Talen Energy Corporation
Condensed Consolidated Financial Statements

For the Period Ended March 31, 2024

TALEN ENERGY

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Millions of Dollars, except share data)	Successor Three Months Ended March 31, 2024	Predecessor Three Months Ended March 31, 2023
Capacity revenues	$ 45	$ 66
Energy and other revenues	572	862
Unrealized gain (loss) on derivative instruments	(108)	145
Operating Revenues	**509**	**1,073**
Energy Expenses		
Fuel and energy purchases	(150)	(107)
Nuclear fuel amortization	(35)	(24)
Unrealized gain (loss) on derivative instruments	(27)	(114)
Total Energy Expenses	**(212)**	**(245)**
Operating Expenses		
Operation, maintenance and development	(154)	(177)
General and administrative	(43)	(29)
Depreciation, amortization and accretion	(75)	(132)
Impairments	—	(365)
Other operating income (expense), net	—	(9)
Operating Income (Loss)	**25**	**116**
Nuclear decommissioning trust funds gain (loss), net	75	46
Interest expense and other finance charges	(59)	(104)
Reorganization income (expense), net	—	(39)
Gain (loss) on sale of assets, net	324	—
Other non-operating income (expense), net	23	41
Income (Loss) Before Income Taxes	**388**	**60**
Income tax benefit (expense)	(69)	(14)
Net Income (Loss)	**319**	**46**
Less: Net income (loss) attributable to noncontrolling interest	25	(2)
Net Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$ 294**	**$ 48**
Per Common Share (Successor)		
Net Income (Loss) Attributable to Stockholders - Basic	$ 5.00	N/A
Net Income (Loss) Attributable to Stockholders - Diluted	$ 4.84	N/A
Weighted-Average Number of Common Shares Outstanding - Basic (in thousands)	58,807	N/A
Weighted-Average Number of Common Shares Outstanding - Diluted (in thousands)	60,716	N/A

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Millions of Dollars)	Successor Three Months Ended March 31, 2024	Predecessor Three Months Ended March 31, 2023
Net Income (Loss)	**$ 319**	**$ 46**
Other Comprehensive Income (Loss)		
Available-for-sale securities unrealized gain (loss), net	—	10
Income tax benefit (expense)	—	(4)
Gains (losses) arising during the period, net of tax	—	6
Available-for-sale securities unrealized (gain) loss, net	(7)	6
Qualifying derivatives unrealized (gain) loss, net	—	(1)
Postretirement benefit actuarial (gain) loss, net	—	1
Income tax (benefit) expense	3	(3)
Reclassifications from AOCI, net of tax	(4)	3
Total Other Comprehensive Income (Loss)	**(4)**	**9**
Comprehensive Income (Loss)	**315**	**55**
Less: Comprehensive income (loss) attributable to noncontrolling interest	25	(2)
Comprehensive Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$ 290**	**$ 57**

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Successor	
(Millions of Dollars, except share data)	**March 31, 2024**	**December 31, 2023**
Assets		
Cash and cash equivalents	$ 597	$ 400
Restricted cash and cash equivalents (Note 16)	483	501
Accounts receivable, net (Note 4)	126	137
Inventory, net (Note 6)	279	375
Derivative instruments (Notes 3 and 12)	14	89
Assets held for sale (Note 17)	215	—
Other current assets (Note 17)	383	52
Total current assets	**2,097**	**1,554**
Property, plant and equipment, net (Note 8)	3,359	3,839
Nuclear decommissioning trust funds (Notes 7 and 12)	1,642	1,575
Derivative instruments (Notes 3 and 12)	4	6
Other noncurrent assets	163	147
Total Assets	**$ 7,265**	**$ 7,121**
Liabilities and Equity		
Long-term debt, due within one year (Notes 11 and 12)	9	9
Accrued interest	61	32
Accounts payable and other accrued liabilities	177	344
Derivative instruments (Notes 3 and 12)	98	32
Liabilities held for sale (Note 17)	17	—
Other current liabilities	98	69
Total current liabilities	**460**	**486**
Long-term debt (Notes 11 and 12)	2,619	2,811
Derivative instruments (Notes 3 and 12)	4	11
Postretirement benefit obligations (Note 13)	367	368
Asset retirement obligations and accrued environmental costs (Note 9)	471	469
Deferred income taxes (Note 5)	460	407
Other noncurrent liabilities	118	35
Total Liabilities	**4,499**	**4,587**
Commitments and Contingencies (Note 10)		
Stockholders' Equity (Successor)		
Common stock ($0.001 par value, 350,000,000 shares authorized) [(a)] [(b)]	—	—
Treasury stock	(39)	—
Additional paid-in capital	2,339	2,346
Accumulated retained earnings (deficit)	428	134
Accumulated other comprehensive income (loss)	(27)	(23)
Total Stockholders' Equity (Successor)	**2,701**	**2,457**
Noncontrolling interests	**65**	**77**
Total Equity	**2,766**	**2,534**
Total Liabilities and Equity	**$ 7,265**	**$ 7,121**

(a) Shares as of March 31, 2024 (Successor) were: (i) 59,028,843 issued; (ii) 58,535,843 outstanding; and (iii) 493,000 held as treasury stock.
(b) As of December 31, 2023 (Successor): 59,028,843 shares issued and outstanding.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Millions of Dollars)	Successor Three Months Ended March 31, 2024	Predecessor Three Months Ended March 31, 2023
Operating Activities		
Net income (loss)	$ 319	$ 46
Non-cash reconciliation adjustments:		
Unrealized (gains) losses on derivative instruments	128	(28)
(Gain) loss on Cumulus Data Center Campus sale	(324)	—
Nuclear fuel amortization	35	24
Depreciation, amortization and accretion	74	138
Impairments	—	365
Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees)	(64)	(37)
Deferred income taxes	57	—
Other	(42)	(22)
Changes in assets and liabilities:		
Accounts receivable, net	11	205
Inventory, net	89	(6)
Other assets	(1)	103
Accounts payable and accrued liabilities	(154)	(72)
Accrued interest	29	13
Other liabilities	16	15
Net cash provided by (used in) operating activities	**173**	**744**
Investing Activities		
Property, plant and equipment expenditures	(25)	(84)
Nuclear fuel expenditures	(41)	(46)
Nuclear decommissioning trust funds investment sale proceeds	553	598
Nuclear decommissioning trust funds investment purchases	(564)	(608)
Proceeds from Cumulus Data Center Campus Sale	339	—
Proceeds from the sale of non-core assets	1	29
Other investing activities	2	(7)
Net cash provided by (used in) investing activities	**265**	**(118)**

(Millions of Dollars)	Successor Three Months Ended March 31, 2024	Predecessor Three Months Ended March 31, 2023
Financing Activities		
LMBE-MC TLB payments	—	(7)
Cumulus Digital TLF payments	(182)	—
Share repurchases	(30)	—
Repurchase of noncontrolling interest	(39)	—
Derivatives with financing elements	—	(20)
Other	(8)	(1)
Net cash provided by (used in) financing activities	**(259)**	**(28)**
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	**179**	**598**
Beginning of period cash and cash equivalents and restricted cash and cash equivalents	901	988
End of period cash and cash equivalents and restricted cash and cash equivalents	**$ 1,080**	**$ 1,586**

See Note 16 for supplemental cash flow information.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(Millions of Dollars, except share data)	Common stock shares [(a)]	Additional paid-in capital	Accumulated earnings (deficit)	AOCI	Treasury stock	Member's Equity	Non controlling Interest	Total Equity
December 31, 2022 (Predecessor)	**—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (573)**	**$ 91**	**$ (482)**
Net income (loss)	—	—	—	—	—	48	(2)	46
Other comprehensive income (loss)	—	—	—	—	—	9	—	9
Non-cash contributions [(b)]	—	—	—	—	—	—	38	38
Non-cash distributions, net [(c)]	—	—	—	—	—	—	(2)	(2)
March 31, 2023 (Predecessor)	**—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (516)**	**$ 125**	**$ (391)**
December 31, 2023 (Successor)	**59,029**	**$ 2,346**	**$ 134**	**$ (23)**	**$ —**	**$ —**	**$ 77**	**$ 2,534**
Net income (loss)	—	—	294	—	—	—	25	319
Other comprehensive income (loss)	—	—	—	(4)	—	—	—	(4)
Share repurchases	(493)	—	—	—	(39)	—	—	(39)
Purchase of noncontrolling interests [(d)]	—	(15)	—	—	—	—	(24)	(39)
Cash distribution [(e)]	—	—	—	—	—	—	(1)	(1)
Non-cash distributions [(c)]	—	—	—	—	—	—	(12)	(12)
Stock-based compensation	—	8	—	—	—	—	—	8
March 31, 2024 (Successor)	**58,536**	**$ 2,339**	**$ 428**	**$ (27)**	**$ (39)**	**$ —**	**$ 65**	**$ 2,766**

(a) Shares in thousands.
(b) Relates to contributions of cryptocurrency mining machines by TeraWulf to Nautilus.
(c) Relates primarily to distributions of cryptocurrency mining machines or Bitcoin to TeraWulf.
(d) TES acquisition of remaining noncontrolling interests in Cumulus Digital Holdings. See Note 17 for additional information.
(e) Distribution to noncontrolling interest owners of Cumulus Digital Holdings.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Capitalized terms and abbreviations appearing in these Notes to the Interim Financial Statements are defined in the glossary. Dollars are in millions, unless otherwise noted. References to the "Annual Financial Statements" are to the audited Talen Energy Corporation 2023 Annual Financial Statements and Notes thereto.

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

This presentation has been applied where identification of subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis. When identification of a subsidiary is considered important to understanding the matter being disclosed, the specific entity's name is used. Each disclosure referring to a subsidiary also applies to TEC insofar as such subsidiary's financial information is included in TEC's consolidated financial information. TEC 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 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. The majority of our generation is produced at zero-carbon nuclear and lower-carbon gas-fired facilities. Consistent with our risk management initiatives, we may execute physical and financial commodity transactions involving power, natural gas, nuclear fuel, oil and coal to economically hedge and optimize our generation fleet. As of March 31, 2024 (Successor), our generation capacity was 12,374 MW (summer rating). Talen is headquartered in Houston, Texas. See Note 17 for information on the recent sale of our generation assets in Texas.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Our Interim Financial Statements, which are prepared in accordance with GAAP, include: (i) the accounts of all controlled subsidiaries; (ii) elimination adjustments for intercompany transactions between controlled subsidiaries; (iii) any undivided interests in jointly owned facilities consolidated on a proportionate basis; and (iv) 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. Certain information and note disclosures have been condensed or omitted from the Interim Financial Statements in accordance with GAAP. The Consolidated Balance Sheet as of December 31, 2023 (Successor) is derived from the 2023 Consolidated Balance Sheet in the Annual Financial Statements. The Interim Financial Statements and Notes thereto should be read in conjunction with the Annual Financial Statements and Notes thereto. The results of operations presented in our Interim Financial Statements are not necessarily indicative of the results to be expected for the full year or for other future periods because interim period results can be disproportionately influenced by operational developments, seasonality, and other various factors.

Assets Held for Sale. In March 2024, the Company entered into an agreement to sell its Texas generation assets located within the ERCOT market. The assets and liabilities associated with the sale are presented as 'held for sale' on the Consolidated Balance Sheet as of March 31, 2024 (Successor). The sale closed on May 1, 2024. See Note 17 for additional information.

Emergence from Restructuring, Fresh Start Accounting, and Reverse Acquisition. In May 2022, TES and 71 of its subsidiaries filed voluntary petitions seeking relief under Chapter 11 of the U.S. Bankruptcy Code. In December 2022, TEC became an additional debtor in the Restructuring in order to facilitate certain transactions contemplated by the Plan of Reorganization. The Plan of Reorganization was approved by the requisite parties in November 2022, was confirmed by the Bankruptcy Court in December 2022, and was consummated and became effective in May 2023, when TEC, TES and the other debtors emerged from the Restructuring.

Upon commencement of the Restructuring, TES was deconsolidated from TEC for financial reporting purposes because TEC no longer controlled TES. TEC regained control of TES at Emergence, which resulted in TEC's reconsolidation of TES. The combination was accounted for as a reverse acquisition in which TEC was the legal acquirer and TES was the accounting acquirer. Accordingly, our Interim Financial Statements are issued under the name of TEC, the legal parent of TES and accounting acquiree, but represent the continuation of the financial statements of TES, the accounting acquirer.

After Emergence, TES applied fresh start accounting, which resulted in a new basis of accounting as the Company became a new financial reporting entity. As a result of the application of fresh start accounting and the implementation of the Plan of Reorganization, our financial position and results of operations beginning after Emergence are not comparable to our financial position or results of operations prior to that date. The financial results are presented for: (i) the Predecessor period from January 1 through March 31, 2023; and (ii) the Successor period from January 1 through March 31, 2024. The Interim Financial Statements and Notes thereto have been presented with a black line division to delineate the lack of comparability between the Predecessor and Successor.

See Notes 2, 3, and 4 in Notes to the Annual Financial Statements for additional information on the reverse acquisition, the legal structure of the Restructuring transactions, and the impacts of fresh start accounting.

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.

Treasury Stock. Share repurchases are accounted for under the cost method, which recognizes the entire cost of the acquired stock, including transaction costs, as a reduction in additional paid-in-capital and are presented as "Treasury stock" on the Consolidated Balance Sheets. Share repurchases made by third party brokers on our behalf are recognized on a trade date basis when we are contractually obligated to pay the broker for their purchase costs.

Nuclear PTCs. The Nuclear PTC program provides qualified nuclear power generation facilities with transferable credits for electricity produced and sold to an unrelated party during each tax year. These credits, which are accounted for by analogy to income-based grants under international accounting standards for government grants and disclosure of government assistance, are recognized when there is reasonable assurance that the Company will comply with the applicable conditions and that the credit will be received, which is generally over the period of production. As the credits that are generated each tax year are based on annual gross receipts and production volumes, the measurement of the credit value is estimated at each period until the final value can be determined at the end of the year, which may be different than the estimated amount. The credit value includes a five-times multiplier (up to $15 per MWh) for meeting prevailing wage requirements. Accordingly, Nuclear PTCs are recognized based on production volumes generated during the period and measured at the credit value for the tax year. See Note 4 for amounts recognized, which are presented as "Energy and other revenues" on the Consolidated Statements of Operations and "Other current assets" on the Consolidated Balance Sheets. Credits that are utilized to reduce federal income taxes payable are presented as a reduction of "Other current liabilities" on the Consolidated Balance Sheets. There have been no transfers of Nuclear PTCs to third parties during the first quarter 2024. Additional guidance expected to be issued from the U.S. Treasury and IRS may impact the credit value received.

See Note 2 in Notes to the Annual Financial Statements for additional information on significant accounting policies.

3. 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 manage and (or) balance these risks within a structured risk management program in order to minimize near-term future cash flow volatility. Our risk management committee, comprised of certain senior management members across the organization, oversees the management of these risks in accordance with our risk policy. In turn, the risk management committee is overseen by the risk committee of the Board of Directors.

The Board of Directors (including the risk committee) and management have established procedures to monitor, measure and manage hedging activities and credit risk in accordance with the risk policy.

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

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

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

Open commodity purchase (sales) derivatives as of March 31, 2024 (Successor) range in maturity through 2026. The net notional volumes of open commodity derivatives were:

	Successor	
	March 31, 2024 [(a)]	December 31, 2023 [(a)]
Power (MWh)	(28,145,612)	(27,557,871)
Natural gas (MMBtu)	45,959,800	8,314,060
Emission allowances (tons)	—	500,000

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

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

Open interest rate derivatives as of March 31, 2024 (Successor) range in maturity dates through 2026. The net notional volumes of open interest rate derivatives were:

	Successor	
	March 31, 2024	December 31, 2023
Interest rate (in millions) [(a)]	$ 290	$ 290

(a) Value as of March 31, 2024 (Successor) and December 31, 2023 (Successor) relates to interest rate derivatives for the TLB 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 applicable to 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 managed through a number of practices such as ongoing reviews of counterparty creditworthiness, prepayment, inclusion of termination rights in contracts which are triggered by certain events of default and executing master netting arrangements which permit amounts between parties to be offset. Additionally, credit enhancements such as cash deposits, letters of credit and credit insurance may be employed to mitigate credit risk.

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

Outstanding accounts receivable include those from sales of capacity, generated electricity and ancillary services through contracts directly with ISOs and RTOs and realized settlements of physical and financial derivative instruments with commodity marketers. Additionally, Talen carries accounts receivable due from joint owners for their portion of operating and capital costs for certain jointly owned facilities that are operated by the Company. The majority of outstanding receivables, which are continually monitored, have customary payment terms. The allowance for doubtful accounts was a non-material amount as of March 31, 2024 (Successor) and December 31, 2023 (Successor).

As of March 31, 2024 (Successor), Talen's aggregate credit exposure, which excludes the effects of netting arrangements, cash collateral, letters of credit and any allowances for doubtful collections, was $299 million and its credit exposure net of such effects was $66 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 68% of Talen's total net credit exposure, which are primarily with entities assigned investment grade credit ratings.

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 values of derivative instruments in a net liability position, and that contain credit risk-related contingent features, were non-material as of March 31, 2024 (Successor) and December 31, 2023 (Successor).

Derivative Instrument Presentation

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

	Successor			
	March 31, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts [a]	$ 15	$ 98	$ 88	$ 32
Interest rate contracts	2	—	1	—
Total current derivative instruments	**17**	**98**	**89**	**32**
Commodity contracts	4	3	6	5
Interest rate contracts	—	1	—	6
Total non-current derivative instruments	**$ 4**	**$ 4**	**$ 6**	**$ 11**

(a) As of March 31, 2024 (Successor), commodity contracts assets include $3 million presented as "Assets held for sale" on the Consolidated Balance Sheets. See Note 17 for additional information on the ERCOT divestiture.

All commodity and interest rate derivatives are economic hedges where the changes in fair value are presented immediately in income as unrealized gains and losses. Changes in the fair value and realized settlements on commodity derivative instruments are presented as separate components of "Energy revenues" and "Fuel and energy purchases" on the Consolidated Statements of Operations. See Note 12 for additional information on fair value.

Effect of Netting. Generally, the right of setoff within master netting arrangements permits the fair value of derivative assets to be offset with derivative liabilities. As an election, derivative assets and derivative liabilities are presented on the Consolidated Balance Sheets with the effect of such permitted netting as of March 31, 2024 (Successor) and December 31, 2023 (Successor).

The net amounts of "Derivative instruments" presented as assets and liabilities on the 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	Net Derivative Instruments	Collateral (Posted) Received	Net Amounts
March 31, 2024 (Successor)					
Assets [a]	$ 172	$ (151)	$ 21	$ —	$ 21
Liabilities	305	(151)	154	(52)	102
December 31, 2023 (Successor)					
Assets	295	(198)	97	(2)	95
Liabilities	300	(198)	102	(59)	43

(a) Commodity contracts assets include $3 million of ERCOT positions that are presented as "Assets held for sale" on the Consolidated Balance Sheets. See Note 17 for additional information on the ERCOT divestiture.

Statements of Operations Presentation. The location and pre-tax effect of "Derivative instruments" presented on the Consolidated Statements of Operations for the three months ended March 31 were:

	Successor	Predecessor
	2024	2023
Realized gain (loss) on commodity contracts		
Energy revenues [(a)]	$ 158	$ 579
Fuel and energy purchases [(a)]	1	(21)
Unrealized gain (loss) on commodity contracts		
Operating revenues [(b)]	(108)	145
Energy expenses [(b)]	(27)	(114)
Realized and unrealized gain (loss) on interest rate contracts		
Interest expense and other finance charges	7	—

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

4. Revenue

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

	Successor	Predecessor
	2024	2023
Capacity revenues	$ 45	$ 66
Electricity sales and ancillary services, ISO/RTO	265	196
Physical electricity sales, bilateral contracts, other	64	49
Other revenue from customers	42	9
Total revenue from contracts with customers	**416**	**320**
Realized and unrealized gain (loss) on derivative instruments	57	753
Nuclear PTC and other revenue [(a)]	36	—
Operating revenues	**$ 509**	**$ 1,073**

(a) See Note 5 for the tax impact of the Nuclear PTC.

Accounts Receivable

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

	Successor	
	March 31, 2024	December 31, 2023
Customer accounts receivable	$ 45	$ 52
Other accounts receivable	81	85
Accounts receivable, net	**$ 126**	**$ 137**

During the three months ended March 31, 2024 (Successor) and 2023 (Predecessor), there were no significant changes in accounts receivable other than normal receivable recognition and collection transactions. See Note 3 for additional information on Talen's credit risk on the carrying value of its receivables.

Deferred Revenue

Deferred revenues that were: (i) presented as a liability on the Consolidated Balance Sheets as of March 31, 2024 (Successor) and December 31, 2023 (Successor); or (ii) recognized as revenue on the Consolidated Statements of Operations were not material for the three months ended March 31, 2024 (Successor) and 2023 (Predecessor).

Future Performance Obligations

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

As of March 31, 2024 (Successor), the expected future period capacity revenues subject to unsatisfied or partially unsatisfied performance obligations were:

	2024 [(a)]	2025	2026	2027	2028
Expected capacity revenues	$ 146	$ 84	$ 3	$ 3	$ 1

(a) For the period from April 1, 2024 through December 31, 2024.

The PJM capacity auctions for the 2025/2026 PJM Capacity Year and for any years thereafter have not yet been held. See Note 10 for additional information on the PJM RPM and auctions.

5. Income Taxes

Effective Tax Rate Reconciliations

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

	Successor	Predecessor
	2024	2023
Income (loss) before income taxes	$ 388	$ 60
Income tax benefit (expense)	(69)	(14)
Effective tax rate	**17.8 %**	**23.3%**
Federal income tax statutory tax rate	21%	21%
Income tax benefit (expense) computed at the federal income tax statutory tax rate	$ (82)	$ (13)
Income tax increase (decrease) due to:		
State income taxes, net of federal benefit	(11)	(2)
Change in valuation allowance	20	13
Production tax credits	8	—
Other permanent differences	7	—
Nuclear decommissioning trust taxes	(11)	(9)
Transaction costs	—	(5)
Reorganization adjustments	—	2
Income tax benefit (expense)	**$ (69)**	**$ (14)**

The effective tax rate for the three months ended March 31, 2024 (Successor) and 2023 (Predecessor) differed from the statutory rate primarily due to the change in valuation allowance, additional 20% trust tax on NDT income, and permanent differences including production tax credits.

6. Inventory

	Successor	
	March 31, 2024	December 31, 2023
Coal	$ 131	$ 152
Oil products	67	75
Fuel inventory for electric generation	**198**	**227**
Materials and supplies, net	72	72
Environmental products	9	76
Inventory, net [(a)]	**$ 279**	**$ 375**

(a) As of March 31, 2024 (Successor), $7 million of inventory is presented as “Assets held for sale” on the Consolidated Balance Sheet.

Inventory net realizable value and obsolescence charges on coal and fuel oil inventories are presented as "Other operating income (expense), net" on the Consolidated Statements of Operations. Such non-cash charges were non-material for the three months ended March 31, 2024 (Successor) and were $13 million for the three months ended March 31, 2023 (Predecessor).

Inventory net realizable value and obsolescence charges on materials and supplies inventories are presented as "Operation and maintenance" on the Consolidated Statements of Operations. Such non-cash charges were non-material for the three months ended March 31, 2024 (Successor) and were $11 million for the three months ended March 31, 2023 (Predecessor).

Of the above charges incurred during the three months ended March 31, 2023 (Predecessor), $18 million related to Brandon Shores inventories. See Note 8 for additional information on the Brandon Shores recoverability assessment.

7. Nuclear Decommissioning Trust Funds

	Successor							
	March 31, 2024				December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents	$ 15	$ —	$ —	$ 15	$ 9	$ —	$ —	$ 9
Equity securities	498	618	55	1,061	491	575	53	1,013
Debt securities	573	4	3	574	570	10	1	579
Receivables (payables), net	(8)	—	—	(8)	(26)	—	—	(26)
NDT funds	**$ 1,078**	**$ 622**	**$ 58**	**$ 1,642**	**$ 1,044**	**$ 585**	**$ 54**	**$ 1,575**

See Note 12 for additional information on the NDT fair value. There were no available-for-sale debt securities with credit losses as of March 31, 2024 (Successor) and December 31, 2023 (Successor).

As of March 31, 2024 (Successor), 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 as of March 31, 2024 (Successor) were:

	Fair Value	Unrealized Losses
U.S. Government debt securities	$ 204	$ (3)

There were securities in an unrealized loss position for a duration of one year or longer. As of March 31, 2024 (Successor), the aggregate fair value of these securities was $39 million and the unrealized losses were non-material.

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

	Successor	
	March 31, 2024	December 31, 2023
Maturities within one year	$ 48	$ 105
Maturities within two to five years	217	194
Maturities thereafter	309	280
Debt securities, fair value	**$ 574**	**$ 579**

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

	Successor	Predecessor
	2024	2023
Sales proceeds of nuclear decommissioning trust funds investments [a]	$ 499	$ 596
Gross realized gains	3	5
Gross realized losses	(3)	(10)

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

8. Property, Plant and Equipment

		Successor					
		March 31, 2024			December 31, 2023		
	Estimated Useful Life (years)	Gross Value	Accumulated Provision	Carrying Value	Gross Value	Accumulated Provision	Carrying Value
Electric generation	3-27	$ 2,998	$ (152)	$ 2,846	$ 3,178	$ (109)	$ 3,069
Nuclear fuel	1-6	314	(79)	235	228	(55)	173
Other property and equipment	1-20	141	(23)	118	357	(21)	336
Intangible assets	2-26	69	(14)	55	1	—	1
Capitalized software	1-5	6	(2)	4	6	(1)	5
Construction work in progress		101	—	101	255	—	255
Property, plant and equipment, net [a]		**$ 3,629**	**$ (270)**	**$ 3,359**	**$ 4,025**	**$ (186)**	**$ 3,839**

(a) As of March 31, 2024, $202 million of property, plant and equipment, net is presented as “Assets held for sale” on the Consolidated Balance Sheet. See Note 17 for additional information on the ERCOT divestiture.

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

	Successor	Predecessor
	2024	2023
Depreciation expense [a]	$ 60	$ 115
Amortization expense [b]	2	3
Accretion expense [c]	13	15
Other	—	(1)
Depreciation, amortization, and accretion	**$ 75**	**$ 132**

(a) Electric generation and other property and equipment.
(b) Intangible assets and capitalized software.
(c) ARO and accrued environmental cost accretion. See Note 9 for additional information.

The cost of nuclear fuel is presented as "Nuclear fuel amortization" on the Consolidated Statements of Operations.

Reliability Impact Assessments

Brandon Shores Reliability Impact Assessment. In April 2023, Talen notified PJM that it intends to deactivate electric generation at Brandon Shores on June 1, 2025. In June 2023, PJM notified Brandon Shores that its generation units were needed for reliability. In April 2024, Brandon Shores filed a cost-of-service rate schedule at FERC for the continued Reliability-Must-Run operation and provision of service from units 1 and 2 at the generation facility. The filed rate schedule sets forth the terms, conditions, and cost-based rates under which Brandon Shores will agree to continue to operate the generation units for reliability purposes from June 1, 2025 through December 31, 2028. No assurance can be provided when, if at all, FERC will approve the filing.

H.A. Wagner Reliability Impact Assessment. In October 2023, Talen notified PJM that it intends to deactivate electric generation at H.A. Wagner on June 1, 2025. In January 2024, PJM notified H.A. Wagner that its generation units were needed for reliability. In April 2024, H.A. Wagner filed a cost-of-service rate schedule at FERC for the continued Reliability-Must-Run operation and provision of service from units 3 and 4 at the generation facility. The filed rate schedule sets forth the terms, conditions, and cost-based rates under which Wagner will agree to continue to operate the generation units for reliability purposes from June 1, 2025 through December 31, 2028. No assurance can be provided when, if at all, FERC will approve the filing.

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 Brandon Shores to an oil combustion facility due to an increase in expected conversion costs. This decision triggered a recoverability assessment of the carrying value of the Brandon Shores asset group.

The recoverability analysis indicated that the Brandon Shores asset group carrying value exceeded its future estimated undiscounted cash flows, which required an impairment charge to amend the asset group's carrying value of its property, plant and equipment to its estimated fair value. Accordingly, for the three months ended March 31, 2023 (Predecessor), a $361 million non-cash pre-tax impairment charge on the asset group's undepreciated property, plant and equipment is presented as "Impairments" on the Consolidated Statements of Operations.

9. Asset Retirement Obligations and Accrued Environmental Costs

	Successor			
	March 31, 2024		December 31, 2023	
Asset retirement obligations	$	474	$	464
Accrued environmental costs		23		23
Total asset retirement obligations and accrued environmental costs		**497**		**487**
Less: asset retirement obligations and accrued environmental costs due within one year [(a)]		26		18
Asset retirement obligations and accrued environmental costs due after one year	**$**	**471**	**$**	**469**

(a) Presented as "Other current liabilities" on the Consolidated Statements of Operations.

Asset Retirement Obligations

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

	Successor	
	March 31, 2024	
Carrying value, beginning of period	**$**	**464**
Obligations settled		(3)
Accretion expense		13
Carrying value, end of period	**$**	**474**

Supplemental information for the ARO:

	Successor			
	March 31, 2024		December 31, 2023	
Supplemental Information				
Nuclear [(a)]	$	221	$	214
Non-Nuclear [(b)]		253		250
Carrying value	**$**	**474**	**$**	**464**

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

See Note 12 for additional information on Susquehanna's NDT.

See "Talen Montana Financial Assurance" in Note 10 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.

10. Commitments and Contingencies

Legal Matters

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

Pending Legal Matters

Montana Hydroelectric Litigation. Talen Montana is a defendant in litigation in the U.S. District Court for the District of Montana relating to its past ownership and operation of hydroelectric generation facilities in Montana, which were sold to NorthWestern in November 2014 (the "Montana Hydroelectric Sale"). 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 August 2023, the court held in favor of Talen Montana with respect to streambed segments underlying six of the seven facilities. Regarding the one streambed segment that the court found belongs to the State, the court stated that Talen Montana and NorthWestern will be required to compensate the State for past, present and future use. The State has appealed this holding to the U.S. Court of Appeals for the Ninth Circuit. Damages and defenses related to this proceeding will be addressed in a future adjudication. Nonetheless, because Talen Montana's liability on all claims asserted by the State was discharged under the Plan of Reorganization, Talen Montana does not expect any further liability from this matter.

ERCOT Weather Event Lawsuits. Beginning in March 2021, the former Talen subsidiaries that at the time owned the Barney Davis, Nueces Bay and Laredo generation facilities were sued in multiple Texas courts along with many other market participants in ERCOT. See Note 17 for information on Talen's sale of ERCOT generation assets. The lawsuits were consolidated into a multi-district litigation pre-trial court ("MDL"). In these suits, the plaintiffs allege, among other things, that they suffered loss of life, personal injury and/or property damage due to the defendants' failure to properly prepare their facilities to withstand extreme winter weather and other operational failures during Winter Storm Uri in February 2021. Numerous insurance company plaintiffs also seek to recover payments to policyholders for damage to residential and commercial properties caused by the storm. The plaintiffs seek unspecified compensatory, punitive and other damages. In January 2023, the MDL court denied a motion to dismiss filed by the generation defendants. The generation defendants sought appellant review of the decision, and, in December 2023, the Texas First Court of Appeals granted the generation defendants' request for mandamus relief and ordered dismissal of the claims against the generation defendants. Plaintiffs have filed a motion seeking rehearing *en banc* with the First Court of Appeals. If unsuccessful, plaintiffs are expected to petition the Texas Supreme Court to review the decision. Plaintiffs asserting prepetition Winter Storm Uri claims are limited to recovering any damages solely from the Talen defendants' insurers pursuant to the Plan of Reorganization. Certain plaintiffs filed lawsuits asserting Winter Storm Uri claims after commencement of the Restructuring. If any of these post-commencement plaintiffs did not receive effective notice of the Restructuring under applicable bankruptcy law, they may not be subject to the terms of the Plan of Reorganization. Talen cannot predict the outcome of this matter for any such claims or its effect on Talen, which has retained these potential liabilities.

In June 2021, TEC intervened in five cases in which certain market participants are challenging the validity of two PUCT orders directing ERCOT to ensure energy prices were at their maximum of $9,000 per MWh during Winter Storm Uri. One case has since been dismissed, one case is pending in the Texas Third Court of Appeals and two cases are pending in State District Court in Travis County, Texas. In March 2023, the Third Court of Appeals issued an opinion in *Luminant v. PUCT* that, in part, reversed and remanded the PUCT orders directing ERCOT to ensure prices were at their maximum of $9,000 per MWh during Winter Storm Uri. The PUCT (along with TEC and others) filed petitions for review with the Texas Supreme Court, which were granted in September 2023. 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.

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 TES, TEC, the TERP, the TERP committee, and (as amended) ten former retirement plan committee members alleging that they are owed enhanced benefits under the TERP. In September 2023, the parties reached a tentative agreement to settle all claims on a class-wide basis, inclusive of attorneys' fees, in exchange for $20 million, subject to negotiation of mutually acceptable definitive agreements and court approval of the final settlement. In February 2024, the parties agreed upon the definitive settlement documentation and the court approved the settlement on a preliminary basis. The court has scheduled a hearing for June 3, 2024 to hear objections, if any, to the settlement.

If the settlement is approved, we expect a portion of the settlement to be paid by the TERP with the remainder paid by the Company, net of expected insurance recoveries. The amount paid by the TERP will be the full amount of the settlement less any attorneys' fee award approved by the court and certain expenses associated with implementing the settlement. TES, at its discretion, may elect to fund a contribution into the TERP to cover settlement payments paid by the TERP.

If the settlement is not approved and the plaintiffs subsequently prevail on their claims, a material adverse judgment could have an adverse effect on the TERP's assets as well as Talen's results of operations and liquidity. No assurance can be provided that the final settlement agreement will be consummated as expected or if at all. Accordingly, we cannot predict the outcome of this matter or its effect on Talen if the settlement is not consummated as expected or if the matter is litigated to conclusion. As of March 31, 2024, the settlement amounts agreed to by the parties and expected insurance recoveries are presented on the Consolidated Balance Sheets.

Railroad Surcharge Litigation. In September 2019, TES 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 violated U.S. antitrust laws by conspiring during the periods from July 2003 through December 2008 to use fuel surcharges as a means to raise price for rail freight shipments. Numerous other plaintiff shippers in various jurisdictions throughout the United States have filed similar lawsuits. The Talen plaintiffs claim that they paid higher rail freight shipment rates than they otherwise would have paid absent the alleged conspiracy and seek treble damages under the antitrust laws. The litigation has been consolidated in the District Court for the District of Columbia with similar lawsuits under the multi-district litigation rules. At this time, Talen cannot predict the outcome of this matter.

Resolved Legal Matters

See the Annual Financial Statements for resolved legal matters.

Regulatory Matters

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

PJM MOPR. In July 2021, PJM filed proposed tariff language to significantly reduce 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. FERC did not act on PJM's July 2021 filing, and the PJM MOPR tariff language went into effect in September 2021. In December 2023, the U.S. Court of Appeals for the Third Circuit denied the petitions for review of the MOPR tariff language. On March 28, 2024, the Public Utilities Commission of Ohio filed at the U.S. Supreme Court a petition for certiorari asking the Court to review the December 2023 order of the Third Circuit. The final impacts on Talen's financial condition, results of operations and liquidity are not known at this time.

PJM Market Seller Offer Cap. In March 2021, FERC responded to complaints filed by the PJM IMM on behalf of PJM and various consumer advocates alleging that the PJM MSOC was above a competitive offer level and was, therefore, unjust and unreasonable. In September 2021, FERC issued an order requiring the PJM ACR for each generator to be determined administratively by the PJM IMM. In August 2023, the U.S. Court of Appeals for the District of Columbia Circuit denied petitions by Talen and others for review of FERC's order. On January 12, 2024, the Electric Power Supply Association filed at the U.S. Supreme Court a petition for certiorari asking the Court to review the August 2023 order of the D.C. Circuit. The final impacts of this order on Talen's financial condition, results of operations and liquidity are not known at this time.

PJM Capacity Market Reform. In February 2023, the PJM Board directed PJM and its stakeholders to resolve: (i) key issues that address the energy transition taking place in PJM; and (ii) issues observed from Winter Storm Elliott. The PJM Board directive included reliability risks, risk drivers and resource availability. The stakeholder process is referred to as Critical Issue Fast Path ("CIFP") on resource adequacy. On October 13, 2023, PJM made two filings at FERC regarding certain capacity market reforms developed through the CIFP process. On January 30, 2024, FERC accepted one of PJM's filings, subject to the condition that PJM submit a compliance filing within 30 days. However, in February 2024, FERC rejected the second of PJM's capacity market reform filings and approved a request from PJM for a 35-day delay of Base Rate Auction. PJM has indicated that it plans to open the Base Residual Auction for the 2025/2026 Delivery on July 17, 2024. At this time, Talen cannot fully predict the impacts of PJM's reforms on its operations and liquidity.

In June 2023, FERC accepted a request by PJM to delay certain PJM Base Residual Auctions in order to propose additional changes to the PJM RPM. The delay schedules the PJM Base Residual Auctions for 2026/2027 in December 2024, for 2027/2028 in June 2025, and for 2028/2029 in December 2025. Although PJM has established dates for the next four auctions, there is no guarantee that the auctions will take place on those dates or at all. Depending on the ultimate outcome of matters related to PJM's capacity auctions, capacity revenues in PJM could be affected, but the final impacts on Talen's financial condition, results of operations and liquidity are not known at this time.

ERCOT Market Systemic Risks. In January 2023, the PUCT adopted the PUCT PCM market design in response to a directive contained within Texas Senate Bill 3 from 2021 to address market reliability concerns in Texas. The details of how the PUCT PCM market will operate are to be developed by the PUCT, ERCOT and the ERCOT stakeholder group. In January 2023, the PUCT directed ERCOT to evaluate bridging options to retain existing assets and build new dispatchable generation until the PUCT PCM can be fully implemented. In response, the PUCT approved a multi-step Operating Reserve Demand Curve floor as a short-term bridge solution, which went into effect on November 1, 2023. Under the approved multi-step Operating Reserve Demand Curve, price floors of $10/MWh and $20/MWh will be triggered when reserves fall below 7 GW and 6.5 GW, respectively. There remains significant uncertainty surrounding the details of the proposed PUCT PCM design, and the timing for implementation. At this time, Talen cannot fully predict the impacts of the PUCT PCM market design, when and if implemented, on its results of operations and liquidity.

Environmental Matters

Extensive federal, state and local environmental laws and regulations are applicable to our business, including those related to 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, new or revised 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. Changes made by the EPA to the EPA CCR Rule and the EPA ELG Rule in 2020 allow 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. Pursuant to Talen's plans to cease wholly owned coal operations, Talen requested extensions for compliance under these rules for certain of its 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.

In 2023, the EPA proposed additional changes to the ELG Rule and the CCR Rule and finalized those changes on May 9 and May 8, 2024, respectively. The new ELG Rule does not add treatment requirements to Talen's coal-fired power generation facilities planning to cease burning coal by 2028, but it does establish discharge limits for waters collected from CCR units. Under the revised CCR Rule, the EPA has imposed new requirements on: (i) legacy CCR impoundments; and (ii) areas where CCR was disposed of or managed on land outside of regulated units at CCR facilities (subject to a minimum threshold). Furthermore, the EPA's interpretations of the EPA CCR Rule continue to evolve through enforcement and other regulatory actions.

Talen submitted formal comments on both proposed rules citing their flaws and anticipates it will take legal action to challenge both final rules. If the revised Rules withstand expected legal challenges by power producers (including Talen), industry groups, state attorneys general, and others, the new CCR and ELG requirements could materially impact several Talen facilities. Talen is currently evaluating that potential impact. At this time, Talen cannot predict the full impact of these various rule changes on the operations of its coal-fired generation facilities and its results of operations.

Air. Since 2016, the coal-fired generation facilities in which Talen has ownership, including Brunner Island, Montour, Keystone and Conemaugh, have been the subject of various efforts under the Clean Air Act to strengthen applicable nitrogen oxides ("NOx") emission limits. These include Section 126 petitions by downwind states, recommendations by the Ozone Transport Commission, and a ruling on Pennsylvania's RACT2 program by the U.S. District Court for the Southern District of New York. Although the petitions and recommendations are not withdrawn, the EPA's issuance of a federal implementation plan (the "FIP") with short-term (RACT2) NOx limits at these plants in 2022 resulting from the court case and the EPA's "Good Neighbor FIP" issued in June 2023 appear to have addressed open concerns by upwind states regarding NOx controls from Talen's and other coal plants.

However, both the Pennsylvania NOx RACT2 FIP and the preceding State Implementation Plan (the "SIP") NOx RACT are under review. The PA DEP agreed to stay the SIP standard while all the parties consider the FIP standards. The EPA FIP is in effect; however, it has since been appealed by other parties and Talen has intervened in the appellate proceeding. Lastly, in November 2022, Pennsylvania finalized its NOx RACT standards 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.

To address the 2015 ozone standard, in June 2023, the EPA published 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 made some reductions in allowance allocations, among other changes, to minimize nitrogen oxide emissions during the Ozone Season. Texas, among other states, has received a favorable court ruling, essentially staying its participation in the updated program for 2023. Texas facilities are still subject to the previous version of EPA CSAPR, and Talen's facilities in Maryland, Pennsylvania and New Jersey are subject to the new rule. Additionally, the entire rule has been challenged by multiple parties, and the U.S. Supreme Court heard oral arguments on the emergency applications to stay the rule in February 2024. 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.

The EPA MATS Rule, which is the original EPA NESHAP for coal plants, has been in effect since 2012. In April 2023, the EPA proposed, and on May 7, 2024, finalized, its RTR for coal-fired generation facilities under the EPA NESHAP. The final rule most notably requires coal plants to reduce particulate matter (PM) emissions by the end of 2027 (or 2028 in certain circumstances). Colstrip cannot meet the new PM standard without substantial upgrades to its control equipment; therefore, Talen and the Colstrip co-owners face the decision either to invest in new cost-prohibitive control equipment or retire the plant. That decision must be made in conjunction with compliance requirements under EPA's new GHG Rule, finalized on May 9, 2024.

Talen submitted formal comments on the new PM standard and revisions to the MATS Rule, citing the rule's flaws, and anticipates it (and others, including other power producers, industry groups, and state attorneys general) will take legal action to challenge the revised MATS Rule. On May 8, 2024, a coalition of 23 states filed a challenge to the MATS Rule in the U.S. Court of Appeals for the D.C. Circuit. In light of these filed and expected challenges, Talen cannot predict the full impact of the revised MATS Rule on the operations of its coal-fired generation facilities and its results of operations.

RGGI. In April 2022, Pennsylvania formally entered the RGGI program, with compliance set to begin on July 1, 2022. However, certain third parties filed lawsuits and appeals questioning the legality of the regulation and the implementation of RGGI in Pennsylvania was stayed. On November 1, 2023, the Commonwealth Court of Pennsylvania ruled RGGI was an invalid tax and voided the rulemaking. The PA DEP appealed this decision to the Pennsylvania Supreme Court in November 2023, and the following day filed notice with the court that the RGGI program would not be implemented while the appeal is pending. 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 current federal administration has identified climate change policy as a priority that includes, but is not limited to, greenhouse gas emission reductions. On May 9, 2024, the EPA issued a new rule under the Clean Air Act that establishes New Source Performance Standards for new electric generating units and greenhouse gas Emissions Guidelines for existing EGUs for state implementation. The guidelines would allow all existing EGUs to continue to operate until at least the end of 2031 without having to meet new greenhouse gas limits. Existing oil/gas steam EGUs (for example, Martins Creek) will not require additional controls at this time. However, if existing coal-fired EGUs (for example, Colstrip) are to be able to operate beyond 2031, they must install a GHG reduction technology, like carbon capture and sequestration (CCS), by the end of 2031. Talen will need to evaluate the viability and costs of additional controls and decide whether to invest in those controls at Colstrip or retire the units. That decision may be influenced by the cost of compliance with the revised MATS rule. EPA stated that it chose not to finalize emission guidelines for existing fossil fuel-fired combustion turbines (for example, LMBE); however, EPA intends to take further action on such emission guidelines at a later date.

In 2023, Talen submitted formal comments on the proposed GHG Rule, citing the rule's flaws, and anticipates it will take legal action to challenge the GHG Rule. A number of petitions for review of the GHG Rule were filed on May 9, 2024, in the U.S. Court of Appeals for the D.C. Circuit, including by coalitions representing 27 states. If the rule withstands filed and expected legal challenges by power producers (including Talen), industry groups, state attorneys general, and others, the GHG Rule could materially impact Colstrip and Talen. Talen is currently evaluating that potential impact. At this time, Talen cannot predict the full impact of the GHG Rule on the operations of its coal-fired generation facilities and its results of operations.

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

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

Guarantees and Other Assurances

In the normal course of business, Talen enters into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. These agreements primarily support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or facilitate the commercial activities in which these subsidiaries engage. Such agreements may include guarantees, stand-by letters of credit issued by financial institutions, surety bonds issued by insurance companies, and indemnifications. In addition, they may include customary indemnifications to third parties related to asset sales and other 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. As of March 31, 2024 (Successor) and December 31, 2023 (Successor), the aggregate amount of surety bonds outstanding was $241 million and $240 million, including surety bonds posted on behalf of Talen Montana as discussed below.

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.

TES has posted an aggregate $118 million of surety bonds to the MDEQ on behalf of Talen Montana's proportional share of remediation and closure activities as of March 31, 2024 (Successor) and $115 million as of December 31, 2023 (Successor). In April 2024, MDEQ approved a modified work scope that will require Talen Montana to post an additional $7 million of surety bonds or other financial assurance in the second quarter 2024. Talen Montana has agreed to reimburse TES and its affiliates in the event that these surety bonds are called. Talen Montana's surety bond requirements may increase due to scope changes, cost revisions and (or) other factors when the MDEQ conducts annual reviews of approved remediation and closure plans as required under the Colstrip AOC. The surety bond requirements will decrease as Colstrip's coal ash impoundments remediation and closure activities are completed.

Cumulus Digital Assurances. As of December 31, 2023 (Successor), TES had issued LCs in the aggregate amount of $50 million to the lenders of the Cumulus Digital TLF, which LCs could be drawn upon, among other events, the acceleration of the loan due to a bankruptcy or other event of default by Cumulus Digital. The LCs were cancelled upon the repayment in full of the Cumulus Digital TLF in March 2024.

Additionally, TEC had provided a guarantee to the lenders under the Cumulus Digital TLF for certain shortfalls in interest and principal payments by Cumulus Digital (up to a maximum of 23% of the principal amount of outstanding loans thereunder). The guarantee was cancelled upon the payment in full of the Cumulus Digital TLF in March 2024.

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. As of March 31, 2024 (Successor), the liability limit per incident is $16.2 billion for such claims, which is funded by insurance coverage from American Nuclear Insurers (approximately $500 million in coverage), with the remainder covered by an industry retrospective assessment program.

As of March 31, 2024 (Successor), 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 could be assessed deferred premiums of up to $332 million per incident, payable at a maximum of $49 million per year.

Additionally, Susquehanna purchases property insurance programs from NEIL, an industry mutual insurance company of which Susquehanna is a member. As of March 31, 2024 (Successor), 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 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 could be assessed retrospective premiums in the event of the insurers' adverse loss experience. The maximum assessment for this premium is $45 million as of March 31, 2024 (Successor). Talen has additional coverage that, under certain conditions, may reduce this exposure.

Talen Montana Fuel Supply. Talen Montana purchases coal from the Rosebud Mine for its interest in Colstrip Units 3 and 4 under a full requirements contract with an unaffiliated coal mine operator. In 2015, the MDEQ issued the mine operator an amendment to one of its mine permits expanding the area authorized for mining. Certain parties challenged the permit amendment in a proceeding at the MBER and, after the MBER issued a decision upholding the permit amendment, in a lawsuit in Montana state district court. In January 2022, the district court entered an order vacating the permit amendment effective April 1, 2022. Rosebud Mining ceased mining in the expansion area prior to the April 1, 2022 deadline. The 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 pending resolution of the appeal. In November 2023, the Montana Supreme Court remanded the case to the MBER to reanalyze the administrative record, resolve factual questions, and re-examine its prior conclusion. The MBER is awaiting remand. In the meantime, however, the Montana Supreme Court reinstated vacatur of the permit amendment pending MBER review.

In May 2022, MDEQ issued a second permit amendment expanding the area authorized for mining by the coal-mine operator. A group of complainants initiated proceedings at the MBER and in Montana state district court challenging the second permit amendment. Summary judgment briefing was completed in the MBER case as of January 2024. In December 2023 the Montana state district court challenge was stayed for six months pending a ruling from the Montana Supreme Court in analogous cases.

In September 2022, the Montana Federal District Court entered an order upholding challenges to a third permit amendment expanding the area authorized for mining by the mine operator. The plaintiffs asserted that the OSM violated NEPA when preparing the EIS for the permit amendment. The court ordered OSM to complete an updated EIS in accordance with NEPA's requirements. The permit amendment will be vacated unless OSM completes the updated EIS within 19 months from the date of the court's order. The federal defendants did not appeal and expect to issue a revised decision on the permit amendment within the 19-month deadline, but in November 2022, intervenor-defendants, Westmoreland Rosebud and International Union, appealed the ruling to the Ninth Circuit Court of Appeals. MEIC and the other plaintiffs moved to dismiss the appeal for lack of jurisdiction, and the federal defendants did not oppose the motion to dismiss. The appeal was dismissed in November 2023, and the federal defendants requested an extension of the deadline to complete the updated EIS until June 30, 2025. In April 2024, the District Court granted an extension but only to January 31, 2025.

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

11. Long-Term Debt and Other Credit Facilities

Long-Term Debt

	Interest Rate [a]	Successor March 31, 2024	Successor December 31, 2023
TLB	9.83%	$ 863	$ 866
TLC	9.83%	470	470
Secured Notes	8.63%	1,200	1,200
PEDFA 2009B Bonds	4.75%	50	50
PEDFA 2009C Bonds	4.75%	81	81
Cumulus Digital TLF, including PIK [b]	—%	—	182
Total principal		**2,664**	**2,849**
Unamortized deferred finance costs and original issuance discounts		(36)	(29)
Total carrying value		**2,628**	**2,820**
Less: long-term debt, due within one year		9	9
Long-term debt		**$ 2,619**	**$ 2,811**

(a) Computed interest rate as of March 31, 2024 (Successor).
(b) Limited recourse to TES and TEC. See "Guarantees and Other Assurances - Cumulus Digital Assurances" in Note 10 for additional information. The Cumulus Digital TLF was repaid and extinguished in March 2024. See "2024 Transactions – Cumulus Digital TLF Repayment" below for additional information.

The aggregate long-term debt maturities, including amortization and early redemption provisions, at March 31, 2024 (Successor) were:

	2024 [a]	2025	2026	2027	2028	Thereafter	Total
Total maturities	$ 7	$ 9	$ 9	$ 9	$ 9	$ 2,621	$ 2,664

(a) For the period from April 1, 2024 through December 31, 2024.

Revolving Credit and Other Facilities

		Successor					
		March 31, 2024				December 31, 2023	
	Expiration	Committed Capacity	Direct Cash Borrowings	LCs Issued	Unused Capacity	Direct Cash Borrowings	LCs Issued
RCF [a]	May 2028	$ 700	$ —	$ 156	$ 544	$ —	$ 62
TLC LCF [b][c][d]	May 2030	470	—	366	104	—	404
Bilateral LCF [b]	May 2028	75	—	74	1	—	74
Total		**$ 1,245**	**$ —**	**$ 596**	**$ 649**	**$ —**	**$ 540**

(a) Committed capacity includes $475 million of LC commitments. Outstanding direct cash borrowings under the RCF, when applicable, are presented as "Revolving credit facilities" on the Consolidated Balance Sheets.
(b) Direct cash borrowings are not permitted under the facility.
(c) These LCs are cash collateralized by $472 million as of March 31, 2024 (Successor) and December 31, 2023 (Successor), which is presented as "Restricted cash and cash equivalents" on the Consolidated Balance Sheets.
(d) Includes $133 million of LCs backing the PEDFA Bonds as of each of March 31, 2024 (Successor) and December 31, 2023 (Successor).

2024 Transactions

Cumulus Digital TLF Repayment. In connection with the Data Center Campus Sale, the Cumulus Digital TLF was paid in full, together with all accrued interest and other outstanding amounts. See “Non-Recourse Debt and Other Credit Facilities – Cumulus Digital TLF” in Note 13 in Notes to the Annual Financial Statements for additional information on the related release of liens, termination of guarantees, and cancellation of LCs. See Note 17 for additional information on the Data Center Campus Sale.

Long-Term Debt Repricing. In May 2024, the Company completed a repricing transaction with respect to the TLB and TLC. The new rate applicable to the TLB and TLC is the Standard Overnight Financing Rate (SOFR) plus 350 basis points, which reduces the interest rate margin by 100 basis points. The applicable SOFR floor was reduced from 50 to 0 basis points. Additionally, in connection with the repricing, the lenders under the TLB and TLC agreed to: (i) waive any mandatory prepayment obligations in connection with the Company’s sale of its Texas generation portfolio, and (ii) certain other amendments permitting Talen additional capacity for dispositions, restricted payments and investments under the Credit Agreement. See Note 17 for additional information on the recent sale of our generation assets in Texas.

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

As of March 31, 2024 (Successor), Talen was not in default under any of its indebtedness agreements.

See “Talen Energy Supply Post-Emergence Long-Term Debt, Revolving Credit and Other Facilities” in Note 13 in Notes to the Annual Financial Statements for a description of the material terms of our Credit Facilities, Secured Notes, PEDFA Bonds and Secured IDSAs.

See “Security Interests, Guarantees, and Cross-Defaults on TES Post-Emergence Obligations” in Note 13 in Notes to the Annual Financial Statements for additional information on the security interests and guarantees supporting these obligations. In addition to the obligations outlined under “Long-Term Debt” and “Revolving Credit and Other Facilities” above, secured obligations included approximately $61 million under Secured ISDAs as of March 31, 2024 (Successor).

12. 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 NDT.

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

	Successor									
	March 31, 2024					December 31, 2023				
	Level 1	Level 2	NAV	Netting[(a)]	Total	Level 1	Level 2	NAV	Netting[(a)]	Total
Assets										
Cash equivalents	$ —	$ —	$ 15	$ —	$ 15	$ —	$ —	$ 9	$ —	$ 9
Equity securities [(b)]	702	—	359	—	1,061	629	—	384	—	1,013
U.S. Government debt securities	318	—	—	—	318	337	—	—	—	337
Municipal debt securities	—	87	—	—	87	—	86	—	—	86
Corporate debt securities	—	169	—	—	169	—	156	—	—	156
Receivables (payables), net [(c)]					(8)					(26)
NDT funds	**1,020**	**256**	**374**	**—**	**1,642**	**966**	**242**	**393**	**—**	**1,575**
Commodity derivatives [(d)]	92	78	—	(151)	19	98	196	—	(200)	94
Interest rate derivatives	—	2	—	—	2	—	1	—	—	1
Total assets	**$1,112**	**$ 336**	**$ 374**	**$ (151)**	**$1,663**	**$1,064**	**$ 439**	**$ 393**	**$ (200)**	**$1,670**
Liabilities										
Commodity derivatives	149	155	—	(203)	101	155	139	—	(257)	37
Interest rate derivatives	—	1	—	—	1	—	6	—	—	6
Less: other	—	—	—	—	—	—	—	—	—	—
Total liabilities	**$ 149**	**$ 156**	**$ —**	**$ (203)**	**$ 102**	**$ 155**	**$ 145**	**$ —**	**$ (257)**	**$ 43**

(a) Amounts represent netting pursuant to master netting arrangements and cash collateral held or placed with the same counterparty.
(b) Includes commingled equity and fixed income funds and real estate investment trusts.
(c) Represents: (i) interest and dividends earned but not received; and (ii) net sold or purchased investments, but not settled.
(d) Commodity contracts assets include $3 million of ERCOT positions that are presented as "Assets held for sale" on the Consolidated Balance Sheets. See Note 17 for additional information on the ERCOT divestiture.

There were no recurring fair value measurements classified as Level 3 as of March 31, 2024 (Successor) and December 31, 2023 (Successor).

Nonrecurring Fair Value Measurements

There were no nonrecurring fair value measurements related to impairments of long-lived assets during the three months ended March 31, 2024 (Successor). See Note 8 for information on the nonrecurring fair value measurement of Brandon Shores during the three months ended March 31, 2023 (Predecessor).

Reported Fair Value

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

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

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

	Successor			
	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt [(a)]	$ 2,628	$ 2,749	$ 2,820	$ 2,934
Other short-term indebtedness [(b)]	2	2	6	6

(a) Aggregate value of "Long-term debt" and "Long-term debt, due within one year" presented on the Consolidated Balance Sheets.
(b) Presented as "Other current liabilities" on the Consolidated Balance Sheets.

13. Postretirement Benefit Obligations

Talen Energy Supply and certain subsidiaries sponsor postemployment benefits which include defined benefit pension plans, health and welfare postretirement plans (other postretirement benefit plans), and defined contribution plans.

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

	Successor	Predecessor
	2024	2023
Postretirement benefits service cost (a)	$ 1	$ 1
Interest cost	17	18
Expected return on plan assets	(17)	(22)
Amortization of:		
Net loss	—	1
Postretirement benefit (gain) loss, net (b)	—	(3)
Net periodic defined benefit cost (credit)	**$ 1**	**$ (2)**

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

See Note 10 for additional information on pending litigation regarding certain of our defined benefit pension obligations.

In March 2024, $10 million of excess assets from the PA Mines UMWA Plan VEBA were transferred to a separate VEBA which provides benefits for participants in Talen's health and welfare "wrap plan." As such assets were not presented on the Consolidated Balance Sheets prior to the transfer of the assets from the VEBA, a transfer gain of $10 million was recognized for the three months ended March 31, 2024 (Successor) and presented as "Other non-operating income (expense), net" on the Consolidated of Operations.

14. Earnings Per Share

Basic EPS is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the applicable period. Diluted EPS is computed by dividing income by the weighted-average number of shares of common stock outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common stock as calculated using the treasury stock method. EPS for the three months ended March 31 were:

	Successor	Predecessor
	2024	2023
Numerator: (Millions of Dollars)		
Net Income (loss)	**$ 319**	**$ 46**
Less:		
Net income (loss) attributable to noncontrolling interest	25	(2)
Net Income (loss) attributable to the Company	**$ 294**	**$ 48**
Denominator: (Thousands)		
Weighted-average shares outstanding - Basic	58,807	—
Warrants	184	—
Restricted stock units	427	—
Performance stock units	1,298	—
Weighted-average shares outstanding - Diluted	**60,716**	**—**
Basic earnings per share	**$ 5.00**	N/A
Diluted earnings per share	**4.84**	N/A

Diluted EPS during the three months ended March 31, 2024 (Successor) excludes the impact of 10,125 restricted stock units ("RSUs") outstanding due to their anti-dilutive nature.

In the three months ended March 31, 2024 (Successor) the Company repurchased 493,000 shares of common stock for $39 million at a weighted average per share price of $78.31.

15. Accumulated Other Comprehensive Income

Changes in AOCI for the three months ended March 31 were:

	Successor	Predecessor
	2024	2023
Beginning balance	$ (23)	$ (167)
Gains (losses) arising during the period	—	10
Reclassifications to Consolidated Statements of Operations	(7)	6
Income tax benefit (expense)	3	(7)
Other comprehensive income (loss)	**(4)**	**$ 9**
Accumulated other comprehensive income (loss)	**$ (27)**	**$ (158)**

The components of AOCI, net of tax, for the three months ended March 31 were:

	Successor	Predecessor
	2024	2023
Available-for-sale securities unrealized gain (loss), net	$ 1	$ (8)
Qualifying derivatives unrealized gain (loss), net	—	9
Postretirement benefit prior service credits (costs), net	—	7
Postretirement benefit actuarial gain (loss), net	(28)	(166)
Accumulated other comprehensive income (loss)	**$ (27)**	**$ (158)**

Reclassification adjustments from AOCI to the Consolidated Statements of Operations were non-material amounts for the three months ended March 31, 2024, (Successor) and 2023 (Predecessor).

The postretirement obligations components of AOCI are not presented in their entirety on the Consolidated Statements of Operations during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 13 for additional information.

16. Supplemental Cash Flow Information

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

	Successor 2024	Predecessor 2023
Cash paid (received) during the period		
Interest and other finance charges, net of capitalized interest [a]	$ 33	$ 93
Income taxes, net	—	1
Non-cash investing and operating activities		
Capital expenditure accrual increase (decrease)	(16)	(8)
Depreciation, amortization and accretion included on the Statements of Operations:		
Depreciation, amortization and accretion	75	132
Amortization of deferred finance costs and original issuance discounts (interest expense) [b]	1	6
Other	(2)	—
Total depreciation, amortization and accretion	**$ 74**	**$ 138**
Non-cash financing/investing activities		
Non-cash increase to PP&E and decrease to other current assets for transfer of miners by Cumulus Coin [c]	$ —	$ 14
Non-cash decrease to PP&E and decrease to noncontrolling interest for transfer of miners to TeraWulf	—	2
Non-cash increase to PP&E and increase to noncontrolling interest for transfer of miners by TeraWulf [b]	—	38
Unrealized (gain) loss on derivatives:		
Commodity contracts	134	(30)
Interest rate swap contracts	(6)	2
Total unrealized (gain) loss on derivatives	**$ 128**	**$ (28)**
Operating activities reconciliation adjustments, other:		
Net periodic defined benefit cost	$ —	$ (2)
Stock-based compensation	8	—
Derivative option premium amortization	—	19
Bitcoin revenue	(42)	(9)
Gain on sale of mineral rights and western gas portfolio	—	(29)
Gain on cancellation of lease	—	(7)
Nonrecourse PIK interest	—	6
Debt restructuring (gain) loss, net	(9)	—
Other	1	—
Total	**$ (42)**	**$ (22)**

(a) Capitalized interest totaled $3 million and $8 million for the three months ended March 31, 2024 (Successor) and 2023 (Predecessor).
(b) Includes previously recognized fair value adjustments on certain exchanges of indebtedness.
(c) In 2023, each of the joint venture partners of Nautilus made non-cash contributions to Nautilus of cryptocurrency miners that increased PP&E.

Cash and Restricted Cash

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

	Successor	
	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 597	$ 400
Restricted cash and cash equivalents:		
TES TLC debt restricted deposits	472	472
Nautilus project restricted deposits	10	10
Cumulus Digital Holdings restricted deposits	1	19
Restricted cash and cash equivalents	483	501
Total	$ 1,080	$ 901

17. Acquisitions and Divestitures

Completed Divestitures

ERCOT Asset Sale. In March 2024, the Company and CPS Energy entered into an agreement for CPS Energy to acquire the Company's approximately 1,710 MW Texas generation portfolio located within the ERCOT market for $785 million, subject to customary net working capital adjustments. The sale closed on May 1, 2024. Under the terms of the sale, CPS Energy acquired the Barney Davis, Nueces Bay, and Laredo generation facilities and certain related contracts.

As of March 31, 2024 (Successor), the assets and liabilities associated with the sale are presented as held for sale on the Consolidated Balance Sheet. "Assets held for sale" primarily represent the carrying value of property, plant and equipment, net and "Liabilities held for sale" primarily represent accounts payable and other accrued liabilities.

Cumulus Data Campus Sale. In March 2024, an affiliate of Amazon.com, Inc. (together with its affiliates, "Amazon") purchased substantially all the assets of Cumulus Data and certain other assets for gross proceeds of $650 million. Gross proceeds of $350 million were initially received at closing with the remaining $300 million, presented as "Other current assets" on the Consolidated Balance Sheet, expected to be received from escrow at the completion of certain development milestones. While no assurance can be provided as to when such milestones will be completed, they are expected to be achieved in 2024. Cumulus Digital Holdings distributed $109 million of the initial net proceeds from the sale to its members, including $108 million to TES.

In connection with the Cumulus Data Campus Sale, the Company entered into a power purchase agreement with Amazon, pursuant to which (i) the Company agreed to supply up to 960 MW of long-term, carbon-free power to the Cumulus Data Campus from Susquehanna; (ii) the parties agreed to fixed-price power commitments that increase in 120 MW increments over several years; and (iii) Amazon, under certain conditions, has the option to cap their commitments at 480 MW. Amazon also became lessor under the ground lease agreement with Nautilus.

For the three months ended March 31, 2024 (Successor), a $324 million net gain on sale is presented as "Gain (loss) on sale of assets, net" on the Consolidated Statements of Operations.

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. For the three months ended March 31, 2024 (Predecessor), a $29 million gain was presented as "Other non-operating income (expense), net" on the Consolidated Statements of Operations.

Acquisition of Noncontrolling Interests

In March 2024, TES acquired all of the equity units of Cumulus Digital Holdings held by affiliates of Orion and two former members of Talen senior management in exchange for an aggregate $39 million. Following these transactions, TES owns 100% of the equity of Cumulus Digital Holdings.

Cancelled Acquisition

Talen Montana Colstrip Units 3 and 4 Transaction. In September 2022, Talen Montana entered into an agreement under which Puget Sound Energy, Inc. would abandon its 25% share of Colstrip Units 3 and 4 to Talen Montana for no cash consideration. In February 2024, Puget Sound sent a notice asserting that Talen Montana was in breach of the agreement for failing to obtain Bankruptcy Court approval and that the agreement is unenforceable. Talen Montana has agreed that the agreement is unenforceable and disputed that it breached the agreement. Accordingly, it is unlikely that this transaction will be consummated.

18. Segments

Talen's reportable segments are based upon the market areas in which our generation facilities operate and reflect the manner in which our chief operating decision makers review results and allocates resources. Adjusted EBITDA is the key profit metric used to measure financial performance of each segment. Total assets or other asset metrics are not considered a key metric or reviewed by the chief operating decision makers.

Our reportable segments are engaged in electricity generation, marketing activities, commodity risk and fuel management within their respective RTO or ISO markets. The segments include:

- **PJM** - a reportable segment that includes the operating and marketing activities within the PJM market. PJM is comprised of Susquehanna and Talen's natural gas and coal generation facilities located within the PJM market; and

- **ERCOT and WECC** - a reportable segment that includes the operating and marketing activities within the ERCOT market for the operations of the Talen Texas power generation facilities, and the operating and marketing activities for Talen Montana's proportionate share of the Colstrip Units. We have determined it appropriate to aggregate results from these markets into one reportable segment, based on a combination of size and economic characteristics.

Corporate, Development, and Other, or CD&O, represents the remaining non-segment grouping that includes: (i) General and administrative expenses incurred by our corporate and commercial functions that are not allocated to our reportable segments; (ii) the development activities of Cumulus Growth; (iii) the development and operating activities of Cumulus Digital; (iv) other non-material components that are not regularly reviewed by our chief operating decision makers; and (v) intercompany eliminations. This grouping is presented to reconcile the reportable segments to our consolidated results.

Financial data for the segments and reconciliation to consolidated results are:

	Three Months Ended March 31, 2024 (Successor)			
	PJM	ERCOT and WECC	Corporate, Development, and Other	Total
Operating revenues	$ 418	$ 85	$ 6	$ 509
Interest expense	—	—	59	59
Capital expenditures	52	7	7	66
Adjusted EBITDA	279	15		294

	Three Months Ended March 31, 2023 (Predecessor)			
	PJM	ERCOT and WECC	Corporate, Development, and Other	Total
Operating revenues	$ 974	$ 95	$ 4	$ 1,073
Interest expense	—	—	104	104
Capital expenditures	94	2	34	130
Adjusted EBITDA	644	31		675

	Three Months Ended March 31,	
	Successor	Predecessor
	2024	2023
Adjusted EBITDA:		
PJM	$ 279	$ 184
ERCOT and WECC	15	3
Total Adjusted EBITDA	**$ 294**	**$ 187**
Reconciling Items:		
Interest expense and other finance charges	(50)	(104)
Income tax benefit (expense)	(69)	(14)
Depreciation, amortization and accretion	(75)	(132)
Nuclear fuel amortization	(35)	(24)
Reorganization gain (loss), net	—	(39)
Unrealized (gain) loss on commodity derivative contracts	(134)	31
Nuclear decommissioning trust funds gain (loss), net	75	46
Gain (loss) on non-core asset sales, net	324	35
Legal settlements and litigation costs	2	—
Unusual market events	1	(13)
Impairments, canceled projects, inventory net realizable value and obsolescence, and receivables allowance	(1)	(389)
Corporate, development and other	(13)	462
Net Income (Loss)	**$ 319**	**$ 46**

19. Subsequent Events

The Company evaluated subsequent events through May 13, 2024, the date the financial statements are available to be issued. All significant subsequent events are included in their respective notes to the financial statements, except as noted below.

Share Repurchase Program

On May 9, 2024, the Board of Directors approved an increase of the remaining capacity under the Company’s share repurchase program to $1 billion.

TALEN ENERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Interim Financial Statements, the Annual Financial Statements, and their accompanying notes. In addition, the following discussion contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements and Significant Business Risks" 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 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. The majority of our generation is produced at zero-carbon nuclear and lower-carbon gas-fired facilities. Consistent with our risk management initiatives, we may execute physical and financial commodity transactions involving power, natural gas, nuclear fuel, oil and coal to economically hedge and optimize our generation fleet. As of March 31, 2024 (Successor), our generation capacity was 12,374 MW (summer rating). Talen is headquartered in Houston, Texas.

See "Organizational Structure" and "Generation Fleet" for additional information on our organization and generation portfolio. See Note 17 in Notes to the Interim Financial Statements for information on the recent sale of our generation assets in Texas.

Recent Developments

Cumulus Data Center Campus Sale

In March 2024, an affiliate of Amazon.com, Inc. (together with its affiliates, "Amazon") purchased substantially all the assets of Cumulus Data and certain other assets for gross proceeds of $650 million, $300 million of which is to be held in escrow until the achievement of development milestones that are expected to be achieved in 2024. Additionally, the Company and Amazon entered into long-term power supply commitments. See Note 17 in Notes to the Interim Financial Statements for additional information.

Cumulus Digital TLF Repayment

In March 2024, in connection with the data center campus sale, the Cumulus Digital TLF was paid in full on together with all accrued interest and other outstanding amounts. See Note 11 in Notes to the Interim Financial Statements for additional information on Talen's indebtedness.

Cumulus Digital Buyouts

In March 2024, TES acquired all of the equity units of Cumulus Digital Holdings held by affiliates of Orion and two former members of Talen senior management in exchange for $39 million. Following these transactions, TES owns 100% of the equity of Cumulus Digital Holdings.

ERCOT Asset Sale

In March 2024, the Company and CPS Energy entered into an agreement for CPS Energy to acquire the Company's approximately 1,710 MW Texas generation portfolio located within the ERCOT market for $785 million, subject to customary net working capital adjustments. The sale closed on May 1, 2024. Under the terms of the sale, CPS Energy acquired the Barney Davis, Nueces Bay, and Laredo generation facilities and certain related contracts. See Note 17 in Notes to the Interim Financial Statements for additional information.

Share Repurchases

In the three months ended March 31, 2024, the Company repurchased 493,000 shares of common stock under its share repurchase program for an aggregate $39 million, inclusive of transaction costs, at a weighted average per share price of $78.31.

Upsize of Share Repurchase Program

On May 9, 2024, the Board of Directors approved an increase of the remaining capacity under the Company's share repurchase program to $1 billion.

Factors Affecting Our Financial Condition and Results of Operations

Earnings in future periods are subject to various uncertainties and risks. See "Forward-Looking Statements and Significant Business Risks" and Notes 3 and 10 in Notes to the Interim Financial Statements for additional information on our risks.

Generation Facility Updates

H.A. Wagner Deactivation and Reliability Impact Assessment. In October 2023, for economic reasons, the Company provided a notice to PJM that it intends to deactivate H.A. Wagner on June 1, 2025. The coal-to-fuel oil conversion of H.A. Wagner Unit 3 was completed in December 2023 and will allow the generation facility to serve as a capacity resource until its deactivation. In January 2024, PJM notified H.A Wagner that its generation units 3 and 4 are needed for transmission reliability. In April 2024, H.A. Wagner filed a cost-of-service rate schedule at FERC for the continued Reliability Must Run operation and provision of service from these units. No assurance can be provided when, if at all, FERC will approve the filing. See Note 8 in Notes to the Interim Financial Statements for additional information.

Brandon Shores Fuel Conversion Cancellation, Planned Retirement, and Reliability Impact Assessment. In the first quarter 2023, the project to convert Brandon Shores' fuel source from coal to fuel oil was canceled for economic reasons and an aggregate $379 million of non-cash, pre-tax charges was recognized for the three months ended March 31, 2023 (Predecessor), including a $361 million charge for the generation facility and $18 million of net realizable value and obsolescence charges for materials and supplies inventories and coal inventories.

In April 2023, Brandon Shores notified PJM that it will deactivate electric generation on June 1, 2025 In June 2023, PJM notified Brandon Shores that its generation units 1 and 2 are needed for transmission reliability. In April 2024, Brandon Shores filed a cost-of-service rate schedule at FERC for the continued Reliability Must Run operation and provision of service from these units. No assurance can be provided when, if at all, FERC will approve the filing. See Note 8 in Notes to the Interim Financial Statements for additional information.

Commodity Markets

The following tables summarize average on-peak power prices and natural gas prices for each of the PJM, ERCOT, and WECC markets for the three months ended March 31, 2024 (Successor) and 2023 (Predecessor). During the first quarter 2024, natural gas prices for Texas Eastern M-3 and Houston Ship Channel settled below each of their ten-year averages resulting from reduced demand for natural gas as the regions experienced milder quarterly average temperature conditions. In PJM, the combination of mild temperatures and natural gas prices contributed to the similar on-peak power price settlements experienced during the prior year. In ERCOT and WECC, increased demand resulting from colder-than-average temperatures during January 2024 contributed to higher average on-peak power prices in each region compared to the prior year.

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

	2024	2023
PJM West Hub Day Ahead Peak - $/MWh	$ 36.03	$ 36.35
PJM PL Zone Day Ahead Peak - $/MWh	29.68	31.43
PJM BGE Zone Day Ahead Peak - $/MWh	38.31	40.18
Texas Eastern M-3 - $/MMBtu	2.90	2.93

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

	2024	2023
2025 PJM West Hub Day Ahead Peak - $/MWh	$ 66.52	$ 80.40
2026 PJM West Hub Day Ahead Peak - $/MWh	73.49	83.48
2025 Texas Eastern M-3 - $/MMBtu	5.50	8.80
2026 Texas Eastern M-3 - $/MMBtu	6.31	9.09

The PJM West Hub 2025 and 2026 January and February average on-peak forward prices decreased approximately 17% and 12%, respectively, compared to the prior year.

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

	2024	2023
ERCOT South Hub Day Ahead Peak - $/MWh	$ 31.27	$ 27.46
ERCOT South Hub Day Ahead Spark Spreads - $/MWh[(a)]	17.79	11.91
Houston Ship Channel - $/MMBtu	1.92	2.23

(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:

	2024	2023
2024 ERCOT South Hub Real Time Spark Spreads - $/MWh [(a)]	$ 109.57	$ 51.61
2025 ERCOT South Hub Real Time Spark Spreads - $/MWh [(a)]	81.33	45.63
2026 ERCOT South Hub Real Time Spark Spreads - $/MWh [(a)]	75.14	45.62

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

The ERCOT South Hub Day Ahead Spark Spreads 2024 quarter average settled prices increased approximately 49% compared to the prior year.

The ERCOT South Hub 2024 and 2025 July and August average on-peak forward spark spreads prices increased approximately 112% and 78%, respectively, compared to the prior year.

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

	2024	2023
Mid-Columbia Day Ahead Peak - $/MWh	$ 113.11	$ 107.98
Sumas - $/MMBtu	3.23	8.26

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

	2024	2023
2024 Mid-Columbia Day Ahead Peak - $/MWh	$ 134.96	$ 180.76
2025 Mid-Columbia Day Ahead Peak - $/MWh	134.99	172.36
2026 Mid-Columbia Day Ahead Peak - $/MWh	122.66	136.66

The Mid-Columbia Day Ahead Peak 2024 quarter average settled prices increased approximately 5% compared to the prior year.

The Mid-Columbia 2024 and 2025 third quarter average on-peak forward prices decreased approximately 25% and 22%, respectively, compared to the prior year.

Capacity Markets

Approximately 85% of our generation capacity is located in markets with capacity products, which are intended to 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, reserve margin targets and adjustments to PJM MSOC as determined by the PJM IMM.

PJM Capacity Auctions. Under the RPM, PJM conducts a series of capacity auctions. Most capacity is procured in the auctions conducted each May for the delivery of generation capacity for the PJM Capacity Year, which is 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.

See “Capacity Prices” below for additional information on capacity prices and see Note 10 in Notes to Interim Financial Statements for additional information on the PJM RPM and other PJM matters.

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 as of March 31, 2024:

	2024/2025	2023/2024	2022/2023	2021/2022
PJM Capacity Performance ($/MW-day) [(a)]				
MAAC	$ 49.49	$ 49.49	$ 95.79	$ 140.00
PPL	49.49	49.49	95.79	140.00
BGE	73.00	69.95	126.50	200.30
PSEG	54.95	49.49	97.86	204.29

(a) Displayed prices are from the applicable market publications.

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 Internal Revenue Code to create a nuclear production tax credit program.

The Nuclear PTC program provides qualified nuclear power generation facilities with a $3 per MWh transferable credit for electricity produced and sold to an unrelated party during each tax year. Electricity produced and sold by Susquehanna after December 31, 2023 through December 31, 2032 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. As the credit is eliminated when the annual gross receipts are equivalent to $43.75 per MWh (adjusted for inflation), the Nuclear PTC program is expected to create a minimum price Susquehanna is expected to receive for its generation. Susquehanna generated approximately 18 million MWh in each of the calendar years 2023, 2022 and 2021.

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 Inflation Reduction Act's provisions are subject to implementation regulations, whose terms are not yet known. No assurance can be provided as to the magnitude of the benefit to Susquehanna as the Inflation Reduction Act's provisions, including the computations of the Nuclear PTC, are subject to implementation regulations. As such, Talen cannot fully predict the realization of any minimum price for Susquehanna's generation and (or) impacts to Talen's liquidity or results of operations. See Note 4 for additional information on Nuclear PTC revenue recognized.

Seasonality/Scheduled Maintenance

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

We ordinarily perform facility maintenance during lower or non-peak demand periods to ensure reliability during periods of peak usage. The pattern of the fluctuations in our operating results varies depending on the type and location of the power generation facilities being serviced, capacity markets served, the maintenance requirements of our facilities and the terms of bilateral contracts to purchase or sell electricity. The largest and recurring maintenance project is the annual spring refueling outage at Susquehanna. The outages normally occur during late March and into April each year. Susquehanna Unit 1 entered its spring refueling outage on March 25, 2024 and successfully completed the outage on April 25, 2024.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the Interim Financial Statements, the Annual Financial Statements, and their respective notes. Our financial results for the three-month period ended March 31, 2024 are referred to as the "Successor" period. Our financial results for the three-month period ended March 31, 2023 are referred to as the "Predecessor" period. The operating results for the three months ended March 31, 2024 cannot be adequately compared with any of the previous periods reported in the Interim Financial Statements or Annual Financial Statements. Our results of operations as reported in the Interim Financial Statements are prepared in accordance with GAAP.

In the explanations below, “Energy and other revenues” and “Fuel and energy purchases” are evaluated collectively because the price for power is generally determined by the variable operating cost of the next marginal generator dispatched to meet demand. Energy revenues relate to sales to an ISO or RTO, sales under wholesale bilateral contracts or realized hedging activity, bitcoin revenue and Nuclear PTC revenue. Fuel and energy purchases includes costs for fuel to generate electricity and settlements of financial and physical transactions related to fuel and energy purchases.

In addition, unrealized gains (losses) on derivatives instruments resulting from changes in fair value during the period and are presented separately as revenues within “Operating Revenues” and expenses within “Total Energy Expenses” in the Interim Financial Statements. We evaluate them collectively because they represent the changes in fair value of Talen’s economic hedging activities.

Results for the three months ended March 31, 2024 (Successor) and 2023 (Predecessor)

The following table and subsequent sections display the results of operations for the Successor and Predecessor periods:

	Successor	Predecessor
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Capacity revenues	$ 45	$ 66
Energy and other revenues	572	862
Unrealized gain (loss) on derivative instruments	(108)	145
Operating Revenues	**509**	**1,073**
Energy Expenses		
Fuel and energy purchases	(150)	(107)
Nuclear fuel amortization	(35)	(24)
Unrealized gain (loss) on derivative instruments	(27)	(114)
Total Energy Expenses	**(212)**	**(245)**
Operating Expenses		
Operation, maintenance and development	(154)	(177)
General and administrative	(43)	(29)
Depreciation, amortization and accretion	(75)	(132)
Impairments	—	(365)
Other operating income (expense), net	—	(9)
Operating Income (Loss)	**25**	**116**
Nuclear decommissioning trust funds gain (loss), net	75	46
Interest expense and other finance charges	(59)	(104)
Reorganization income (expense), net	—	(39)
Gain (loss) on sale of assets, net	324	—
Other non-operating income (expense), net	23	41
Income (Loss) Before Income Taxes	**388**	**60**
Income tax benefit (expense)	(69)	(14)
Net Income (Loss)	**319**	**$ 46**
Less: Net income (loss) attributable to noncontrolling interest	25	(2)
Net Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$ 294**	**$ 48**

Successor Period — Three months ended March 31, 2024 (Successor)

Net Income (Loss) Attributable to Members totaled $294 million for the three months ended March 31, 2024 (Successor). Results were driven by:

- *Capacity Revenues* totaled $45 million. This primarily included earned capacity awards based on resource clearing prices received from the PJM Base Residual Auction for the 2023/2024 delivery period.
- *Energy and Other Revenues, net of Fuel and Energy Purchases*, totaled $422 million. This consisted of: (i) $329 million in third-party wholesale electricity sales and ancillary revenues; (ii) $78 million in other revenue primarily related to Nautilus operations and Nuclear PTC; and (iii) $166 million in net realized gains from hedging activities. Such amounts were partially offset by $(151) million in fuel and purchased power costs.
- *Unrealized Gain (Loss) on Derivative Instruments* totaled $(135) million loss, net. This consisted of: (i) unrealized losses from the reversal of positions previously recognized as mark-to-market assets which settled during the period; and (ii) unrealized losses incurred as a result of increases in forward power prices.
- *Nuclear Fuel Amortization* totaled $(35) million. This consisted of the periodic expense of nuclear fuel costs capitalized as property, plant and equipment. Activity also included $(11) million of amortization on certain nuclear fuel contracts that were recognized at fair value at Emergence.
- *Operation, Maintenance, and Development* totaled $(154) million. This consisted of generation facility operating costs, including wages and benefits for employees, the costs of removal, repairs and maintenance that are not capitalized, contractor costs, and certain materials and supplies.
- *Depreciation, Amortization and Accretion* totaled $(75) million. This consisted of the periodic expense of long-lived property, plant and equipment and ARO accretion.
- *Nuclear Decommissioning Trust Funds Gain (Loss), net*, totaled $75 million. This consisted of realized and unrealized gains on equity securities, dividends, and interest income on investments in the NDT. See Notes 7 and 12 in Notes to the Interim Financial Statements for additional information.
- *Interest Expense and Other Finance Charges* totaled $(59) million. This primarily consisted of interest expense incurred on the Secured Notes and Term Loans.
- *Other Non-operating Income (Expense), net*, totaled $23 million. This primarily consisted of the gain on the sale of the Cumulus Data Center Campus. See Note 17 in Notes to the Interim Financial Statements for additional information.
- *Income Tax Benefit (Expense)* totaled $(69) million. This primarily consisted of federal/state income taxes, effects of permanent nondeductible items, trust tax on the nuclear decommissioning trust income, and changes in the valuation allowance.

Predecessor Period — Three months ended March 31, 2023

Net Income (Loss) Attributable to Member totaled $48 million for the three months ended March 31, 2023 (Predecessor). Results were driven by:

- *Capacity Revenues* totaled $66 million. This primarily included earned capacity awards based on resource clearing prices received from the PJM Base Residual Auction for the 2022/2023 delivery period. Capacity revenues were negatively impacted by $(13) million of net PJM capacity penalties related to the 2022 Winter Storm Elliot. See Note 10 in Notes to the Interim Financial Statements for additional information on PJM capacity penalties.

- *Energy and Other Revenues, net of Fuel and Energy Purchases*, totaled $755 million. This consisted of: (i) $585 million in net realized gains from hedging activities; (ii) $245 million in third-party wholesale electricity sales and ancillary revenues; and (iii) $9 million in other revenue primarily related to Nautilus operations. Such amounts were partially offset by $(84) million in fuel and purchased power costs.

- *Unrealized Gain (Loss) on Derivative Instruments* totaled $31 million gain, net. This consisted of: (i) unrealized gains incurred as a result of decreases in forward power prices; partially offset by (ii) unrealized losses from the reversal of positions previously recognized as mark-to-market assets which settled during the period.

- *Nuclear Fuel Amortization* totaled $(24) million. This consisted of the periodic expense of nuclear fuel costs capitalized as property, plant and equipment.

- *Operation, Maintenance, and Development* totaled $(177) million. This consisted of generation facility operating costs, including wages and benefits for employees, the costs of removal, repairs and maintenance that are not capitalized, contractor costs, and certain materials and supplies.

- *Depreciation, Amortization and Accretion* totaled $(132) million. This consisted of the periodic expense of long-lived property, plant and equipment, and ARO accretion.

- *Impairments* totaled $(365) million. This primarily consisted of the Brandon Shores asset group impairment. See Note 8 in Notes to the Interim Financial Statements for additional information.

- *Nuclear Decommissioning Trust Funds Gain (Loss), net*, totaled $46 million. This consisted of realized and unrealized gains on equity securities, dividends, and interest income on investments in the NDT. See Notes 7 and 12 in Notes to the Interim Financial Statements for additional information.

- *Interest Expense and Other Finance Charges* totaled $(104) million. This primarily consisted of interest expense incurred on prepetition debt and certain LC fees.

- *Reorganization Income (Expense), net*, totaled $(39) million. This primarily consisted of professional fees and make-whole premiums accruals incurred during the Restructuring.

- *Other Non-operating Income (Expense), net*, totaled $41 million. This primarily consisted of non-recurring sale during the period. See Note 17 in Notes to the Interim Financial Statements for additional information on the sale.

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 potential incremental financing 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 manage price risk exposure, and the ability to access a wide range of capital market financing options.

Our hedging strategy is focused on establishing appropriate risk tolerances with an emphasis on protecting cash flows across our generation fleet. Our strong balance sheet provides ample capacity and counterparty appetite for lien-based hedging, which does not require cash collateral posting. Specifically, our hedging strategy prioritizes a first lien-based hedging program in which hedging counterparties are granted a lien in the same collateral securing our first-lien debt obligations. This strategy limits the use of exchange-based hedging and the associated margin requirements, which helps minimize collateral positing requirements. Additionally, there are lower overall hedging needs given the cash-flow stability afforded by the Nuclear PTC and significantly reduced debt service requirements.

We are partially 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 needs.

In March 2024, using proceeds from the sale of Cumulus Data assets, the Cumulus Digital TLF was paid in full, together with all accrued interest and other outstanding amounts. See Note 17 in Notes to the Interim Financial Statements for additional information on the Data Center Campus Sale.

See Notes 3, 9 and 16 in Notes to the Interim Financial Statements for additional information regarding various liquidity topics discussed below.

Talen Liquidity

	Successor	
	March 31, 2024	December 31, 2023
Cash and cash equivalents, unrestricted	$ 597	$ 400
RCF	544	638
Available liquidity	**$ 1,141**	**$ 1,038**

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

Financial Performance Assurances

	Successor	
	March 31, 2024	December 31, 2023
Outstanding surety bonds	$ 241	$ 240

TES 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.

Forecasted Uses of Cash

See Management's Discussion and Analysis and Analysis of Financial Condition and Results of Operations in the Annual Financial Statements for information regarding forecasted uses of cash related to capital expenditures and forecasted spending on AROs and accrued environmental liabilities.

Indebtedness

Long-Term Debt Repricing. In May 2024, the Company completed a repricing of the TLB and TLC. The lenders agreed to, among other things lower the interest charges by 100 basis points and waive the prepayment obligation in connection with the sale of the Company's Texas generation portfolio.

See Note 11 in Notes to the Interim Financial Statements for additional information on the repricing and Talen's indebtedness.

Cash Flow Activities

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

	Successor	Predecessor
	2024	2023
Operating activities	$ 173	$ 744
Investing activities	265	(118)
Financing activities	(259)	(28)

Successor Period — Three months ended March 31, 2024

- *Operating Cash Flows.* Cash provided by (used in) operating activities totaled $173 million. This primarily consisted of cash provided from operations of the Company.

- *Investing Cash Flows.* Cash provided by investing activities totaled $265 million. Talen initially received $339 million of proceeds, net from the Cumulus Data Center Campus Sale. Partially offsetting this inflow were capital expenditures that totaled $(66) million that primarily consisted of $(41) million for nuclear-fuel expenditures. See Note 17 in Notes to the Interim Financial Statements for additional information on the Cumulus Data Center Sale.

- *Financing Cash Flows.* Cash (used) by financing activities totaled $(259) million. This primarily consisted of $182 million for the repayment of the Cumulus Digital TLF in March 2024 using a portion of the proceeds from the Cumulus Data Center Campus Sale; $(39) million for the repurchase of noncontrolling interests held by affiliates of Orion and two former members of Talen senior management; and $(30) million to purchase treasury stock.

Predecessor Period — Three months ended March 31, 2023

- *Operating Cash Flows.* Cash provided by operating activities totaled $744 million. This consisted of cash provided from the operations of the Company, including declines in accounts receivable and in collateral deposits paid.
- *Investing Cash Flows.* Cash (used in) investing activities totaled $(118) million. This primarily consisted of capital expenditures offset by $29 million in proceeds from the sale of non-core assets. Capital expenditures, including those for nuclear fuel, totaled $(130) million and consisted of: (i) $(84) million primarily for capital projects including the Montour fuel conversion, growth projects at Cumulus Data and Nautilus; and (ii) $(46) million for nuclear-fuel expenditures. See Note 17 in Notes to the Interim Financial Statements for additional information on the sale.
- *Financing Cash Flows.* Cash (used in) financing activities totaled $(28) million. This consisted of primarily of a final payment in January 2023 on terminated economic hedges that that were terminated in March 2022 but had deliveries until January 2023.

Contractual Obligations and Commitments

Guarantees of Subsidiary Obligations

TES guarantees certain agreements and obligations for its subsidiaries. Certain agreements may contingently require payments to a guaranteed or indemnified party. See Note 10 in Notes to the Interim Financial Statements for additional information regarding guarantees.

Quantitative and Qualitative Disclosures About Market Risk

See Note 5 in Notes to the Interim Financial Statements and Note 5 in Notes to the Annual Financial Statements for a description of our market risk

Non-GAAP Financial Measure

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

Adjusted EBITDA

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

Adjusted EBITDA is computed as net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization, or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions, and asset retirement; (ix) impairments, obsolescence, and net realizable value charges; (x) interest expense; (xi) income taxes; (xii) legal settlements, liquidated damages, and contractual terminations; (xiii) development expenses; (xiv) noncontrolling interests; and (xv) other adjustments. Such adjustments are computed consistently with the provisions of our indebtedness to the extent that they can be derived from the financial records of the business. Pursuant to TES's debt agreements, Cumulus Digital contributes to Adjusted EBITDA beginning in the first quarter 2024, following termination of the Cumulus Digital credit facility and associated cash flow sweep.

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

The following table presents a reconciliation of the GAAP financial measure of "Net Income (Loss)" presented on the Consolidated Statements of Operations to the non-GAAP financial measure of Adjusted EBITDA for the three months ended March 31:

	Successor 2024	Predecessor 2023
Net Income (Loss)	**$ 319**	**$ 46**
Adjustments		
Interest expense and other finance charges	50	104
Income tax (benefit) expense	69	14
Depreciation, amortization and accretion	75	132
Nuclear fuel amortization	35	24
Reorganization (gain) loss, net [a]	—	39
Unrealized (gain) loss on commodity derivative contracts	134	(31)
Nuclear decommissioning trust funds (gain) loss, net	(75)	(46)
Stock-based compensation expense	8	—
Long-term incentive compensation expense	10	—
(Gain) loss on non-core asset sales, net [b]	(324)	(35)
Non-cash impairments [c]	—	365
Legal settlements and litigation costs [d]	(2)	—
Unusual market events [e]	(1)	13
Net periodic defined benefit cost [f]	—	(2)
Operational and other restructuring activities	2	8
Development expenses	—	7
Non-cash inventory net realizable value, obsolescence, and other charges [g]	1	24
Noncontrolling interest	(11)	(3)
Other	(1)	1
Total Adjusted EBITDA	**$ 289**	**$ 660**

(a) See Note 2 in Notes to the Interim Financial Statements for additional information.
(b) See Note 17 in Notes to the Interim Financial Statements for additional information.
(c) See Note 8 in Notes to the Interim Financial Statements for additional information.
(d) See Note 10 in Notes to the Interim Financial Statements for additional information.
(e) Adjustments of PJM capacity penalty charges related to Winter Storm Elliott.
(f) Consists of postretirement benefits service cost and postretirement benefits gain (loss).
(g) See Note 6 in Notes to the Interim Financial Statements for additional information.

Critical Accounting Policies and Estimates

The Company's financial statements are prepared in conformity with GAAP, which require the application of appropriate accounting policies to form the basis of estimates utilizing methods, judgments, and (or) assumptions that materially affect: (i) the measurement and carrying values of assets and liabilities as of the date of the financial statements; (ii) the revenues recognized and expenses incurred during the presented reporting periods; and (iii) financial statement disclosures of commitments, contingencies, and other significant matters. Such judgments and assumptions may include significant subjectivity due to inherent uncertainties of future events which exist to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions or if different assumptions had been used. See the Annual Financial Statements for a description of our significant accounting policies and estimates.

FORWARD-LOOKING STATEMENTS AND SIGNIFICANT BUSINESS RISKS

These Interim Financial Statements contain forward-looking statements concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not statements of historical fact. 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 reflected 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.

Such risks and uncertainties include, but are not limited to:

- our ability to comply with the covenants under the agreements governing our indebtedness;
- the limitations our level of indebtedness may place on our financial flexibility;
- our inability to access the capital markets on favorable terms or at all;
- the availability of cash flows from operations and other funds to finance reserve replacement costs or satisfy our debt obligations;
- risks related to future changes in the market price of electricity, natural gas and other commodities;
- risks related to weather and the demand for electricity;
- declines in wholesale electricity prices or decreases in demand for electricity due to macroeconomic factors;
- risks related to competition in the competitive power generation market;
- adverse developments or losses from pending or future litigation and regulatory proceedings;
- risks related to regulation and compliance with government permits and approvals;
- risks related to environmental regulation of our fossil fuel and coal-fired power generation businesses and uncertainty surrounding the associated environmental liabilities and asset retirement obligations;
- risks related to potential changes to environmental regulatory requirements related to coal-combustion byproducts, the operation and remediation of coal ash ponds and other regulatory oversight to our operations;
- risks related to armed conflicts, war, terrorist attacks or threats and other significant events;
- risk related to our reliance on the operations and financial results of Susquehanna to fund our other operations and satisfy our liquidity and other financial requirements;
- risks related to the impact of our operations on the environment, including the risk of exposure to hazardous substances;
- risks associated with Susquehanna, including risks relating to: (i) the 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 storage and disposal of spent nuclear fuel;
- risks related to the continuation of capacity auctions in the PJM RTO, or changes to the capacity auction rules and procedures;

- credit risk and potential concentrations of credit risk resulting from market counterparties, financial institutions, customers and other parties;
- risks related to pandemics, epidemics, outbreaks or other public health events that are outside of our control, and could significantly disrupt our operations and adversely affect our financial condition;
- risks related to potential disruptions in the supply of fuel and other products necessary for the operation of our generation facilities;
- unplanned outages or periods of reduced output at our generation facilities;
- effects of transmission congestion, including due to line maintenance outages, on the realized margins of our generation fleet;
- risks associated with the collection of shared expenses from co-owners of jointly owned facilities;
- the expiration or termination of hedging contracts;
- risks related to our ability to retain and attract a qualified workforce;
- operational, price and credit risks associated with selling and marketing products in the wholesale power markets, including uncertainty around unknown future changes in market constructs, market responses (such as penalties) to extraordinary events and potential negative financial impacts (such as short payments) stemming from shortfalls of other market participants;
- market and liquidity risks arising from our purchase and sale of power, capacity and related products, fuel, transmission services and emission allowances;
- risks related to our generation facilities being part of interconnected regional grids, including the risk of a blackout due to a disruption on a neighboring interconnected system;
- cyber-based security and related integrity risks;
- the impacts of climate change, including related changes in legislation, regulation, market rules or enforcement;
- risks related to any change in the structure and operation of, or the various pricing limitations imposed by, the RTOs and ISOs in regions where our generation is located;
- the availability and cost of emission allowances;
- risks related to our ability to fund and otherwise successfully execute on our energy transition plans, including development of our renewable energy and battery storage projects, our ability to supply power to our digital infrastructure growth projects, and our efforts to repower facilities to run on alternate fuel sources, and the risk that our plans may not achieve its desired results;
- construction and development risks relating to projects undertaken as part of our carbon deleveraging plans, including risks relating to our ability to acquire the necessary permits, the performance of third-party contractors and fluctuating construction costs;
- operational risks relating to the Nautilus facility, including the risk of interruptions to the provision of power, as well as cyber or other breaches of its infrastructure;
- risks relating to cryptocurrency mining, including price volatility of digital assets, increasing scrutiny from investors, lenders and other stakeholders and the likelihood of increased regulation of digital assets; and
- other risks identified in these Interim Financial Statements.

We caution you that the foregoing list may not contain all forward-looking statements made in these Interim Financial Statements.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in these Interim Financial Statements primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described elsewhere in these Interim Financial Statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in these Interim Financial Statements. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

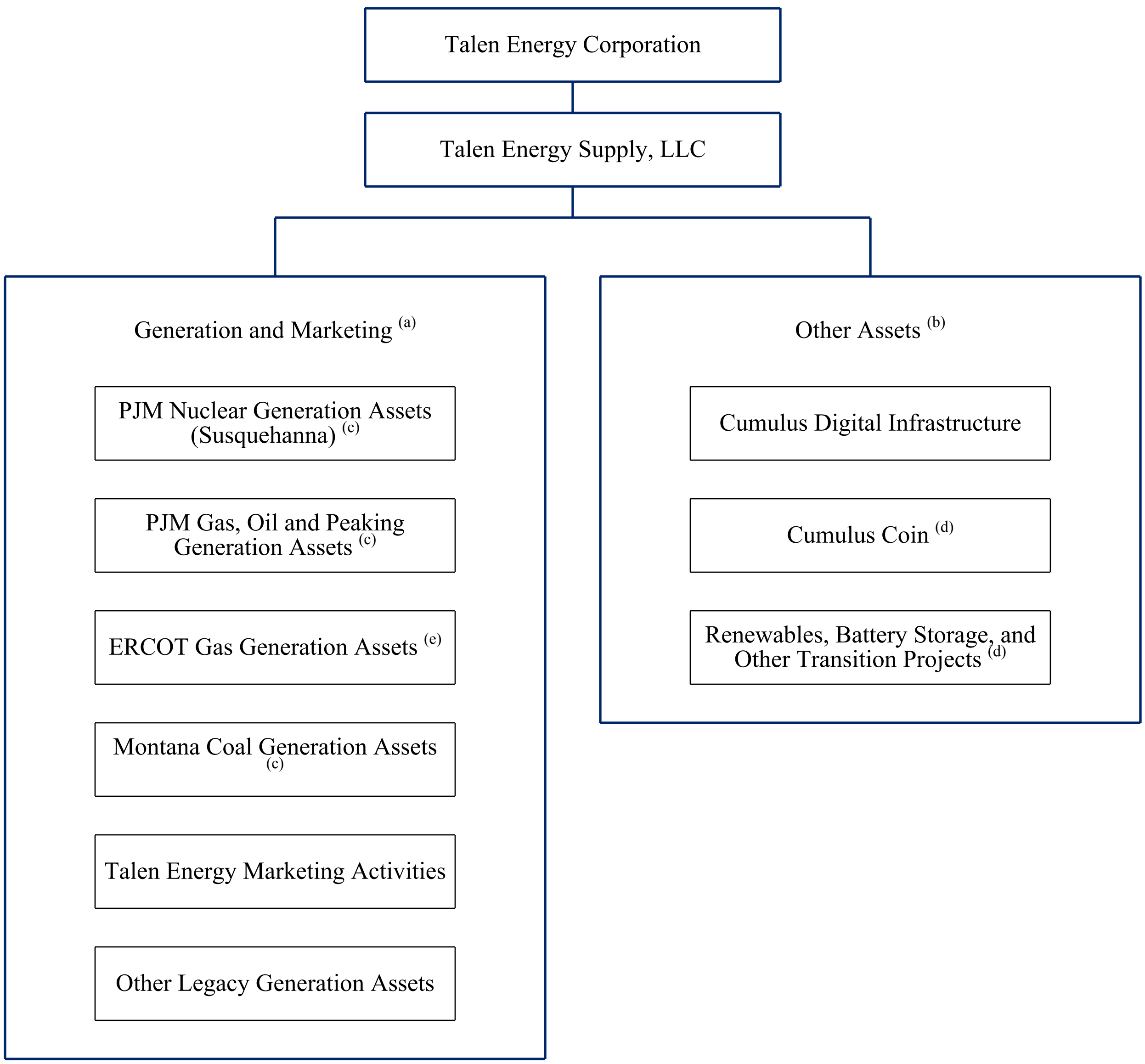
In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of these Interim Financial Statements. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in these Interim Financial Statements relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in these Interim Financial Statements to reflect events or circumstances after the date of these Interim Financial Statements or to reflect new information, actual results, revised expectations or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

TALEN ENERGY CORPORATION AND SUBSIDIARIES

ORGANIZATIONAL STRUCTURE

MARCH 31, 2024 (UNAUDITED)



(a) See Note 13 in Notes to the Annual Financial Statements for additional information on the indebtedness supporting these activities.

(b) Such assets are not encumbered by TES indebtedness. See Note 11 in Notes to the Interim Financial Statements on the full repayment of the Cumulus Digital TLF in March 2024.

(c) Includes jointly-owned electric generation facilities. See "Generation Fleet" section of the Interim Financial Statements for additional information.

(d) Includes joint ventures in cryptocurrency and renewable energy projects.

(e) See Note 17 in Notes to the Interim Financial Statements for information related to the sale of ERCOT generation assets.

TALEN ENERGY CORPORATION AND SUBSIDIARIES

GENERATION FLEET AS OF MARCH 31, 2024 (UNAUDITED)

Generation Facility	MW Capacity [(a)]	Percentage Ownership	MW Ownership	Fuel Type	State	Market
PJM						
Susquehanna [(b)]	2,476	90 %	2,228	Nuclear	PA	PJM
Martins Creek	1,716	100 %	1,716	Natural Gas/Oil	PA	PJM
Montour [(e)]	1,508	100 %	1,508	Coal/Natural Gas	PA	PJM
Brunner Island [(c) (e)]	1,429	100 %	1,429	Coal/Natural Gas	PA	PJM
Brandon Shores [(d)]	1,283	100 %	1,283	Coal	MD	PJM
H.A. Wagner [(d)]	834	100 %	834	Natural Gas/Oil	MD	PJM
Lower Mt. Bethel	606	100 %	606	Natural Gas	PA	PJM
Conemaugh [(b) (e)]	1,739	22.22 %	386	Coal	PA	PJM
Keystone [(b) (e)]	1,733	12.34 %	214	Coal	PA	PJM
Camden	145	100 %	145	Natural Gas	NJ	PJM
Peaking units	13	100 %	13	Oil	MD	PJM
Total	**13,482**		**10,362**			
ERCOT						
Barney Davis [(f)]	897	100 %	897	Natural Gas	TX	ERCOT
Nueces Bay [(f)]	635	100 %	635	Natural Gas	TX	ERCOT
Laredo [(f)]	178	100 %	178	Natural Gas	TX	ERCOT
Total	**1,710**		**1,710**			
Other Power Markets						
Colstrip Unit 3 [(b)]	740	30 %	222	Coal	MT	WECC
Dartmouth	80	100 %	80	Natural Gas/Oil	MA	ISO-NE
Total	**820**		**302**			
Generation Fleet	**16,012**		**12,374**			

(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 10 in Notes to the Annual Financial Statements for additional information regarding jointly owned facilities.
(c) Coal-fired electric generation is restricted during the EPA Ozone Season, which is May 1 to September 30 of each year.
(d) See Note 10 in Notes to the Interim Financial Statements for additional information on the Brandon Shores and H.A. Wagner deactivations.
(e) Coal-fired electric generation is required to cease at Montour by December 2025 and at Brunner Island, Keystone, and Conemaugh by December 2028 with an earlier retirement of coal at the wholly owned facilities of Montour and Brunner Island at the Company's election.
(f) See Note 17 in Notes to the Interim Financial Statements for additional information on the sale of ERCOT generation facilities.

GLOSSARY OF TERMS AND ABBREVIATIONS

Adjusted EBITDA. Net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions and asset retirement; (ix) impairments, obsolescence and net realizable value charges; (x) interest; (xi) income taxes; (xii) legal settlements, liquidated damages and contractual terminations; (xiii) development expenses; (xiv) noncontrolling interests; and (xv) other adjustments. Such adjustments are computed consistently with the provisions of our indebtedness to the extent that they can be derived from the financial records of the business. Pursuant to TES's debt agreements, Cumulus Digital contributes to Adjusted EBITDA beginning in the first quarter 2024, following termination of the Cumulus Digital credit facility and associated cash flow sweep.

Annual Financial Statements. The audited Consolidated Balance Sheets of TEC as of December 31, 2023 (Successor) and TES as of December 31, 2022 (Predecessor); the related audited consolidated statements of operations, statements of comprehensive income, statements of cash flows, and statements of equity for the period from May 18, 2023 through December 31, 2023 (Successor), and for the period from January 1, 2023 through May 17, 2023 and the years ended 2022 and 2021 (Predecessor), and the related notes.

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

ARO. Asset retirement obligation.

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

Barney Davis. A Talen-owned and operated generation facility in Corpus Christi, Texas.

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

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

Board of Directors. The board of directors of Talen Energy Corporation.

Brandon Shores. A Talen-owned and operated generation facility in Curtis Bay, Maryland.

Brunner Island. A Talen-owned and operated generation facility in York Haven, Pennsylvania.

Camden. A Talen-owned and operated generation facility in Camden, New Jersey.

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

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

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

CIFP. Critical Issue Fast Path.

Code. The Internal Revenue Code of 1986, as amended.

Colstrip. A generation facility comprised of four coal-fired generation units located in Colstrip, Montana (collectively, the "Colstrip Units"). Talen Montana operates the Colstrip Units, owns an undivided interest in Colstrip Unit 3, and has an economic interest in Colstrip Unit 4. Colstrip Units 1 and 2 were permanently retired in January 2020. See Note 8 in Notes to the Annual Financial Statements for additional information on jointly owned facilities and Talen Montana's ownership interests in the Colstrip Units. See Note 17 in Notes to the Annual Financial Statements for information on the potential acquisition by Talen Montana of additional interests in Colstrip Units 3 and 4.

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

Conemaugh. A generation facility located in New Florence, Pennsylvania, in which Talen Generation, through a direct subsidiary, owns a 22.22% undivided interest. Conemaugh is operated by an unaffiliated party. See Note 8 in Notes to the Annual Financial Statements for additional information on jointly owned facilities.

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

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

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

Cumulus Coin. Cumulus Coin LLC, a direct subsidiary of Cumulus Coin Holdings that owns a 75% equity interest in Nautilus as of March 31, 2024.

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

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

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

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

Cumulus Digital Equity Conversion. The conversion of preferred equity in Cumulus Coin Holdings and Cumulus Data Holdings held by TES, Talen Growth and Riverstone V Coin Holdings L.P., and the conversion of class B units of Cumulus Digital Holdings held by Orion affiliates, in each case into common equity of Cumulus Digital Holdings, as contemplated by the Cumulus Term Sheet, dated as of August 29, 2022, by and among TES, TEC, Cumulus Digital Holdings, Orion, Riverstone and certain of their respective affiliates, which was an attachment to the fifth amendment to the Restructuring Support Agreement, dated as of May 9, 2022, among the Company and various stakeholders in the Restructuring.

Cumulus Digital Holdings. Cumulus Digital Holdings LLC, a subsidiary of TES 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, TES obtained a controlling financial interest in Cumulus Digital Holdings. Accordingly, TES consolidates this entity and its subsidiaries in accordance with accounting rules. As of March 11, 2024, TES owned 99.5% of the common equity of Cumulus Digital Holdings.

Cumulus Digital TLF. The Cumulus Digital term loan facility, due September 2027, under that certain Credit Agreement, dated as of September 20, 2021, by and among Cumulus Digital and its subsidiaries, Cumulus Digital Holdings and affiliates of Orion, as the same was amended, amended and restated, supplemented or otherwise modified from time-to-time, under which Cumulus Digital borrowed $175 million to support Cumulus Coin's required contributions to Nautilus, as well as Cumulus Data's construction of certain shared infrastructure supporting both Nautilus and the Cumulus Data Center Campus. The Cumulus Digital TLF was repaid in full and terminated in March 2024.

Cumulus Growth Holdings. Cumulus Growth Holdings LLC, a direct subsidiary of TES that owns interests in real estate and renewable development projects.

Dartmouth. A Talen-owned and operated generation facility in Dartmouth, Massachusetts.

Data Center Campus Sale. On March 1, 2024, the Company completed its disposition of certain assets of Cumulus Data, which included our zero-carbon data center campus currently being developed adjacent to Susquehanna, to Amazon Data Services, Inc.

EIS. Environmental Impact Statement related to mining permits.

Emergence. May 17, 2023, the date that the Plan of Reorganization became effective in accordance with the terms thereof and TEC, TES and the other debtors emerged from the Restructuring.

EPA. U.S. Environmental Protection Agency.

EPA 2015 Ozone Standard. In 2015, the EPA strengthened the NAAQS for ground-level ozone to 70 parts per billion ("ppb"), based on extensive scientific evidence about ozone's effects on public health and welfare.

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

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

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

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

EPS. Earnings per share.

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

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

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

GAAP. Generally Accepted Accounting Principles in the United States.

GW. Gigawatt, one million kilowatts of electric power.

H.A. Wagner. A Talen-owned and operated generation facility in Curtis Bay, Maryland.

Inflation Reduction Act. The Inflation Reduction Act of 2022, which was signed into law in August 2022. Among the Inflation Reduction Act's provisions are: (i) amendments to the 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.

ISO. Independent System Operator.

Keystone. A generation facility located in Shelocta, Pennsylvania, in which Talen Generation, through a direct subsidiary, owns a 12.34% undivided interest. Keystone is operated by an unaffiliated party. See Note 8 in Notes to the Annual Financial Statements for additional information on jointly owned facilities.

Laredo. A Talen-owned and operated generation facility in Laredo, Texas.

LC. Letter of credit.

Lower Mt. Bethel. A Talen-owned and operated generation facility in Bangor, Pennsylvania.

Martins Creek. A Talen-owned and operated generation facility in Bangor, Pennsylvania.

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

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

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

MMBtu. One million British Thermal Units.

Montour. A Talen-owned and operated generation facility in Washingtonville, Pennsylvania.

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

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

Nautilus. Nautilus Cryptomine LLC, a joint venture owned, as of March 31, 2024, 75% by Cumulus Coin and 25% by TeraWulf, which owns and operates a cryptomining project on land leased from Amazon at the Cumulus Data Center Campus.

NAV. Net asset value.

NCI. Noncontrolling interest.

NDT. Nuclear facility decommissioning trust for Susquehanna.

NEIL. Nuclear Electric Insurance Limited.

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

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

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

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

Nuclear PTC. The nuclear production tax credit under the Inflation Reduction Act.

Nueces Bay. A Talen-owned and operated generation facility in Corpus Christi, Texas.

Operating Reserve Demand Curve. A market mechanism that values operating reserves in the wholesale electric market based on the scarcity of those reserves and reflects that value in energy prices.

Orion. Orion Energy Partners, whose affiliates were third-party lenders under the Cumulus Digital TLF.

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

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

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

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

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

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., the RTO that operates the electricity transmission network and wholesale power market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

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

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

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

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

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

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

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

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

PP&E. Property, plant and equipment.

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

Predecessor. Relates to the financial position or results of operations of Talen Energy Supply for periods prior to Emergence, or May 17, 2023.

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

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

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

Puget Sound. Puget Sound Energy Inc., an energy utility company based in the U.S. state of Washington that provides electrical power and natural gas to the Puget Sound region.

RACT. Reasonably Available Control Technology, a pollution control standard.

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

Reliability Must Run. Refers to a generating unit that is slated to be retired by its owners but is needed to be available for reasons of reliability. It is typically requested to remain operational beyond its proposed retirement date until transmission upgrades are completed. These arrangements have been used to keep certain power plants operating past their planned retirement dates in order to prevent reliability problems.

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

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

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

Riverstone. Riverstone Holdings LLC and certain of its affiliates.

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

RTO. Regional Transmission Organization.

Secured 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. Obligations under the Secured ISDAs are secured by a first priority lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

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

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

Successor. Relates to the financial position or results of operations of Talen Energy Corporation for periods after Emergence, or May 18, 2023.

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

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

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

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

Talen Energy Supply (or "TES"). Talen Energy Supply, LLC, a direct subsidiary of Talen Energy Corporation that, thorough subsidiaries, indirectly holds all of Talen's assets and operations.

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

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

TeraWulf. TeraWulf (Thales) LLC, a wholly owned subsidiary of TeraWulf Inc. and an unaffiliated third party.

Term Loans. Collectively, the TLB and the TLC.

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

TLB. The senior secured term loan B facility in an aggregate principal amount of $580 million (and subsequently increased to $870 million in August 2023) under the Credit Agreement. Obligations under the TLB are guaranteed by the Subsidiary Guarantors and secured by a first priority lien and security interest in substantially all of the assets of TES and the Subsidiary Guarantors.

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

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

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, 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 occurred in December 2022 that created a storm of snow, rain and wind across the country. The winter cyclone had widespread impacts across the United States and caused PJM to declare a Maximum Generation Emergency Action.

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

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