposits on commodity-related deposits and deposits to support surety bonds;

- the non-cash net change in the mark-to-market of derivative instruments in 2023. The mark-to-market value 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" that occurred on the Condensed Consolidated Statement of Operations in 2023;

- a decrease in "Accounts payable and other accrued liabilities" as presented on the Condensed Consolidated Balance Sheet, partially due to decline in payables related to financial swaps as a result of lower prices, and lower purchase of natural gas as a result of lower prices and volumes in 2023; and

- an increase in "Other current liabilities" as presented on the Condensed Consolidated Balance Sheet, primarily due to receipt of cash from counterparties for credit support open positions.

**Financial Performance Assurances**

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Outstanding surety bonds | $ 248 | $ 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.

**Cash Flow Activities**

The net cash provided by (used in) operating, investing, and financing activities and the changes between the three months ended March 31 were:

| | 2023 | 2022 | Change |
|---|---|---|---|
| Operating activities | $ 744 | $ 38 | $ 706 |
| Investing activities | (118) | (65) | (53) |
| Financing activities | (28) | (114) | 86 |

***Three Months Ended March 31, 2023 vs. March 31, 2022***

*Net cash provided by (used in) operating activities.*

| Change | |
|---|---|
| $ 682 | Higher realized energy margin between periods (See 'Realized Energy Margin' within "Non-GAAP Financial Measures") |
| 88 | Decrease in cash collateral deposits paid to counterparties, partially due to lower power-related prices impact on margin requirements and the replacement of cash collateral to letter of credit collateral on certain deposits |
| (20) | Overall higher recourse interest payments primarily due to increases of interest paid on the Talen Commodity Accordion RCF issued in December 2021 and on the Talen 2023 DIP TLB issued in May 2022 and the timing of payment frequency on certain secured notes |
| (66) | Lower capacity payments between periods (See "Results of Operations") |
| (34) | Higher operation and maintenance expenditures between periods (See "Results of Operations") |
| 55 | Other changes in cash provided by (used in) operating activities |
| **$ 706** | **Total** |

*Net cash provided by (used in) investing activities.*

| Change | |
|---|---|
| $ (25) | Increase in nuclear fuel expenditures between periods primarily due to the timing of payment schedules on certain contracts |
| (31) | Higher capital expenditures between periods for the Cumulus projects |
| (30) | Higher capital expenditures between periods for generation facility fuel conversion projects, primarily for the Montour natural gas conversion |
| 29 | Proceeds from sale of mineral rights |
| 4 | Other changes in cash provided by (used in) investing activities |
| **$ (53)** | **Total** |

*Net cash provided by (used in) financing activities.*

| Change | |
|---|---|
| $ 96 | Repayments of the Talen Deferred Capacity Obligations in 2022 |
| (20) | Payments made on the termination of certain economic hedge contracts |
| 10 | Other changes in cash flows provided by (used in) financing activities |
| **$ 86** | **Total** |

See Notes 13 and 14 in Notes to the Condensed Consolidated Financial Statements for additional information on revolving and other credit facilities and long-term debt.

## 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 4 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” is made up 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; (iii) amounts earned for retail electricity sales to commercial and industrial retail customers; and (iv) 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; (iii) purchases of physical electricity incurred to fulfill commercial and industrial retail power sales requirements when in excess of generated volumes; and (iv) 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.” “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**

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 three months ended March 31:

| | 2023 | 2022 | Change |
|---|---|---|---|
| Capacity revenues | $ 66 | $ 132 | $ (66) |
| Energy and other revenues | 862 | 325 | 537 |
| Unrealized gain (loss) on derivative instruments | 145 | (60) | 205 |
| **Operating Revenues** | 1,073 | 397 | 676 |
| **Energy Expenses** | | | |
| Fuel and energy purchases | (107) | (258) | 151 |
| Nuclear fuel amortization | (24) | (27) | 3 |
| Unrealized gain (loss) on derivative instruments | (114) | 89 | (203) |
| **Total Energy Expenses** | (245) | (196) | (49) |
| **Operating Expenses** | | | |
| Operation, maintenance and development | (176) | (142) | (34) |
| General and administrative | (29) | (30) | 1 |
| Postretirement benefits service cost | (1) | (1) | — |
| Depreciation, amortization and accretion | (132) | (138) | 6 |
| Impairments | (365) | — | (365) |
| Other operating income (expense), net | (9) | — | (9) |
| **Operating Income (Loss)** | 116 | (110) | 226 |
| Interest expense and other finance charges | (104) | (81) | (23) |
| Nuclear decommissioning trust funds gain (loss), net | 46 | (56) | 102 |
| Postretirement benefits gain (loss), net | 3 | (2) | 5 |
| Debt restructuring gain (loss), net | — | (4) | 4 |
| Reorganization income (expense), net | (39) | — | (39) |
| Other non-operating income (expense), net | 38 | (15) | 53 |
| **Income (Loss) Before Income Taxes** | 60 | (268) | 328 |
| Income tax benefit (expense) | (14) | (11) | (3) |
| **Net Income (Loss)** | 46 | (279) | 325 |
| Less: Net income (loss) attributable to noncontrolling interest | (2) | — | (2) |
| **Net Income (Loss) Attributable to Members** | $ 48 | $ (279) | $ 327 |

The following variance explanations are based on the market areas in which our generation fleet operates and the manner in which management reviews our financial and operating performance and allocates resources:

- PJM -- a grouping that includes the operating and marketing activities within the PJM market. PJM is comprised of Susquehanna Nuclear and Talen's natural gas and coal generation facilities located within the PJM market;
- ERCOT -- a grouping that includes the operating and marketing activities within the ERCOT market for the operations of the Talen Texas power generation facilities; and
- Other Power Markets -- a grouping that includes the operating and marketing activities for Talen Montana's proportionate share of the Colstrip Units within the WECC market and other miscellaneous power generation activities.

Corporate, Development and Other, or CD&O, is a non-market area grouping that includes corporate activities and other expenses incurred by our corporate and commercial functions that are not allocated to our above groupings, business units that do not fall under the prior definitions, and intercompany eliminations. The primary grouping of other business units includes: (i) General and administrative expenses; (ii) the development activities of Cumulus Growth Holdings; and (iii) the development and operating activities of Cumulus Digital. This grouping is presented to reconcile the other above groupings to consolidated results.

**Three Months Ended March 31, 2023 vs Three Months Ended March 31, 2022**

***Operating Revenues, net of Total Energy Expenses.*** $627 million overall favorable increase comprised of changes in "Capacity revenue," Realized Energy Margin, Unrealized Gains (Losses) on Derivative Instruments, "Nuclear fuel amortization", and other miscellaneous revenue:

| | Change | |
|---|---|---|
| | | *Capacity Revenue* |
| $ | (53) | Unfavorable decrease primarily due to lower cleared capacity prices and less MWs cleared through PJM's capacity auction for 2022/2023 PJM Capacity Year compared to the 2021/2022 PJM Capacity Year. See "Factors Affecting Talen's Financial Position - Capacity Market" above for information on capacity prices. |
| | (13) | 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 Talen's Financial Position" for additional information. |
| | (66) | *Total Capacity Revenue* |
| | | *Realized Energy Margin (See "Non-GAAP - Realized Energy Margin" below for additional information)* |
| | 743 | Favorable increase in hedge results primarily due to lower settled PJM West Hub and PPL Zone day ahead on-peak power prices |
| | 63 | Favorable increase in hedge results due to the absence of the loss occurring in Q1 2022 resulting from the termination of certain outstanding economic hedges between Talen Energy Marketing and a commercial counterparty |
| | (124) | Unfavorable decrease in margin associated with electric generation |
| | 682 | *Total Realized Energy Margin* |
| | | *Unrealized Gains (Losses) on Derivative Instruments* |
| | 407 | Favorable increase primarily due to gains in Q1 2023 compared to losses in Q1 2022 on positions existing in both periods |
| | (405) | Unfavorable decrease primarily due to the "roll-off" of $(218) million in gain positions during Q1 2023 compared to the "roll-off" of $187 million in loss positions during Q1 2022. |
| | 2 | *Total Unrealized Gains (Losses) on Derivative Instruments* |
| | 3 | *Nuclear Fuel Amortization* |
| | 6 | Other revenue |
| **$** | **627** | **Total** |

"Energy and other revenues" and "Fuel and energy purchases" are evaluated collectively as Realized Energy Margin because the price for power is generally determined by the variable operating cost of the next marginal generator dispatched to meet demand. See "Realized Energy Margin" within "Non-GAAP Financial Measures" for a description of this non-GAAP measure and a discussion of the period-over-period change by our market areas.

Unrealized gains (losses) on derivatives are presented separately as both revenues and expenses within "Operating Revenues, net of Total Energy Expenses" on the Condensed Consolidated Statements of Operations. We evaluate them collectively because it represents the changes in fair value of Talen's economic hedging activities. See Notes 4 and 15 in Notes to the Condensed Consolidated Financial Statements for additional information on unrealized gains and losses associated with commodity derivatives.

***Operation, Maintenance and Development.*** $(34) million unfavorable increase primarily with PJM due to: (i) $(12) million higher outage maintenance expense at Susquehanna Nuclear due to timing of its annual refueling outage which commenced approximately one week earlier than it did in 2022; and (ii) non-cash materials and supplies obsolescence charges of $(11) million incurred at Brandon Shores.

***Impairments.*** $(365) million unfavorable increase primarily at PJM 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.

***Interest Expense and Other Finance Charges.*** $(23) million unfavorable increase primarily due to interest on the Talen DIP Term Loan that was executed in the second quarter 2022. See Notes 13 and 14 in Notes to the Condensed Consolidated Financial Statements for additional information on revolving credit facilities and long-term debt.

***Nuclear Decommissioning Trust Funds Gain (Loss), net.*** $102 million favorable increase to income at PJM due to:

| | Change | |
|---|---|---|
| $ | 140 | Unrealized gain on equity securities of $42 million for the 1st quarter of 2023. Inflation, geopolitics, and rising interest rates weighed on the equity markets in first quarter the 2022 period resulting in an unrealized loss of $97 million. |
| | (38) | Unfavorable change in realized activity for the period due to realized gains recognized in 2022 as a result of asset portfolio re-balancing activity. |
| **$** | **102** | **Total** |

See Notes 9 and 15 in Notes to the Condensed Consolidated Financial Statements for additional information on the NDT.

***Reorganization income (expense), net.*** $(39) million unfavorable increase to expense primarily at CD&O due to increases in Talen Bankruptcy professional fees and make-whole premiums and accrued interest on certain indebtedness. See "Reorganization Income (Expense), net in Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information.

***Other Non-operating Income (Expense), net.*** $53 million favorable increase to income primarily due to a gain on sale on mineral rights in 2023 and a decrease in professional and legal expenses relating to liquidity management initiatives incurred in 2022. See Note 20 in Notes to the Condensed Consolidated Financial Statements for additional information on the 2023 sale of mineral rights.

***Income Tax Benefit (Expense).*** $(3) million unfavorable decrease in corporate tax benefit primarily due to:

| Change | |
|---|---|
| $ 102 | Decrease in valuation allowance expense |
| (5) | Increase in unfavorable permanent differences |
| (85) | Increase in federal and state tax expense due to change in pre-tax book income |
| (15) | Increase in Nuclear Decommissioning Trust net tax expense |
| **$ (3)** | **Total** |

See Note 6 in Notes to the Condensed Consolidated Financial Statements for additional information.

## Non-GAAP Financial Measures

The following non-GAAP financial measures of Realized Energy Margin, Adjusted EBITDA and Adjusted Free Cash Flow discussed below, which we use as measures of our performance and liquidity. 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. These non-GAAP measures are not intended to replace the most comparable GAAP measure as an indicator 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 such non-GAAP financial measures but to also consider them with their most directly comparable GAAP measures. Realized Energy Margin, Adjusted EBITDA and Adjusted Free Cash Flow have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.

**Realized Energy Margin**

Realized Energy Margin, a key non-GAAP financial measure, is a useful metric utilized by our chief operating decision makers to assess the performance of our core operations against our strategic priorities and business plans. It represents a combination of sales of generated electricity, sales of purchased power and physical natural gas, fuel expense, purchased energy expense, fuel transportation expense, and realized settlements from economic hedging activities. It is calculated by adjusting operating revenues, net of total energy expenses to exclude capacity revenues, unrealized mark-to-market gains and losses on derivative instruments, nuclear fuel amortization, and any margin unassociated with power generation and marketing. This measure is not intended to replace operating revenues, net of total energy expenses, which is the most comparable measure calculated in accordance with GAAP.

"Energy revenues" and "Fuel and energy purchases" are evaluated collectively as Realized Energy Margin because the price for power is generally determined by the variable operating cost of the next marginal generator dispatched to meet demand. Our financial performance is highly correlated to how we maximize Realized Energy Margin through management of our generation portfolio and the results of our hedging and optimization activities.

Realized Energy Margin is a supplemental measure that is utilized, in conjunction with other information, by our senior management team and Talen Energy Corporation's Board of Directors to manage our operations and analyze actual results against our budget. We believe Realized Energy Margin is useful to investors and other users of our financial statements who seek to evaluate, consistent with the use by our senior management team, our operating performance because it allows them to compare the energy revenues we produce, less the related costs, on a consistent basis across periods. Realized Energy Margin, to some extent, also provides an additional tool to compare business performance across companies.

Realized Energy Margin to "Operating Revenues, net of Total Energy Expenses" presented on the Condensed Consolidated Statements of Operations for the three months ended March 31:

| | 2023 | 2022 | Change |
|---|---|---|---|
| Electricity sales and ancillary services | $ 250 | $ 566 | $ (316) |
| Realized hedging gain (loss), net (a) | 608 | (241) | 849 |
| Energy revenues | 858 | 325 | 533 |
| Fuel expense and energy purchases | (87) | (277) | 190 |
| Realized hedging gain (loss), net (a) | (22) | 19 | (41) |
| Realized Energy Margin | 749 | 67 | 682 |
| Add (Less): | | | |
| Capacity revenues | 66 | 132 | (66) |
| Other operating revenues, net | 6 | — | 6 |
| Unrealized gain (loss) on derivative instruments, net | 31 | 29 | 2 |
| Nuclear fuel amortization | (24) | (27) | 3 |
| Operating Revenues, net of Total Energy Expenses | $ 828 | $ 201 | $ 627 |
| Electric Generation (thousands of MWh) (b) | 6,637 | 10,161 | (3,524) |
| Realized Energy Margin ($/MWh) | $ 112.85 | $ 6.59 | $ 106.26 |
| Capacity Factor | 24.71 % | 36.31 % | (11.60) |
| Equivalent Forced Outage Factor | 1.51 % | 3.57 % | (2.06) |

(a) Includes the gain (loss) on non-derivative physical commodity transactions utilized for economic hedging purposes, where applicable.
(b) Generated MWhs sold after consumption for station use where applicable.

Realized Energy Margin by region for the three months ended March 31, 2023 versus March 31, 2022:

| | Realized Energy Margin | | | | Electric Generation (MWh) (a) (in thousands) | | | | Realized Energy Margin $/MWh Generated | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | change | % | 2023 | 2022 | change | % | 2023 | 2022 | change | % |
| PJM | $ 703 | $ 40 | $ 663 | 1,658 | 5,889 | 9,262 | (3,373) | (36) | $119.38 | $ 4.32 | $115.06 | 2,663 |
| ERCOT | 19 | 18 | 1 | 6 | 317 | 458 | (141) | (31) | 59.94 | 39.30 | 20.64 | 53 |
| Other Power Markets | 27 | 9 | 18 | 200 | 431 | 441 | (10) | (2) | 62.65 | 20.41 | 42.24 | 207 |
| Total | $ 749 | $ 67 | $ 682 | 1,018 % | 6,637 | 10,161 | (3,524) | (35)% | $112.85 | $ 6.59 | $106.26 | 1,612 % |

(a) Generated MWhs sold after consumption for station use where applicable.

***PJM*** - $663 million favorable change includes $600 million increase due to the effects of: (a) higher realized hedge results as the Q1 average PJM West Hub day ahead on-peak power prices declined in 2023 from historic highs in 2022 as the PJM region experience milder winter weather conditions and lower natural gas prices; partially offset by decreased margin associated with electric generation due to (ii) lower around-the-clock power prices received at Susquehanna, coupled with (iii) lower on-peak power prices received at our fossil-fueled generation portfolio and (iv) lower Capacity Factors at Brunner Island, Keystone and Conemaugh. The remaining $63 million increase is due to the effects of losses incurred in Q1 2022 related to a commodity contract amendment.

***ERCOT*** - $1 million favorable change was primarily due to increased margin associated with electric generation primarily due to higher Q1 average realized Spark Spreads in 2023 compared to 2022

***Other Power Markets*** - $18 million favorable change was primarily due to: (a) increased margin associated electric generation in the WECC region as regional Q1 average power prices have settled at the highest level in the past 20 years; partially offset by (ii) lower realized hedge results.

**Adjusted EBITDA and Adjusted Free Cash Flow**

We use Adjusted EBITDA and Adjusted Free Cash Flow as measures to: (i) assist in comparing operating performance and readily view operating trends on a consistent basis from period to period; (ii) plan and forecast overall expectations and evaluate actual results against such expectations; and (iii) communicate with our Board of Directors, creditors, analysts and investors concerning our financial performance.

***Adjusted EBITDA.*** Adjusted EBITDA, a key non-GAAP financial measure, is a useful metric utilized by our chief operating decision makers to efficiently evaluate operating results and trends without certain items that may distort financial results, a metric for planning and forecasting overall expectations, and for evaluating actual results against such expectations. Adjusted EBITDA is computed by net income (loss) attributable to members adjusted for: nonrecurring bankruptcy, liability management, and restructuring costs; certain non-cash items and other items that management believes are not indicative of ongoing operations, including, interest expense and other finance charges; income taxes; depreciation, amortization and accretion; nuclear fuel amortization; unrealized (gain) loss on commodity derivative contracts; nuclear decommissioning trust funds (gain) loss, net; (gain) loss on non-core asset sales, dispositions, or retirements of assets; impairments; unusual market events, which primarily includes Winter Storm Elliott charges for Capacity Performance penalties, net; net periodic defined benefit cost; development expenses; fuel supply legal settlements, liquidated damages, and obsolescence; gains or losses on the repurchase, modification or extinguishment of debt; legal and other professional fees related to certain litigation; Cumulus Digital activities and associated noncontrolling interests, and other activities. Cash expenditures for nuclear fuel are presented as "Capital expenditures" in the calculation of Adjusted Free Cash Flow in the below table.

In addition, we believe investors commonly adjust net income (loss) attributable to members 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.

***Adjusted Free Cash Flow.*** Adjusted Free Cash Flow, a key non-GAAP financial measure, is a useful metric utilized by our chief operating decision makers to evaluate cash flow activities. Adjusted Free Cash Flow is computed by Adjusted EBITDA reduced by cash payments for interest and finance charges and capital expenditures including nuclear fuel, net of development and (or) growth capital expenditures, and nuclear fuel not yet converted into uranium hexafluoride.

In addition, we believe investors and other users of our financial statements commonly reduce Adjusted EBITDA by the amount of cash payments for interest and finance charges and capital expenditures to determine a company's ability to meet future obligations. We believe Adjusted Free Cash Flow is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to determine a company's ability to meet future obligations and to compare business performance across companies and across periods. Adjusted Free Cash Flow is widely used by investors to measure a company's levered cash flow without regard to items such as taxes; depreciation and amortization; impairments; ARO settlements; nonrecurring development and growth expenditures; gains or losses on sales, dispositions, or retirements of assets; and unrealized gains and losses on derivative financial instruments, which can vary substantially from company to company and period to period depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Adjusted EBITDA and Adjusted Free Cash Flow are not intended to replace “Net Income (Loss) Attributable to Members,” which is the most comparable measure calculated and presented in accordance with GAAP.

The reconciliation from "Net Income (Loss) Attributable to Members" presented on the Condensed Consolidated Statements of Operations to Adjusted EBITDA and Adjusted Free Cash Flow for the three months ended March 31:

| | 2023 | 2022 |
|---|---|---|
| **Net Income (Loss) Attributable to Members** | $ 48 | $ (279) |
| **Bankruptcy, Liability Management, and Restructuring Costs** | | |
| Hedge termination losses, net (a) | — | 63 |
| Reorganization (gain) loss, net (b) | 39 | — |
| Operational and other restructuring activities | 8 | 7 |
| Liability management costs and other professional fees | — | 19 |
| **Total Bankruptcy, Liability Management, and Restructuring Costs** | $ 47 | $ 89 |
| **Other Adjustments** | | |
| Interest expense and other finance charges | 104 | 85 |
| Income tax (benefit) expense | 14 | 11 |
| Depreciation, amortization and accretion | 132 | 138 |
| Nuclear fuel amortization | 24 | 27 |
| Unrealized (gain) loss on commodity derivative contracts | (31) | (29) |
| Nuclear decommissioning trust funds (gain) loss, net | (46) | 56 |
| (Gain) loss on non-core asset sales, net (c) | (35) | (1) |
| Non-cash impairments | 365 | — |
| Unusual market events (d) | 13 | (1) |
| Net periodic defined benefit cost (e) | (2) | 3 |
| Development expenses | 7 | 1 |
| Non-cash fuel inventory net realizable value and obsolescence charges (f) | 24 | — |
| Digital activities and noncontrolling interests | (5) | — |
| Other | 1 | 4 |
| **Total Adjusted EBITDA** | $ 660 | $ 104 |
| Interest and finance charge payments | (98) | (74) |
| Capital expenditures, net | (65) | (40) |
| **Total Adjusted Free Cash Flow** | $ 497 | $ (10) |

(a) 2022 relates to a nonrecurring charge on terminated power contracts. See Note 4 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 20 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 Notes 9 in Notes to the Condensed Consolidated Financial Statements for additional information.

## Risk Management

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

### Commodity Price Risk

Volatility in the wholesale power generation markets provides uncertainty in the future performance, realized energy margin, and cash flows of the business. The price risk Talen is exposed to includes the price variability associated with future sales and purchases of power, natural gas, coal, oil products, uranium, environmental products and other energy commodities in competitive wholesale markets. Several factors influence price volatility including macroeconomic changes to demand, such as a slowdown in the U.S. economy, 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 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.

### Margin Sensitivities

The table below displays sensitivities for changes in projected margins based upon changes in certain commodity prices. The sensitivities assume a consistent change in each specified commodity across our entire portfolio. Actual price changes may differ by market and commodity, which could result in different results than displayed.

The base case for these sensitivities incorporates market prices, our economic hedge position and expected generation (including cost inputs and planned outages) at March 31, 2023:

| | Sensitivity Range | | 2023 Margin Effect (a) | | 2024 Margin Effect (a) (b) | |
|---|---|---|---|---|---|---|
| | Low | High | Low $ | High $ | Low $ | High $ |
| Change in gas price per $/MMBtu (c) | $ (0.50) | $ 0.50 | (62) | 68 | (67) | 132 |
| Change in power price per $/MWh (d) | $ (5.00) | $ 5.00 | (81) | 112 | (107) | 204 |
| Change in market implied heat rate (e) | (1) | 1 | (50) | 60 | (95) | 168 |

(a) Margin price sensitivities hold constant certain microeconomic and macroeconomic factors that may impact our margin and the impact of changes in prices.
(b) 2024 amounts include the impact of the nuclear production tax credit program. See "Factors Affecting Talen's Financial Position and Results of Operations - Nuclear Production Tax Credit" above for additional information on this program Talen assumes that physical and financial hedges are not included in the calculation of gross receipts, that energy sales to Cumulus are excluded from gross receipts and that Talen is able to monetize PTCs at a 1:1 ratio.
(c) Natural gas price sensitivities assume that power prices move up or down at the current market heat rate.
(d) Power price sensitivities assume no change in natural gas prices.
(e) Heat rate sensitivities assume changes in power prices that are based on current market heat rates with no changes in natural gas prices.

### 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. Certain interest rate derivative instruments were required through December 2021 under the LMBE-MC Credit and Guaranty Agreement; others are entered into at the discretion of Talen.

The following table displays the net fair value of interest rate swaps (including accrued interest, if applicable) outstanding at March 31, 2023:

| | Notional Exposure | Asset (Liability) | 10% Adverse Movement (a) | Maturities Through |
|---|---|---|---|---|
| Interest rate swaps | $ 277 | $ 6 | $ (1) | 2023 |

(a) Effect of a 10% adverse interest rate movement decreases assets or increases liabilities, as applicable, which could result in an asset becoming a liability.

Additionally, we are exposed to a potential increase in interest expense and to changes in the fair value of debt. The estimated impact of a 10% adverse movement in interest rates at March 31, 2023 would have caused a non-material decrease in interest expense and a $11 million increase in the fair value of debt.

We are currently not accruing interest on certain indebtedness as a result of the Talen Bankruptcy. See Note 14 in Notes to the Condensed Consolidated Financial Statements for additional information on interest expense.

**Credit Risk**

Credit risk is the risk of financial loss if a customer, counterparty, or financial institution is unable to perform or pay amounts due causing a financial loss to Talen. Financial assets are considered credit-impaired when facts and circumstances reasonably indicate an event has occurred where the carrying value of the asset will not be recovered through cash settlement. Such events may include deterioration of a customer's or counterparty's financial health leading to a probable bankruptcy or reorganization, a breach of contract, or other economic reasons. Credit risk is inherent within cash and cash equivalents, restricted cash and cash equivalents, derivative instruments, and primarily within accounts receivable. The maximum amount of credit exposure associated with financial assets is equal to the carrying value. The carrying values of derivative instruments consider the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). Additionally, a credit impairment is recognized on receivables when facts indicate a high probability that amounts owed to Talen will not be paid. Such allowances are presented as "Accounts receivable, net" on the Condensed Consolidated Balance Sheets. For the three months ended March 31, 2023 and 2022, there were no material credit impairments, other than amounts reserved during 2021 for amounts due from ERCOT that are subject of short payments. See Note 4 in Notes to the Condensed Consolidated Financial Statements for additional information on the ERCOT receivable reserve.

We maintain credit procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit standards) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, we have concentrations of suppliers and customers among electric utilities, financial institutions, marketing and trading companies and the U.S. government. These concentrations may impact our overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

See Note 4 in Notes to the Condensed Consolidated Financial Statements for additional information on credit risk and for additional information on credit risk.

**Investment Price Risk**

In accordance with certain NRC requirements, Susquehanna Nuclear maintains trust funds comprised of restricted assets that were established in order to fund its proportional share of Susquehanna Nuclear's future decommissioning obligations. At March 31, 2023, the NDT was invested primarily in domestic equity securities, fixed-rate, fixed-income securities and short-term cash-equivalent securities and is presented as fair value on the Condensed Consolidated Balance Sheets. The mix of securities is intended to provide returns sufficient to fund Susquehanna Nuclear's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the NDT are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are primarily exposed to changes in interest rates. We actively monitor the investment performance and periodically review the asset allocation in accordance with our nuclear decommissioning trust investment policy statement.

At March 31, 2023, a hypothetical 10% increase in interest rates and a 10% decrease in equity values would have resulted in:

| | | 2023 |
|---|---|---|
| Estimated increase (decrease) in the fair value of NDT assets | $ | (87) |

See Notes 9 and 15 in Notes to the Condensed Consolidated Financial Statements for additional information regarding the Susquehanna NDT.

## 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:

***Bankruptcy Risks***

- The ongoing Talen Bankruptcy and any unpredictable or adverse decision or outcome in such proceedings, which could have a material adverse effect on our financial condition, liquidity and (or) results of operations. Such decisions or outcomes could include, among other things: (i) the inability to settle prepetition claims through the Talen Bankruptcy; (ii) commercial counterparties and (or) vendors could terminate their relationship with the Company or require financial assurances or enhanced performance; (iii) unexpected delay in emergence from bankruptcy; (iv) uncertainty regarding the realization of assets and the liquidation of liabilities; and (v) negative impact to existing income tax attributes, including valuation allowances against deferred tax assets for interest expense and NOL utilization limits;

- An unexpected delay in, or inability to consummate, the exit financing on the terms described herein due to market conditions, disruptions in the financial markets or otherwise, which could impact our ability to consummate the Plan of Reorganization;

- Restrictions on our ability to pursue our business strategies during the Talen Bankruptcy, including limitations on our ability to transact business outside the ordinary course without obtaining Bankruptcy Court approval and limitations on our continued investments in our Cumulus Affiliates;

- Significant increases in costs incurred as a result of the Talen Bankruptcy, including the fees of legal, financial and professional advisors retained by Talen and by our creditors;

- Covenant restrictions included in the Talen DIP Credit Agreements that may limit our ability to transact business, including our ability to optimally capture the impact of positive price fluctuations in the power markets via our hedging strategy. See Note 13 for additional information on the Talen DIP Credit Agreements;

- Changes that may occur to Talen's business as a result of new equity ownership or capital structure upon emergence from the Talen Bankruptcy;

- The diversion of resources and management's attention to the Talen Bankruptcy;

- Potential increased difficulty in retaining and motivating our key employees through the process of reorganization, and potential increased difficulty in attracting new employees;

- When we emerge from Chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to our historical consolidated financial statements. We also will be required to adopt fresh start accounting, in which case our assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on our historical consolidated balance sheets. Our financial results after the application of fresh start accounting may be different from historical trends;

- See Note 3 for additional information on the Talen Bankruptcy;

***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 the COVID-19 pandemic;

- The differences between the price received for power and the fuel prices for natural gas, coal and uranium, which significantly influence our Realized Energy 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 and the supply of nuclear fuel;

- 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 other indebtedness relating to these projects due to Cumulus Digital's failure to achieve agreed upon milestones including the procurement of up to $16 million in equity funding from June to July 2023, or due to other delays or counterparty non-performance, which could result in a draw on LCs or other credit support provided by Talen, as well as 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 and recent significant decline in value 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 political party control of the executive and legislative branches of the U.S. Government, on: (i) environmental and asset retirement obligations; (ii) market structure; (iii) ESG policies; and (iv) other matters applicable to our operations;

- Changes in other state, federal and local laws and regulations, as well as 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;

*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 indenture governing our senior secured notes due 2030 and the agreements governing our other exit financing arrangements will contain various covenants that impose restrictions on us and most of our subsidiaries that may affect our ability to operate our business;

***Growth Project and Energy Transition Risks***

- The ability to fund and otherwise successfully execute on our energy infrastructure transition plan, including our renewable energy, battery storage, and digital infrastructure growth projects, and our efforts to repower facilities to run on alternate fuel sources;

- Delays in performance and (or) non-performance by third-party contractors on whom we are reliant for the development and construction of our energy transition projects; and

- Our ability to find tenants to occupy our new data center projects on reasonable business terms.

## GLOSSARY OF TERMS AND ABBREVIATIONS (Unaudited)

### Legal Entities and Certain Generation Facilities

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

***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.

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

***Colstrip.*** A generation facility comprised of four coal-fired generation units located in Colstrip, Montana, collectively, "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 20 or information on a pending acquisition by Talen Montana of additional interests in Colstrip Units 3 and 4.

***Conemaugh.*** A generation facility located in New Florence, Pennsylvania in which Talen Generation, through a direct subsidiary, owns a 22.22% undivided interest, and which is operated by an unaffiliated party. See Note 10 in Notes to the Talen 2021 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 the Conemaugh co-owners, 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 for investments made into this company and as a result owns a majority interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this company 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 March 31, 2023. See Note 12 of the 2022 Audited Financial Statements.

***Cumulus Coin Holdings.*** Cumulus Coin Holdings LLC, a direct subsidiary of Cumulus Digital and the parent of Cumulus Coin. Talen Energy Supply and Talen Growth previously held voting-convertible preferred equity interests in this company. In September 2022, in connection with the Cumulus Digital Equity Conversion, the preferred equity interests were converted to common equity interests in Cumulus Digital Holdings. See Note 12 of the 2022 Audited Financial Statements.

***Cumulus Compute Holdings.*** Cumulus Compute Holdings, LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company and as a result owns a majority interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this company 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. The company's name was changed in October 2021.

***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 company. In September 2022, in connection with the Cumulus Digital Equity Conversion, the preferred equity interests were converted to common equity interests in Cumulus Digital Holdings. See Note 12 of the 2022 Audited Financial Statements.

***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 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 the minority interests held by affiliates of Riverstone and Orion. See Note 12 of the 2022 Audited Financial Statements.

***Cumulus Growth.*** Cumulus Growth Holdings LLC, a direct subsidiary of Talen Energy Corporation that prior to September 2022, owned common equity interests in Cumulus Digital Holdings and that as of December 31, 2022, owns 100% of the 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 that owns a 50% interest in a joint venture entity with Pattern 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 for investments made into this company and as a result owns a majority interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this company 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 for investments made into this company and as a result owns a majority interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this company 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 for investments made into this company and as a result owns a majority interest on an as-converted basis. Accordingly, Talen Energy Supply consolidates this company 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.

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

***Keystone.*** A generation facility located in Shelocta, Pennsylvania in which Talen Generation, through a direct subsidiary, owns a 12.34% undivided interest and which is operated by an unaffiliated party. See Note 14 in Notes to the Talen 2021 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 the Keystone co-owners, and other fuel-related activities.

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

***LMBE-MC.*** LMBE-MC HoldCo II LLC, a direct subsidiary of LMBE-MC HC that, through its subsidiaries, owns generation facility operations in Pennsylvania and is the borrower under outstanding indebtedness that is non-recourse to Talen.

***LMBE-MC HC.*** 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.

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

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

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

***Nautilus.*** Nautilus Cryptomine LLC, a joint venture owned, as of March 31, 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.

***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.

***NorthEast Gas Gen.*** NorthEast Gas Generation, LLC, the former direct subsidiary of NorthEast Gas Gen Holdco that, through its subsidiaries, owned and operated generation facilities in Massachusetts and New York and was the borrower under outstanding indebtedness that was non-recourse to Talen. NorthEast Gas Gen and its subsidiaries were deconsolidated by Talen in April 2020. Ownership of NorthEast Gas Gen was transferred by Talen in December 2020 in connection with NorthEast Gas Gen's emergence from bankruptcy.

***NorthEast Gas Gen Holdco.*** NorthEast Gas Generation Holdings, LLC, a direct subsidiary of Talen NE LLC and the former parent of NorthEast Gas Gen.

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

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

***Pedricktown***. Pedricktown Cogeneration Company, LP, an indirect subsidiary of Talen Generation that owned and operated a generation facility in Pedricktown, New Jersey that was retired in 2022.

***Riverstone.*** Riverstone Holdings LLC.

***Riverstone Entities.*** The Sponsor Entities and Riverstone V Coin Holdings, L.P.

***Sponsor Entities.*** Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC, affiliates of Riverstone that acquired 100% of Talen Energy Corporation's common stock in the Talen Formation Transactions.

***Susquehanna.*** A nuclear-powered generation facility located near Berwick, Pennsylvania. Susquehanna Nuclear operates and owns a 90% undivided interest in Susquehanna.

***Susquehanna Nuclear.*** Susquehanna Nuclear, LLC, a direct subsidiary of Talen Energy Supply.

***Talen, the Company or Talen Energy Supply.*** 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 Energy Corporation.*** Talen Energy Corporation, the parent company of Talen Energy Supply and 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 Generation.*** Talen Generation, LLC, a direct subsidiary of Talen Energy Supply that through its subsidiaries, owns and operates generation facilities and holds certain undivided interests in generation facilities that are operated by unaffiliated parties 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 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.

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

***TRF.*** Talen Receivables Funding, LLC, a direct subsidiary of Talen Energy Marketing that, prior to the Talen Bankruptcy, purchased certain receivables from Talen Energy Marketing and sold them to an unaffiliated financial institution. The agreement was terminated during the second quarter 2022 as a result of the Talen Bankruptcy. See Note 8 in Notes to the Condensed Consolidated Financial Statements for additional information on TRF activities.

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

**Other Terms and Abbreviations**

***Adjusted EBITDA.*** Net income (loss) adjusted for certain non-cash items and other items that management believes are not indicative of ongoing operations, including: interest expense and other finance charges; income taxes; depreciation, amortization and accretion; unrealized gains or losses on derivative instruments; nuclear fuel amortization; ERCOT winter weather impacts in 2021 from Winter Storm Uri; net periodic defined benefit cost; development expenses; restructuring costs; impairments, canceled projects, obsolescence, and certain receivable allowances; gains or losses on sales, dispositions or retirements of assets; fuel supply legal settlements and liquidated damages; gains or losses on the repurchase, modification or extinguishment of debt; gains and losses on securities in the nuclear decommissioning trust funds; gains or loss from the deconsolidation of subsidiaries; non-cash compensation expense; and certain other activity.

***Allowed.*** With respect to any claim of a creditor in the Talen Bankruptcy, that there is no objection to the claim or that the claim has been allowed by a Bankruptcy Court final order.

***Administrative Claim.*** A claim for costs and expenses of administration of the Talen Bankruptcy.

***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.

***ASAs***. Affiliate services agreements executed in May 2022 between Talen Energy Supply and each of Cumulus Battery Storage Holdings, Cumulus Compute Holdings, Cumulus Real Estate Holdings and Cumulus Renewables Holdings. See Note 19 in Notes to the Condensed Consolidated Financial Statements for additional information.

***ASC***. Accounting Standards Codification.

***ASU.*** Accounting standards update.

***Backstop Commitment Letter.*** The Backstop Commitment Letter, dated as of May 31, 2022, by and among the Talen Filing Parties and the Backstop Parties, as amended, as amended and restated, or otherwise modified from time to time.

***Backstop Parties.*** Those certain Consenting Noteholders party to the Backstop Commitment Letter.

***Backstop Periodic Premium.*** A periodic premium, paid monthly, at a rate equal to 10% per annum of each Backstop Party's portion of the backstop commitment and fully credited against the Backstop Premium.

***Backstop Put Premium.*** Collectively, the Backstop Premium and Backstop Periodic Premium.

***Backstop Premium.*** A premium equal to 20% of each Backstop Party's portion of the aggregate backstop commitment, payable upon the consummation of the Plan of Reorganization (as reduced by the amount of Backstop Periodic Premium paid prior thereto).

***Bankruptcy Code.*** Title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as amended.

***Bankruptcy Court.*** The United States Bankruptcy Court for the Southern District of Texas, Houston Division.

***Bar Date.*** August 1, 2022, except for governmental entities where the date is November 7, 2022.

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

***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.

***CAF***. Commodity Accordion Facility.

***CAF Claim Objection.*** The *Objection of the Official Committee of Unsecured Creditors to Proof of Claim by Alter Domus (US) LLC, as Administrative Agent* [Docket No. 1088], pursuant to which the Creditors' Committee objected to Proof of Claim No. 1616 filed by Alter Domus (US) LLC in its capacity as the administrative agent under the Prepetition CAF Agreement.

***CAF Settlement.*** The settlement of all claims, interests, and controversies among the Talen Energy Supply Filing Parties, the Consenting Noteholders, and the Consenting CAF Parties, the terms of which are set out in the third amendment to the Talen RSA.

***CAF Standing Motion.*** The *Motion of the Official Committee of Unsecured Creditors for Leave, Standing, and Authority to Prosecute Certain Claims on Behalf of the Debtors' Estates and for Related Relief* [Docket No. 1085], pursuant to which the Creditors' Committee sought standing to, among other things, avoid the obligations under the Prepetition CAF Agreement as fraudulent and preferential transfers.

***Capacity Factor.*** The ratio of electricity generated during a given period to the energy that could have been generated at continuous full-power operation during the same period.

***Capacity Performance.*** Revenue opportunity for electricity providers within PJM related to commitments to satisfy PJM's capacity obligation. Auctions for this opportunity, generally referred to as capacity auctions, primarily occur in May for delivery three years from the date of the auction. Created to further ensure market reliability, providers assume higher performance requirements during system emergencies. Began in 2016 and initially was phased in during the auction process, capacity performance became the only capacity product procured in the 2020/2021 PJM Capacity Year delivery year. Capacity Performance carries an increased penalty associated with 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.

***CD&O.*** A non-market area grouping called Corporate, Development and Other. It consists of a non-market area grouping that includes corporate activities and other expenses incurred by our corporate and commercial functions that are not allocated to our other groupings or business units, and intercompany eliminations. The primary grouping of other business units includes: (i) the development activities of Cumulus Growth Holdings that includes subsidiaries that focus on battery storage, solar and wind, cryptocurrency projects and to hold real estate to house these projects; and (ii) subsidiaries of Cumulus Digital Holdings that includes subsidiaries involved in a Bitcoin mining joint venture (i.e. Nautilus) and the formation of data center, with both projects located on land adjacent to Susquehanna. This grouping is presented to reconcile the other above groupings to consolidated results.

***CEO.*** Chief Executive Officer.

***Chapter 11.*** Title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as amended.

***Coal Act.*** Coal Industry Retiree Health Benefit Act of 1992. The Coal Act provides funding for health care benefits of UMWA retirees, their dependents and surviving spouses when the company they retired from is no longer in business.

***Confirmation Order.*** The order by the Bankruptcy Court confirming the Plan of Reorganization entered on December 15, 2022.

***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.

***Consenting CAF Parties.*** The holders of claims under the Talen Commodity Accordion RCF that are party to the third amendment to the Talen RSA.

***Consenting Noteholders.*** The holders of Talen Energy Supply's unsecured notes that are party to the Talen RSA.

***Consenting Non-CAF Parties.*** The holders of claims under the Talen Senior Secured Term Loans and the Talen Senior Secured Notes that are party to the fourth amendment to the Talen RSA.

***Consenting TEC Parties.*** Talen Energy Corporation and the Riverstone Entities, as parties to the fifth amendment to the Talen RSA.

***COVID-19.*** The infectious coronavirus disease caused by the "severe acute respiratory syndrome coronavirus 2" (SARS-CoV-2) virus.

***Creditors' Committee.*** The official committee of unsecured creditors of the Debtors, appointed by the U.S. Trustee pursuant to section 1102 of the Bankruptcy Code on May 23, 2022 [Docket No. 264], the membership of which may be reconstituted from time to time

***Cumulus Digital 2027 TLF.*** Cumulus Digital Term Loan Facility due September 2027 entered into by Cumulus Digital and affiliates of Orion that provides for up to $175 million to support Cumulus Coin's required contributions to Nautilus, and Cumulus Data's construction of certain shared infrastructure that will support both Nautilus and the Cumulus Data Center Campus. The loan was fully drawn in September 2022.

***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 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 Digital COSA.*** Corporate and Operational Services Agreement, data 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. See Note 19 in Notes to the Condensed Consolidated Financial Statements for additional information.

***Cumulus Digital Credit Agreement.*** Credit Agreement dated as of September 20, 2021, by and among Cumulus Digital and its subsidiaries, Cumulus Digital Holdings, and affiliates of Orion implementing the Cumulus Digital 2027 TLF.

***Cumulus Digital Equity Conversion***. The conversion of Talen's and Riverstone V Coin Holdings L.P.'s preferred equity in Cumulus Coin Holdings and Cumulus Data Holdings, 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. See Note 12 of the 2022 Audited Financial Statements.

***Cumulus Intercompany Claims.*** Any claim against a Debtor held by a Cumulus Affiliate.

***Cumulus Settlement.*** The settlement of all claims, interests, and controversies among the parties to the Cumulus Term Sheet, the terms of which are set out in the Cumulus Term Sheet.

***Cumulus Term Sheet.*** That certain *Cumulus Term Sheet* dated as of August 29, 2022, by and among Talen, Talen Energy Corporation, Cumulus Digital, Orion Energy Partners Investment Agent, LLC, and the Riverstone Entities, and certain of each of their affiliates. The Cumulus Term Sheet is an attachment to the TEC Term Sheet. See Note 12 of the 2022 Audited Financial Statements for additional information on the Cumulus Term Sheet and the transactions implemented thereunder.

***Debtors.*** The Talen Filing Parties.

***DIP.*** Debtor in possession.

***DIP Claims.*** All claims held by the lenders or the agent under the Talen DIP Credit Agreements on account of, arising under, or relating to the Talen DIP Credit Agreements, the facilities thereunder, or the DIP Order, including claims for all principal amounts outstanding, and any and all fees, interest, expenses, indemnification obligations, reimbursement obligations, and other amounts due under the DIP Documents (as defined in the DIP Order), which, for the avoidance of doubt, shall include all "DIP Obligations" as such term is defined in the DIP Order.

***DIP Order.*** As applicable, the Final Order: (i) authorizing the Debtors to obtain postpetition financing; (ii) authorizing the Debtors to use cash collateral; (iii) granting liens and providing claims with superpriority administrative expense status; (iv) granting adequate protection to the prepetition first lien secured parties; (v) modifying the automatic stay; and (vi) granting related relief (Docket No. 588) or the interim order: (i) authorizing the Debtors to obtain postpetition financing; (ii) authorizing the Debtors to use cash collateral; (iii) granting liens and providing claims with superpriority administrative expense status; (iv) granting adequate protection to the prepetition first lien secured parties; (v) modifying the automatic stay; and (vi) granting related relief (Docket No. 127), authorizing the Debtors to enter into the Talen DIP Credit Agreements, as may be amended, supplemented or modified from time to time.

***Disclosure Statement.*** *Disclosure Statement for Joint Chapter 11 Plan of Talen Energy Supply, LLC and Its Affiliated Debtors (*Docket No. 1207), as may be amended from time to time, and any exhibits or schedules thereto.

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

***Effective Date.*** The date that the Plan of Reorganization becomes effective.

***EGU.*** Electric Generating Unit.

***EIS.*** Environmental Impact Statement related to mining permits.

***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 2015 Ozone Standard.*** An update issued in 2015 by the U.S. EPA of the EPA NAAQS for ground-level ozone to 70 parts per billion.

***EPA ACE Rule.*** Affordable Clean Energy rule, which is 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.*** 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 for criteria air pollutants and fulfill other requirements of the Clean Air Act.

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

***EPA NAAQS.*** National Ambient Air Quality Standards 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, which is 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, 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 market-based construct to value operating reserves in the wholesale electric market based on the scarcity of the resources and reflects 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.

***Existing Equity Interests.*** Interests in Talen Energy Supply.

***Federal Quiet Title Act.*** A federal statute that provides for legal proceeding 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.

***General Unsecured Claim(s).*** Any Unsecured Claim, other than (i) Administrative Claims; (ii) DIP Claims; (iii) Professional Fee Claims; (iv) Priority Tax Claims; (v) Other Priority Claims; (vi) Section 510(b) Claims; (vii) Intercompany Claims; (viii) Postpetition Other Hedge Claims; (ix) Postpetition Hedge Claims; (x) Unsecured Notes Claims; (xi) General Unsecured Convenience Claim; (xii) Cumulus Intercompany Claims, (xiii) Uri Claims; or (xiv) Talen Energy Corporation Creditor Claims (each as defined in the Plan of Reorganization).

***General Unsecured Convenience Claim.*** a Claim that would otherwise be an Allowed General Unsecured Claim that is Allowed in the amount of $2,000 or less; provided, however, that any General Unsecured Claim that was originally allowed in excess of $2,000 may not be subdivided into multiple General Unsecured Claims of $2,000 or less for purposes of receiving treatment as a General Unsecured Convenience Claim.

***Global Plan Settlement***. The settlement of all Claims, Interests, and controversies among the Debtors, the Consenting Parties, the CAF Consenting Parties, the First Lien Non-CAF Consenting Parties, the Talen Energy Corporation Consenting Parties, the DIP Agent and the DIP Lenders, and the Creditors' Committee and the consideration given or received, as applicable, by each as set forth in the Plan of Reorganization.

***GW.*** Gigawatt, one million kilowatts of electric power.

***HSR Act.*** The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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

***Inflation Reduction Act.*** The Inflation Reduction Act of 2022 was signed into law in August 2022. Among the 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.

***Intercompany Claim.*** Any claim against a Debtor held by another Debtor or a non-Debtor affiliate, other than Cumulus Intercompany Claims.

***Intercompany Interest.*** An Interest in a Debtor held by another Debtor or a non-Debtor affiliate, except for Existing Equity Interests.

***IRC.*** Internal Revenue Code of 1986.

***ISO.*** Independent System Operator.

***ISO-NE.*** ISO New England Inc., which oversees the bulk power generation and transmission system that serves Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

***Kilowatt.*** One thousand watts of electric power.

***Kinder Morgan.*** Kinder Morgan Tejas Pipeline LLC.

***KWh.*** Kilowatts of electric power per hour.

***LC.*** Letter of credit.

***LIBOR.*** London Interbank Offered Rate.

***LMBE-MC 2025 TLB.*** LMBE-MC Term Loan B established under the LMBE-MC Credit and Guaranty Agreement due December 2025.

***LMBE-MC Credit and Guaranty Agreement.*** The Credit and Guaranty Agreement, dated as of December 3, 2018, among LMBE-MC, as borrower, the guarantors named therein, MUFG Union Bank, N.A., as initial issuing bank and MUFG Bank, LTD, as administrative agent, as amended, amended and restated or otherwise modified from time to time.

***LMBE-MC RCF.*** Revolving credit facility established under the LMBE-MC Credit and Guaranty Agreement, which expires in December 2023.

***Maximum Emergency Action.*** The purpose of the Maximum Generation Emergency Action is 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 Maximum Generation Emergency Action, PJM may purchase available generation from any PJM member (as emergency) that is available up to the amount required or until generation is depleted.

***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. MDEQ is responsible for regulating air, water, and ground resources to administer Montana's environmental and mine reclamation laws.

***MEIC.*** Montana Environmental Information Center. The MEIC is a non-partisan, non-profit environmental advocate group.

***MMBtu.*** One million British Thermal Units.

***MW.*** Megawatt, one thousand kilowatts of electric power.

***MWh.*** Megawatts of electric power per hour.

***Nautilus CSA.*** Corporate Services Agreement between Talen Energy Supply and Nautilus whereby Talen Energy Supply is to provide corporate and administrative services. In September 2021, Talen Energy Supply assigned this agreement to Cumulus Digital to provide these services, which are in turn provided to Cumulus Digital by Talen Energy Supply pursuant to the Cumulus Digital COSA.

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

***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 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 FOA expires in December 2025.

***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. NERC is 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 Parent***. The entity to be the ultimate direct and indirect parent of the Talen Filing Parties. Under the terms of the Plan of Reorganization, New Parent will be Talen Energy Corporation.

***New Parent Equity.*** New common equity of New Parent to be authorized, issued, and outstanding on and after the date the Plan of Reorganization is declared effective.

***New Warrants.*** Warrants to purchase up to 5.00% of the New Parent Equity, after giving effect to the Rights Offering and the Backstop Put Premium, with: (i) a tenor of five years; (ii) a strike price set at the Effective Date based on a $3.5 billion equity value, assuming pro forma net debt as of the Effective Date of the Plan of Reorganization as set forth in Schedule II to the Backstop Commitment Letter plus any Permitted Indebtedness Upsize (as defined in the Restructuring Term Sheet); and (iii) Black-Scholes protection (determined using the standard Black-Scholes pricing model, assuming 27.5% volatility for the remaining tenor).

***NOL.*** Net operating loss.

***Non-CAF Settlement.*** The settlement of all claims, interests, and controversies among the Talen Energy Supply Filing Parties, the Consenting Noteholders, and the Consenting Non-CAF Parties, the terms of which are set out in the fourth amendment to the Talen RSA.

***NorthWestern.*** NorthWestern Corporation d/b/a NorthWestern Energy.

***NRC.*** U.S. Nuclear Regulatory Commission. NRC 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.

***OCI.*** Other comprehensive income or loss.

***Orion.*** Orion Energy Partners, whose affiliates are third-party lenders involved in the Cumulus Digital Credit 2027 TLF.

***Other Priority Claim.*** Any claim against any Debtor entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than (i) an Administrative Claim; (ii) a Priority Tax Claim; (iii) a DIP Claim; (iv) a Professional Fee Claim; (v) a Postpetition Hedge Claim; and (vi) a Postpetition Other Hedge Claim.

***Other Secured Claim.*** Any Secured Claim against any Debtor, including any Secured Tax Claim, other than a (i) Prepetition First Lien Secured Claim and (ii) DIP Claim.

***OSM***. The 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 Clean Air Act responsible for advising the EPA and implementing regional solutions to ground-level ozone issues.

***PA DEP.*** Department of Environmental Protection. The PA DEP is 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 RACT.*** Reasonably Available Control Technology, which is a Pennsylvania pollution control standard created by the PA DEP and is 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.*** Pattern Renewables 2 LP, an unaffiliated party.

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

***PEDFA.*** Pennsylvania Economic Development Financing Authority. PEDFA finances business projects by issuing both tax-free and taxable bonds, selling them to investors and lending the proceeds to eligible businesses.

***Petition Date.*** With respect to a Debtor, the date on which such Debtor commenced its Chapter 11 Case, either May 9, 2022 or May 10, 2022.

***PIK***. Paid-in-kind.

***PJM.*** PJM Interconnection, L.L.C., operator of the electricity transmission network and electricity 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 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 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, 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 may be amended from time to time, 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.

***Prepetition CAF Claims.*** All claims against any Debtor arising from or based upon the Talen Commodity Accordion RCF or any of the other related agreements and documents executed by any of the Debtors in connection with the Talen Commodity Accordion RCF, including accrued but unpaid interest, costs, fees, premiums, and indemnities.

***Prepetition First Lien Non-CAF Claims.*** The prepetition first lien secured claims, other than the Prepetition CAF Claims.

***Prepetition First Lien Non-CAF Claim Amount***. An amount equal to $2,048.00 million, comprising (i) $470 million of Prepetition 6.625% Senior Secured Notes Debt (as defined in the DIP Order), (ii) $750 million of Prepetition 7.250% Senior Secured Notes Debt (as defined in the DIP Order), (iii) $400 million of Prepetition 7.625% Senior Secured Notes Debt (as defined in the DIP Order), and (iv) $428 million of Prepetition Term Loan Debt (as defined in the DIP Order).

***Priority Tax Claim.*** Any claim of a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

***Professional Fee Claims.*** All claims for fees and expenses (including transaction and success fees) incurred by a professional on or after the Petition Date and before or on the Effective Date to the extent such fees and expenses have not been paid pursuant to an order of the Bankruptcy Court other than restructuring expenses.

***Price-Anderson Act.*** A federal law governing liability related issues and ~~that~~ ensures 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. The PUCT regulates the state's electric, telecommunication, and water and sewer utilities, implements respective legislation, and offers customer assistance in resolving consumer complaints.

***RCF.*** Revolving Credit Facility.

***RECs.*** Renewable Energy Credits. RECs represent energy produced from renewable energy sources and are purchased to meet renewable energy compliance requirements set by certain state legislatures.

***Retail PPA Incentive Equity.*** Means New Parent Equity equal to 25.00% of the Discounting Date NPV (as defined in the TEC Global Settlement Term Sheet) of Projected Retail PPA Net Savings at a $4.5 billion total enterprise value for New Parent, to be issued in accordance with the TEC Global Settlement and the Plan of Reorganization.

***RGGI.*** The Regional Greenhouse Gas Initiative. A mandatory market-based program among certain states, including Maryland 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, represents 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 accordance with the Talen RSA in April and May 2023, resulting in subscriptions to purchase $1.4 billion of common equity in New Parent pursuant to the Plan of Reorganization.

***Riverstone Standing Motion.*** The Motion of the Official Committee of Unsecured Creditors for Leave, Standing, and Authority to Prosecute Certain Claims on Behalf of the Debtors' Estates and for Related Relief [Docket No. 1040], pursuant to which the Creditors' Committee sought standing to assert and litigate certain causes of action on behalf of the Debtors' Estates related to a 2017 cash dividend payment and certain expense reimbursements paid to Riverstone.

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

***RSA.*** Restructuring Support Agreement.

***RSA Parties.*** Collectively, the Consenting Noteholders, the Consenting CAF Parties, the Consenting Non-CAF Parties, and the Consenting TEC Parties.

***RTO.*** Regional transmission organization.

***Section 510(b) Claims.*** Any claim against any Debtor that is subject to subordination in accordance with sections 510(b) of the Bankruptcy Code or otherwise.

***Settled CAF Claim Amount.*** An amount equal to the sum of (i) the Settled CAF Prepetition Claim Amount; (ii) postpetition interest pursuant to section 506(b) of the Bankruptcy Code on the full amount of the Settled CAF Prepetition Claim Amount at a rate based on the 1-month LIBOR rate as set forth in the Talen Commodity Accordion RCF, plus fixed 8.00% interest, plus 2.00% (constituting default interest), from the Petition Date through the Effective Date; and (iii) postpetition interest on a monthly basis on any accrued and unpaid amounts set forth in (ii) above at a rate based on the 1-month LIBOR rate as set forth in the Talen Commodity Accordion RCF, plus fixed 8.00% interest, plus 2.00% (constituting default interest).

***Settled CAF Prepetition Claim Amount.*** $986 million, which is the sum of: (i) $848 million principal; (ii) $133 million on account of any and all premiums asserted or assertable under the Talen Commodity Accordion RCF as of the Petition Date (including, for the avoidance of doubt, any amounts attributable to the MOIC Amount and (or) the Make Whole Amount, each as defined in the Talen Commodity Accordion RCF); and (iii) accrued and unpaid prepetition interest in the amount of $5 million.

***Settled First Lien Non-CAF Claim Amount.*** An amount equal to the sum of (i) the Prepetition First Lien Non-CAF Claim Amount, plus (ii) accrued and unpaid prepetition interest and postpetition interest at the applicable contract rate (each as increased due to the Debtors' default), plus (iii) the lesser of (x) $20 million in the aggregate and (y) an amount equal to forty percent (40%) of the "Applicable Premium" or redemption price premium in excess of principal amounts, as applicable, that would be due and owing under the respective Secured Notes Indentures, as if such notes were optionally redeemed pursuant to section 3.07 of such indenture on the Effective Date.

***SOFR.*** Secured Overnight Financing Rate.

***Standing Motions.*** Collectively, the CAF Standing Motion and the Riverstone Standing Motion.

***Talen 2026 TLB.*** Talen Energy Supply's senior secured Term Loan B issued in July 2019.

***Talen Bankruptcy.*** The voluntary cases commenced by the Talen Filing Parties under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

***Talen Commodity Accordion RCF.*** The Credit Agreement, dated as of December 14, 2021, 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. Obligations under the Talen Commodity Accordion RCF are guaranteed by the Subsidiary Guarantors and secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors. See Note 13 in Notes to the Condensed Consolidated Financial Statements for additional information.

***Talen Deferred Capacity Obligations.*** Obligations arising under an auction specific MW transaction confirmation executed in March 2021 between Talen and an unaffiliated third party, which was fully performed in June 2022.

***Talen Defaulted Credit Agreements.*** Collectively, the Talen RCF, Talen Commodity Accordion RCF, Talen Unsecured LCF-1, Talen Unsecured LCF-2, Talen Senior Secured Term Loans, Talen Senior Secured Notes, Talen Senior Unsecured Notes and the Talen 2038 PEDFA Series 2009A whereby Talen is in default under these agreements as a result of the Talen Bankruptcy.

***Talen DIP Continuing LC Agreement***. That certain superpriority secured debtor-in-possession letter of credit facility agreement, dated as of May 11, 2022 that provides for LCs that existed under the Talen RCF as of the Petition Date, to remain outstanding, as such agreement may be amended, restated, amended and restated, supplemented or otherwise modified from time to time. These existing LCs that were issued under the Talen RCF do not receive superpriority status as the other Talen DIP Credit Agreement facilities until the LC is up for renewal.

***Talen DIP Credit Agreements.*** Collectively, the Talen DIP New Money Agreement and Talen DIP LC Agreement.

***Talen DIP LC Agreement.*** That certain superpriority secured DIP letter of credit facility agreement dated as of May 11, 2022.

***Talen DIP New Money Agreement.*** That certain superpriority secured debtor-in-possession credit agreement, dated as of May 11, 2022, which consists of the Talen DIP Revolver and Talen DIP Term Loan, as such agreement may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

***Talen DIP Obligations.*** Obligations that arise under the Talen DIP Credit Agreements.

***Talen DIP Revolver.*** A new money revolving credit facility with aggregate commitments of $300 million, including a letter of credit sub-facility in an aggregate amount of up to $75 million to issue new letters of credit.

***Talen DIP Term Loan or Talen 2023 DIP TLB.*** A new money term loan facility that provides an aggregate principal amount of $1 billion under the Talen DIP New Money Agreement.

***Talen Filing Parties***. Includes Talen Energy Supply and all of its direct and indirect subsidiaries, other than: (i) LMBE-MC HC and its subsidiaries; (ii) TRF; and (iii) the Cumulus Affiliates. As of December 12, 2022, also includes Talen Energy Corporation. See Note 3 in Notes to the Condensed Consolidated Financial Statements for additional information.

***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 Inventory Repurchase Obligations.*** Obligations arising under a product purchase and sale agreement executed in December 2019 between certain Subsidiary Guarantors and an unaffiliated party and which was terminated in May 2022. See Note 7 in Notes to the Condensed Consolidated Financial Statements for additional information.

***Talen ISDAs.*** Certain 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, the obligations under which are secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

***Talen PEDFA Bonds.*** PEDFA Exempt Facilities Revenue Refunding Bonds, Series 2009A due December 2038 (Talen 2038 PEDFA Series 2009A), Series 2009B due December 2038 (Talen 2038 PEDFA Series 2009B) and Series 2009C due December 2037 (Talen 2037 PEDFA Series 2009C). Obligations under the Talen PEDFA Bonds are guaranteed by most of the Subsidiary Guarantors. The Talen 2038 PEDFA Series 2009B and Talen 2037 PEDFA Series 2009C were remarketed in February 2021.

***Talen Postpetition ISDAs.*** Certain bilateral secured International Swaps and Derivatives Association (ISDA) agreements of Talen Energy Marketing, the obligations under which are secured by a super priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Talen Postpetition Subsidiary Guarantors.

***Talen Postpetition Subsidiary Guarantors.*** All Debtor subsidiaries of Talen Energy Supply.

***Talen RCF.*** The Credit Agreement dated as of June 1, 2015 (as amended), among Talen Energy Supply, as borrower, the guarantors party thereto, the lenders party thereto and Citibank, N.A., as administrative agent. Obligations under the Talen RCF are guaranteed by the Subsidiary Guarantors and secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors. In connection with the Talen Bankruptcy, LCs issued under the Talen RCF are allowed to continue until maturity under the Talen DIP Continuing LC Facility.

***Talen RSA.*** The Restructuring Support Agreement (and all exhibits and schedules thereto) dated as of May 9, 2022, by and between the Company and the Consenting Noteholders, as amended, amended and restated, or supplemented from time-to-time.

***Talen RSA Term Sheet.*** Restructuring term sheet attached as an exhibit to the Talen RSA, as may be amended, supplemented, or otherwise modified from time to time.

***Talen Senior Secured Notes.*** Secured notes issued by Talen Energy Supply which are guaranteed by the Subsidiary Guarantors and secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors, comprised of the: (i) 7.25% Senior Secured Notes due 2027 (Talen 2027 Secured Notes); (ii) 6.625% Senior Secured Notes due 2028 (Talen 6.625% 2028 Secured Notes); and (iii) 7.625% Senior Secured Notes due 2028 (Talen 7.625% 2028 Secured Notes).

***Talen Senior Secured Term Loans.*** Secured term loans issued by Talen Energy Supply which are guaranteed by the Subsidiary Guarantors and secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors, comprised of the Talen 2026 TLB.

***Talen Senior Unsecured Notes.*** Senior unsecured notes issued by Talen Energy Supply which are guaranteed by the Subsidiary Guarantors, comprised of the: (i) 4.6% Senior Notes due December 2021 (Talen 2021 Notes); (ii) 9.5% Senior Notes due July 2022 (Talen 2022 Notes); (iii) 6.5% Senior Notes due September 2024 (Talen 2024 Notes); (iv) 6.5% Senior Notes due June 2025 (Talen 2025 Notes); (v) 10.5% Senior Notes due January 2026 (Talen 2026 Notes); (vi) 7.0% Senior Notes due October 2027 (Talen Unsecured 2027 Notes); and (vii) 6.0% Senior Notes due December 2036 (Talen 2036 Notes).

***Talen Transition Plan.*** Talen's plan to transition away from coal-fired generation while simultaneously exploring growth opportunities for our business, collectively comprised of: (i) certain commitments to cease burning coal at our wholly owned generation facilities; and (ii) where economical, conversion of such facilities to lower-carbon fuels and development of certain renewable energy and battery storage projects at or near existing generation facilities, as well as further development of the Cumulus Data Center Campus.

***Subsidiary Guarantors.*** Certain wholly owned subsidiaries of Talen Energy Supply that guarantee obligations under the Talen RCF, Talen Commodity Accordion RCF, Talen Senior Secured Term Loans, Talen Senior Secured Notes, Talen Senior Unsecured Notes, Talen PEDFA Bonds, Talen Unsecured LCFs, and Talen ISDAs. In January 2022, in connection with the execution of the Talen Commodity Accordion RCF and the Talen RCF Amendments and Waivers, all of the subsidiaries of Talen Energy Supply that were not already Subsidiary Guarantors became Subsidiary Guarantors with respect to obligations under the Talen RCF, Talen Commodity Accordion RCF, Talen Senior Secured Term Loans, Talen Senior Secured Notes and Talen ISDAs, with the exception of LMBE-MC and its subsidiaries, Talen Receivables Funding, Talen Growth, and the Cumulus Affiliates.

***Talen Unsecured LCF-1.*** Talen Energy Supply's unsecured LC agreement executed in April 2019 that expires in June 2023. Obligations under the Talen Unsecured LCF-1 Facility are guaranteed by the Subsidiary Guarantors.

***Talen Unsecured LCF-2.*** Talen Energy Supply's unsecured LC agreement executed in August 2019 that expires in December 2023. Obligations under the Talen Unsecured LCF-2 Facility are guaranteed by the Subsidiary Guarantors.

***Talen Unsecured LCFs.*** Collectively, the Talen Unsecured LCF-1 and the Talen Unsecured LCF-2.

***TEC Global Settlement***. The settlement of all claims, interests, and controversies among the Talen Energy Supply Filing Parties, the Consenting Noteholders, and the Consenting TEC Parties, the terms of which are set out in the fifth amendment to the Talen RSA and the TEC Term Sheet attached thereto.

***TEC Term Sheet.*** The term sheet for the TEC Global Settlement attached as Exhibit A to the fifth amendment to the Talen RSA.

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

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

***UCC Settlement.*** Agreement reached in November 2022 between the Debtors and the unsecured creditor's committee.

***UMWA.*** United Mine Workers of America.

***Unsecured Notes Claims.*** All claims against any Debtor arising from or based upon the Talen Senior Unsecured Notes or any related agreements and documents executed by any of the Debtors in connection with the Talen Senior Unsecured Notes, including accrued but unpaid interest, costs, fees, and indemnities.

***Uri Claim.*** A timely asserted claim that asserts a claim for damage caused directly or indirectly by Winter Storm Uri.

***VEBA.*** Voluntary Employee Benefit Association, a trust vehicle holding assets dedicated to payment of benefits under designated health and welfare plans (or successor plans) for future benefit payments to employees, retirees or their beneficiaries.

***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, that included PJM declaring a Maximum Emergency Action.

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

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