



1780 Hughes Landing, Suite 800
The Woodlands, TX 77380
www.TalenEnergy.com

June 9, 2023

The accompanying Talen Energy Corporation December 31, 2022 Consolidated Financial Statements present the comparative financial results for Talen Energy Corporation and its subsidiaries.

As a result of the Talen Energy Supply bankruptcy and certain related agreements authorized by the bankruptcy court, Talen Energy Corporation, in accordance with United States generally accepted accounting principles ("GAAP"): (i) deconsolidated Talen Energy Supply in May 2022, and (ii) deconsolidated Cumulus Digital Holdings in September 2022 when Talen Energy Supply met certain criteria to consolidate Cumulus Digital Holdings for financial reporting purposes. The circumstances and financial effects are further described in Note 4, *Consolidation Matters*, in the Notes to the Consolidated Financial Statements.

The Talen Energy Supply December 31, 2022 Consolidated Financial Statements and the accompanying Management's Discussion and Analysis contain Talen Energy Supply's full year and comparative operating results. The Talen Energy Supply Financial statements can be found on the [Talen Energy investor website](#).

After emergence from bankruptcy, Talen Energy Corporation's June 30, 2023 Consolidated Financial Statements are expected, in accordance with GAAP, to:

- Apply fresh start accounting to adjust assets and liabilities to fair value as of Talen Energy Corporation's emergence from bankruptcy
- Reconsolidate Talen Energy Supply and its subsidiaries

Talen Energy Corporation could use its year-end financial statements in connection with the applicable regulatory processes of listing its equity securities in the over-the-counter market or on a national exchange.



Talen Energy Corporation Debtor-In-Possession Consolidated Financial Statements

For the Year Ended December 31, 2022

[THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK]

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Operations	3
Consolidated Statements of Comprehensive Income	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Equity	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
1. Organization and Operations	8
2. Basis of Presentation and Summary of Significant Accounting Policies	9
3. Talen Bankruptcy	15
4. Consolidation Matters	18
5. Risk Management, Derivative Instruments and Hedging Activities	20
6. Revenue	22
7. Income Taxes	23
8. Other Non-Operating Income (Expense)	25
9. Inventory	25
10. Equity Method Investments	26
11. Nuclear Decommissioning Trust Funds	27
12. Property, Plant and Equipment	27
13. Asset Retirement Obligations and Accrued Environmental Costs	29
14. Commitments and Contingencies	30
15. Revolving Credit Facilities and Other Facilities	32
16. Long-term Debt	33
17. Fair Value	34
18. Postretirement Benefit Obligations	36
19. Capital Structure	40
20. Earnings (Loss) Per Share	40
21. Accumulated Other Comprehensive Income	41
22. Supplemental Cash Flow Information	42
23. Related Party Transactions	43
24. Subsequent Events	43
FORWARD-LOOKING STATEMENTS AND SIGNIFICANT BUSINESS RISKS	44
GLOSSARY OF TERMS AND ABBREVIATIONS	47

Report of Independent Auditors

To the Board of Directors of Talen Energy Corporation

Opinion

We have audited the accompanying consolidated financial statements of Talen Energy Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company emerged as a Debtor from the Talen Bankruptcy on May 17, 2023. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 3. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
June 9, 2023

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31

(Millions of Dollars, except share data)

	2022	2021
Capacity revenues	\$ 189	\$ 444
Energy and other revenues	346	1,331
Unrealized gain (loss) on derivative instruments	(297)	(847)
Operating Revenues	238	928
Energy Expenses		
Fuel and energy purchases	(300)	(856)
Nuclear fuel amortization	(34)	(96)
Unrealized gain (loss) on derivative instruments	164	135
Total Energy Expenses	(170)	(817)
Operating Expenses		
Operation, maintenance and development	(250)	(582)
General and administrative	(47)	(88)
Postretirement benefits service cost	(2)	(5)
Depreciation, amortization and accretion	(197)	(524)
Other operating income (expense), net	(3)	(16)
Operating Income (Loss)	(431)	(1,104)
Interest expense and other finance charges	(128)	(326)
Nuclear decommissioning trust funds gain (loss), net	(128)	196
Postretirement benefits gain (loss), net	(3)	(31)
Debt restructuring gain (loss), net	(6)	(11)
Subsidiary gain (loss), net	(191)	—
Other non-operating income (expense), net	(48)	(10)
Income (Loss) Before Income Taxes	(935)	(1,286)
Income tax benefit (expense)	15	297
Net Income (Loss)	(920)	(989)
Less: Net income (loss) attributable to noncontrolling interest	(54)	—
Net Income (Loss) Attributable to Stockholders	\$ (866)	\$ (989)
Per Common Share		
Net Income (Loss) Attributable to Members - Basic	\$ (1,925.92)	\$ (2,198.06)
Net Income (Loss) Attributable to Members - Diluted	\$ (1,925.92)	\$ (2,198.06)
Weighted-Average Number of Common Shares Outstanding - Basic (in thousands)	450	450
Weighted-Average Number of Common Shares Outstanding - Diluted (in thousands)	450	450

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31
(Millions of Dollars)

	2022	2021
Net Income (Loss)	\$ (920)	\$ (989)
Other Comprehensive Income (Loss)		
Available-for-sale securities unrealized gain (loss), net	(48)	(13)
Postretirement benefit actuarial gain (loss), net	—	151
Income tax benefit (expense)	13	(35)
Gains (losses) arising during the period, net of tax	(35)	103
Available-for-sale securities unrealized (gain) loss, net	13	2
Qualifying derivatives unrealized (gain) loss, net	(1)	(2)
Postretirement benefit prior service (credits) costs, net	—	1
Postretirement benefit actuarial (gain) loss, net	9	52
Income tax (benefit) expense	(5)	(14)
Reclassifications from AOCI, net of tax	16	39
Total Other Comprehensive Income (Loss)	(19)	142
Comprehensive Income (Loss)	(939)	(847)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(54)	—
Comprehensive Income (Loss) Attributable to Members	\$ (885)	\$ (847)

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED BALANCE SHEETS AT DECEMBER 31

(Millions of Dollars)

	2022	2021
Assets		
Cash and cash equivalents	\$ 1	\$ 276
Restricted cash and cash equivalents	—	477
Accounts receivable	1	112
Inventory, net	—	403
Derivative instruments	—	1,338
Other current assets	—	200
Total current assets	2	2,806
Property, plant and equipment, net	—	4,802
Nuclear decommissioning trust funds	—	1,635
Derivative instruments	—	645
Other noncurrent assets	—	242
Total Assets	\$ 2	\$ 10,130
Liabilities and Equity		
Revolving credit facilities	\$ —	\$ 848
Long-term debt, due within one year	—	159
Inventory repurchase obligations	—	165
Deferred capacity obligations	—	174
Accrued interest	—	67
Accounts payable and other accrued liabilities	—	293
Derivative instruments	—	1,742
Other current liabilities	—	75
Total current liabilities	—	3,523
Long-term debt	—	3,786
Liabilities subject to compromise	3	—
Derivative instruments	—	719
Postretirement benefit obligations	—	315
Asset retirement obligations and accrued environmental costs	—	767
Deferred income taxes	—	216
Other noncurrent liabilities	—	88
Total Liabilities	3	9,414
Commitments and Contingencies Note 14		
Stockholders' Equity		
Common stock - \$0.001 par value (a)	—	—
Additional paid-in capital	2,970	2,970
Retained earnings (deficit)	(2,971)	(2,105)
Accumulated other comprehensive income (loss)	—	(154)
Stockholders' Equity	(1)	711
Noncontrolling interests	—	5
Total Equity	(1)	716
Total Liabilities and Equity	\$ 2	\$ 10,130

(a) 1,000,000 shares authorized; 449,747 shares issued and outstanding.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(Millions of Dollars)

	2022	2021
Operating Activities		
Net income (loss)	\$ (920)	\$ (989)
Reconciliation adjustments:		
Subsidiary (gain) loss, net	191	—
Unrealized (gains) losses on derivative instruments	103	684
Nuclear fuel amortization	34	96
Depreciation, amortization and accretion	210	555
Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees)	140	(158)
Deferred income taxes	(23)	(321)
Other	40	(146)
Accounts receivable, net	(14)	25
Inventory, net	30	72
Other assets	(39)	(133)
Accounts payable and accrued liabilities	173	24
Accrued interest	43	3
Other liabilities	—	(3)
Net cash provided by (used in) operating activities	(32)	(291)
Investing Activities		
Property, plant and equipment expenditures	(181)	(168)
Nuclear fuel expenditures	(45)	(82)
Nuclear decommissioning trust funds investment purchases	(784)	(1,834)
Nuclear decommissioning trust funds investment sale proceeds	784	1,817
Investments in equity of affiliates and equity method investments	(59)	(87)
Increase (decrease) in cash and restricted cash due to deconsolidations and consolidation of subsidiaries, net	(566)	—
Other investing activities	8	26
Net cash provided by (used in) investing activities	(843)	(328)
Financing Activities		
Talen Energy Supply long-term debt issuance proceeds	—	131
Cumulus Digital long-term debt issuance proceeds	115	55
Talen Energy Supply long-term debt repayments	—	(114)
Talen Deferred Capacity Obligation issuance proceeds	—	370
Talen Deferred Capacity Obligation repayments	(125)	(209)
Talen Commodity Accordion RCF proceeds	62	827
Talen Commodity Accordion RCF repayments	(62)	—
LMBE-MC long-term debt repayments	(22)	(27)
Capital contributions from noncontrolling interest	170	—
Deferred finance costs	(5)	(28)
Other	(10)	6
Net cash provided by (used in) financing activities	123	1,011
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	(752)	392
Beginning of period cash and cash equivalents and restricted cash and cash equivalents	753	361
End of period cash and cash equivalents and restricted cash and cash equivalents	\$ 1	\$ 753

See Note 22 in Notes to the Consolidated Financial Statements for supplemental cash flow information.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Millions of Dollars)

	Common stock shares (a)	Additional paid-in capital	Accumulated earnings (deficit)	AOCI	Noncontrolling interest	Total
December 31, 2020	450	\$ 2,970	\$ (1,116)	\$ (296)	\$ —	\$ 1,558
Net income (loss)	—	—	(989)	—	—	(989)
Other comprehensive income (loss)	—	—	—	142	—	142
Cash contributions	—	—	—	—	5	5
December 31, 2021	450	\$ 2,970	\$ (2,105)	\$ (154)	\$ 5	\$ 716
Net income (loss)	—	—	(866)	—	(54)	(920)
Other comprehensive income (loss)	—	—	—	(19)	—	(19)
Paid-in-kind equity	—	—	—	—	7	7
Noncash distributions (b)	—	—	—	—	(33)	(33)
Cash contributions	—	—	—	—	170	170
Impact of subsidiary consolidation or deconsolidations	—	—	—	173	(95)	78
December 31, 2022	450	\$ 2,970	\$ (2,971)	\$ —	\$ —	\$ (1)

(a) Shares are reported in thousands and have a par value of \$0.001 per share. Each share entitles its holder to one vote.

(b) TeraWulf received distributions for: (i) a vendor credit related to a cancellation of a miner purchase contract; and (ii) bitcoin mining machines.

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

TALEN ENERGY CORPORATION AND SUBSIDIARIES

DEBTOR-IN-POSSESSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Capitalized terms and abbreviations appearing in the Notes to the Consolidated Financial Statements are defined in the glossary. Dollars are in millions, unless otherwise noted. The terms "Talen," "Talen Energy Corporation," "the Company," "we," "us" and "our" refer to Talen Energy Corporation and its consolidated subsidiaries, unless the context clearly indicates otherwise. This presentation has been applied where identification of subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis. When identification of a subsidiary is considered important to understanding the matter being disclosed, the specific entity's name is used. Each disclosure referring to a subsidiary also applies to Talen Energy Corporation insofar as such subsidiary's financial information is included in Talen Energy Corporation's consolidated financial information. Talen Energy Corporation and each of its subsidiaries and affiliates are separate legal entities and, except by operation of law, are not liable for the debts or obligations of one another absent an express contractual undertaking to the contrary.

1. Organization and Operations

Talen Energy Corporation owns and operates high-quality power infrastructure in the United States. We produce and sell electricity, capacity and ancillary services into wholesale power markets in the United States primarily in PJM, ERCOT and WECC. Our generation fleet, which includes a zero-carbon generation facility, is principally located in the Mid-Atlantic region of the United States, Texas and Montana and has significant fuel diversity with certain facilities capable of utilizing multiple fuel sources. 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.

The Company also engages in the conversion of certain of its existing coal assets, developing a pipeline of renewable energy and battery storage projects, and developing and operating digital infrastructure projects adjacent to its generation.

Talen is headquartered in The Woodlands, Texas.

Going Concern and the Talen Bankruptcy

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business. However, due to the circumstances described herein, such realization of assets and settlement of liabilities were subject to uncertainty as of December 31, 2022.

On May 9, 2022, the Talen Filing Parties, or the Debtors (which included Talen Energy Supply and its subsidiaries), not including Talen Energy Corporation, filed voluntary petitions seeking relief under Chapter 11 of the Bankruptcy Code, subject to the Talen RSA. On December 12, 2022: (i) Talen Energy Corporation filed a petition to become a Debtor in the Talen Bankruptcy in order to facilitate the implementation of certain restructuring transactions under the Plan of Reorganization; (ii) the Bankruptcy Court approved the joint administration of Talen Energy Corporation's bankruptcy case with the other Debtors, and directed that certain orders previously entered apply to Talen Energy Corporation to the extent applicable; and (iii) the Plan of Reorganization was confirmed by the Bankruptcy Court.

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

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

After joining the Talen Energy Supply Bankruptcy proceeding, Talen Energy Corporation operated its business as a debtor-in-possession while being subject to the jurisdiction of the Bankruptcy Court. The Talen Debtors, including Talen Energy Corporation, entered into certain transactions or settled liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business and subject to restrictions in the Talen DIP Credit Agreements and (or) other applicable orders of the Bankruptcy Court.

When Talen Energy Supply filed for bankruptcy in May 2022, Talen Energy Corporation deconsolidated Talen Energy Supply for financial reporting purposes because it was determined that Talen Energy Corporation no longer controlled the activities of Talen Energy Supply. See Note 4 for additional information on the Talen Energy Supply Deconsolidation.

On May 17, 2023, Talen Energy Corporation and the Debtors emerged from Bankruptcy and will re-consolidate Talen Energy Supply and its subsidiaries and apply fresh start accounting beginning in the second quarter 2023.

See Note 3 for additional information on the Talen Bankruptcy and Note 4 for additional information on the Talen Energy Supply Deconsolidation.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Our financial statements are prepared in accordance with GAAP and include the accounts of all controlled subsidiaries. Intercompany transactions are eliminated in consolidation.

Any undivided interests in jointly owned facilities are consolidated on a proportionate basis. See Note 12 for additional information.

Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. Talen consolidates a VIE when it is determined that it has a controlling interest in the VIE, and Talen is the primary beneficiary of the entity. See "Variable Interest Entities" below for additional information.

As of June 30, 2021, Talen Energy Supply, under the terms of the agreement then-governing the convertible preferred equity interests of Cumulus Coin Holdings, held a controlling financial interest in Cumulus Coin Holdings. Accordingly, Cumulus Coin Holdings was consolidated by Talen Energy Supply's financial statements as of June 30, 2021. In September 2021, the terms of these convertible preferred equity interests were amended in connection with the consummation of the Cumulus Digital 2027 TLF and Talen Energy Supply deconsolidated Cumulus Coin Holdings. Furthermore, since Talen Energy Supply deconsolidated Cumulus Coin Holdings and sold its common equity ownership interest in Cumulus Data to an affiliate, Cumulus Coin Holdings is not consolidated by Talen Energy Corporation.

In September 2022, Talen Energy Supply and its Talen Growth subsidiary exchanged their preferred units in Cumulus Coin Holdings and Cumulus Data Holdings for common units in Cumulus Digital Holdings, the parent of Cumulus Data and Cumulus Coin. Following the consummation of the exchange and other related transactions contemplated by the Cumulus Term Sheet, Talen Energy Supply became the primary beneficiary of Cumulus Digital Holdings, a VIE, due to its ability to control the activities that most significantly impact Cumulus Digital Holdings. Accordingly, Cumulus Digital Holdings, with all its subsidiaries, was consolidated by Talen Energy Supply and deconsolidated from Talen Energy Corporation as of September 30, 2022.

See Note 4 for additional information on these consolidation matters.

Investments in entities in which Talen has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for VIEs. Talen consolidates a VIE when it is determined that it has a controlling interest in the VIE, and Talen is the primary beneficiary of the entity. See Note 10 for additional information on our equity method and preferred equity investments.

Summary of Significant Accounting Policies

The significant accounting policies presented below apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation. Subsequent to the Talen Energy Supply Deconsolidation, a majority of these significant accounting policies had minimal effect on Talen Energy Corporation's financial results. See 4 for additional information on the Talen Energy Supply Deconsolidation.

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.

Bankruptcy Effects. The financial statements have been prepared on a going concern basis as if we are a going concern. Prepetition liabilities and obligations whose treatment and satisfaction are dependent on the outcome of the Talen Bankruptcy are presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet. The carrying value of prepetition liabilities that are subject to compromise are presented at the best estimate of the claim amount permitted by the Bankruptcy Court. Such amounts presented as "Liabilities subject to compromise" on the Consolidated Balance Sheet may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determination of secured status of certain claims, the determination as to the value of any collateral securing claims, proof of claims and (or) other events. See Note 3 for additional information on Talen's bankruptcy.

Fair Value of Financial Instruments and Derivatives. Talen carried a portion of its assets and liabilities at fair value that were measured at a reporting date using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability). An exit price may be developed under a market approach utilizing market transactions, an income approach utilizing present value techniques, or a replacement cost approach. The exit prices are disclosed according to the quality of valuation inputs under a three-tiered hierarchy comprised of: (i) Level 1 inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities; (ii) Level 2 inputs that are other than quoted prices that are directly or indirectly observable; and (iii) Level 3 inputs that are unobservable inputs that are significant to the fair value of assets or liabilities.

The classification of an asset or liability was based on the lowest level of input significant to its fair value. Those that are initially classified as Level 3 are subsequently reported as Level 2 when the fair value derived from unobservable inputs is inconsequential to the overall fair value, or if corroborated market data became available. Assets and liabilities initially reported as Level 2 are subsequently reported as Level 3 if corroborated market data is no longer available. Transfers occur at the end of the reporting period.

See Notes 5, 12, 17 and 18 for fair value disclosures.

Concentrations of Credit Risk. Talen is subject to concentrations of credit risk primarily within its cash and cash equivalents, receivables and commodity derivative assets. Cash and cash equivalents are generally held in accounts where the amounts deposited exceed the maximum deposit insurance provided by the Federal Deposit Insurance Corporation. Cash and cash equivalents and restricted cash balances are primarily deposited in accounts with major financial institutions with investment grade credit ratings. In certain instances, funds are invested in highly liquid U.S. Treasury securities or other obligations with original maturities of less than 90 days that are issued by or guaranteed by the U.S. Government. Concentrations of credit risk for receivables were primarily attributable to entities that reimburse Talen for certain capital expenditures and operating costs associated with jointly owned facilities. Concentrations of credit risk for commodity derivative assets were primarily attributable to unaffiliated investment grade counterparties which engaged in energy marketing activities with Talen Energy Marketing. See Note 5 for additional information on concentrations of credit risk.

Operating Revenues and Revenue Recognition. "Operating revenues" on the Consolidated Statements of Operations were primarily comprised of items presented as: (i) "Capacity revenues;" (ii) "Energy revenues;" and (iii) "Unrealized gain (loss) on derivative instruments" for certain electricity contracts.

Capacity revenues. Include amounts earned from auctions in ISOs and RTOs and under bilateral contracts to provide available generation capacity that was needed to satisfy system reliability and integrity requirements. Capacity revenues were recognized ratably over the PJM Capacity Year by power generation facilities owned by Talen that participate in the auctions and stand ready to deliver generated power. Capacity revenues were based on invoiced amounts corresponding directly to the value provided over a specific time interval.

Energy revenues. Primarily include: (i) amounts earned from ISOs and RTOs for electric generation and for ancillary services provided such as regulation and reserve services and other products that support transmission and grid operations; (ii) amounts earned for wholesale electricity sales to bilateral counterparties; (iii) amounts earned for retail electricity sales to commercial and industrial retail customers; and (iv) realized gains and losses on commodity derivative instruments.

Sales of electric generation and ancillary services to ISOs and RTOs represent performance obligations recognized over time based on volumes delivered or services performed at contractually agreed upon day-ahead or real-time market prices. Electric generation sales are presented net of energy purchases from RTOs and ISOs on an hourly basis. Where the effect of such netting resulted in a net purchase, the net hourly amounts are presented as "Fuel and energy purchases" on the Consolidated Statements of Operations.

Sales of wholesale electricity to bilateral counterparties represented performance obligations recognized over a contractually agreed period of time based on volumes delivered at the contractually agreed price.

Sales of electric generation, ancillary services, and wholesale electricity to bilateral counterparties were recognized based on invoiced amounts which corresponded directly with the value provided over a specific time interval.

Sales of retail electricity to commercial and industrial retail customers under executory bilateral contracts represented performance obligations recognized over a contractually agreed period of time based on volumes delivered to the customer at the contractually agreed price. Accrued and unbilled revenue of retail electricity to commercial and industrial customers was based on contractually agreed prices and the estimated volumes of customer usage since the last meter reading date provided by ISOs, RTOs, or electric distribution companies. The estimated revenues were adjusted when actual usage was known and billed to customers in the month following service delivery or the provision for service. Payments for customer invoices were generally due within a short time period based on the contractually agreed due date of the underlying agreements. As part of the Talen Bankruptcy, the Bankruptcy Court approved a motion filed by the Talen Debtors to reject Talen Energy Marketing's retail contracts and Talen will have no further obligations under these retail contracts following its exit from bankruptcy.

Certain contracts constituted bundled agreements to sell energy, capacity, ancillary services and (or) RECs. In such cases, all performance obligations were deemed to be delivered and (or) performed at the same time. Accordingly, as the timing of revenue recognition for all performance obligations was the same and occurred over a contractually agreed period of time, it was unnecessary to allocate transaction price to multiple performance obligations.

Realized gains and losses on commodity derivative instruments include settlements of financial and physical transactions for hedging and portfolio optimization related to electricity contracts that stabilized the financial performance of Talen's generation facilities. Realized settlements of financial and physical commodity derivative instruments are recognized and presented net within "Energy revenues" on the Consolidated Statements of Operations based on the delivery period of the underlying contract at contractually agreed prices. See "Energy Expenses" below for additional information on realized gains and losses of derivative instruments presented as "Fuel and energy purchases" on the Consolidated Statements of Operations.

Unrealized gain (loss) on derivative instruments. Include unrealized gains and losses resulting from the changes in fair value of certain contracts related to electricity contracts that qualify as derivative instruments. See "Derivative Instruments" below for the recognition criteria of unrealized gains and losses on commodity derivative instruments. See "Energy Expenses" below for additional information on unrealized gains and losses of derivative instruments presented as "Energy expenses" on the Consolidated Statements of Operations.

See Note 6 for additional information on revenue

Energy Expenses. Energy expenses on the Consolidated Statements of Operations were primarily comprised of items presented as (i) "Fuel and energy purchases;" (ii) "Nuclear fuel amortization;" and (iii) "Unrealized gain (loss) on derivative instruments" for purchase contracts.

Fuel and energy purchases. Primarily include: (i) fuel costs; (ii) environmental product costs; (iii) energy purchases; (iv) gross receipts taxes; and (v) realized gain (loss) on commodity derivative instruments.

Fuel costs include the costs incurred by Talen-owned generation facilities for the conversion of coal, natural gas, and (or) oil products to electricity. Fuel for electric generation from coal and oil product inventories were recognized at the applicable weighted average inventory cost of volumes consumed. Fuel for electric generation from natural gas purchases were recognized at the agreed price for natural gas delivered to the applicable generation facility over a contractually agreed period of time.

Environmental product costs include RGGIs, RECs, and emission product compliance costs that were mandated by certain states. The estimated cost of compliance was accrued at the time an obligation under the applicable terms of each state's environmental compliance program arises.

Energy purchases include costs incurred for purchases of electricity from ISOs, RTOs and bilateral counterparties, which were used to fulfill wholesale physical contract requirements and commercial and industrial retail power sales requirements when such requirements were in excess of volumes generated by Talen-owned generation facilities. Physical electricity purchases were recognized upon delivery at contractually agreed day-ahead market prices, real-time market prices or bilateral contract prices. Energy purchases from ISOs and RTOs are presented net of electric generation sales on an hourly basis. Where the effect of such netting resulted in a net purchase, the net hourly amounts are presented as "Fuel and energy purchases" on the Consolidated Statements of Operations.

Gross receipt taxes include taxes levied on retail electricity sales to commercial and industrial customers, where applicable.

Realized gains and losses on commodity derivative instruments include settlements of financial and physical transactions for hedging and portfolio optimization related to fuel contracts and environmental product contracts that stabilized the financial performance of Talen's generation facilities. Realized settlements of financial and physical commodity derivative instruments were recognized and presented net based on the delivery period of the underlying contract at contractually agreed prices. See "Operating Revenues" above for additional information on realized gains and losses on derivative instruments presented as "Energy revenues" on the Consolidated Statements of Operations.

Nuclear fuel amortization. Nuclear fuel-related costs, including procurement of uranium, conversion, enrichment, fabrication and assemblies, were capitalized and presented as "Property, plant and equipment" on the Consolidated Balance Sheets and presented as a cash outflow within the investing activities section on the Consolidated Statements of Cash Flows. Such costs were amortized as the fuel was consumed using the units-of-production method and presented as "Nuclear fuel amortization" on the Consolidated Statements of Operations.

Unrealized gain (loss) on derivative instruments. Include unrealized gains and losses resulting from the changes in fair value of certain fuel contracts and environmental product contracts that qualified as derivative instruments. See "Derivative Instruments" below for the recognition criteria of unrealized gains and losses on commodity derivative instruments. See "Operating Revenues" above for additional information on unrealized gains and losses of derivative instruments presented as "Operating Revenues" on the Consolidated Statements of Operations.

Derivative Instruments. The fair values of derivative instruments are presented as "Derivative instruments" within assets or liabilities on the Consolidated Balance Sheets. In most instances, master netting agreements governed derivative transactions between parties and contain certain provisions for setoff rights. However, the fair value of derivative instruments is presented on the Consolidated Balance Sheets gross of setoff rights and gross of any collateral deposits exchanged between parties that may be required when certain credit limits are exceeded.

The classification for the income effect of a derivative instrument, which is due to changes in such instrument's fair value over the term of the underlying contract, depend on the intent for holding the instrument.

Unrealized gains or losses, net of income tax, associated with a derivative instrument that: (i) is intended to hedge the cash flows of a separate transaction; and (ii) qualify for specialized cash flow hedge accounting are presented as "Other Comprehensive Income (Loss)" on the Consolidated Statement of Comprehensive Income in the period when such gains or losses arose. The fair value of a derivative instrument is presented on the Consolidated Balance Sheets as AOCI. Such amounts are transferred from AOCI to the same financial statement line on the Consolidated Statements of Operations that is used to present the earnings effect of the separate hedged transaction in the same period when the income effect of the separate hedged transaction arises. At December 31, 2022 and 2021, there are no derivatives with hedge accounting designations.

If a hedging relationship between a derivative instrument and the separate hedged transaction that previously qualified for cash flow hedge accounting was discontinued and the separate hedged transaction was still probable of occurring, amounts previously recognized in AOCI were reclassified to the same financial statement line on the Consolidated Statements of Operations that was used to present the earnings effect of the separate hedged transaction in the same period when the income effect of the separate hedged transaction arose. From the date the hedging relationship was discontinued, any subsequent changes in the fair value of the derivative were recognized in the Consolidated Statements of Operations. See Note 5 for additional information on discontinued cash flow hedges.

Unrealized gains or losses associated with a derivative instrument that economically hedged certain risks but where qualified cash flow hedge accounting was not elected or not met are presented on the Consolidated Statements of Operations in the period when such gains or losses arose. Changes in fair value of commodity derivatives are presented as "Unrealized gain (loss) on derivative instruments," as a component of either "Operating Revenues" or "Energy Expenses" on the Consolidated Statements of Operations in a manner consistent with the presentation of net realized gains and losses. See "Operating Revenues" and "Energy Expenses" above for a discussion of net realized gains and losses on commodity derivatives. The cumulative net gains or losses for interest rate contracts are presented within "Interest expense and other finance charges" on the Consolidated Statements of Operations.

See Notes 5 and 17 for additional information on the presentation of derivative contracts and fair value measurements.

Operation, maintenance and development. The costs of removal, repairs, maintenance and other operating costs, including salaries and benefits for operations personnel that do not meet capitalization criteria are recognized as an expense when incurred. Materials and supplies inventories are recognized as an expense at the weighted average cost of materials consumed as they are used for repairs and maintenance. Such expenses are presented as "Operation, maintenance and development" on the Consolidated Statements of Operations.

Operation, maintenance and development also includes "development" expenses that are related to a pipeline of renewable energy and battery storage projects, developing a hyperscale data center and our Nautilus joint venture during their pre-commercial operation stage.

Income Taxes. Talen Energy Corporation and its subsidiaries file a consolidated U.S. federal income tax return. Income taxes is accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax basis, tax credits and NOL carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized as income in the period that includes the enactment date. Valuation allowances are recognized to reduce deferred tax assets to the extent necessary to result in an amount that is more likely than not to be realized. Disproportionate income tax effects are removed from AOCI when the circumstance upon which they are premised ceases to exist.

The financial statement effect of a tax position is recognized when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. A previously recognized tax position is reversed in the first period in which it is no longer more-likely-than-not that the tax position would be sustained upon examination. Interest and penalties from tax uncertainties are presented as "Income tax benefit (expense)" on the Consolidated Statements of Operations.

See Note 7 for additional information on income taxes.

Cash and Cash Equivalents. Bank deposits, liquid investments, and other similar assets with original maturities of three months or less.

Restricted Cash and Cash Equivalents. Bank deposits, commodity exchange deposits, liquid investments, and other similar assets with original maturities of three months or less that are restricted by agreement are presented as "Restricted cash and cash equivalents" on the Consolidated Balance Sheets. See Note 22 for additional information.

Accounts Receivable. Receivables primarily consisted of amounts due from customers, net of any collection allowances. Uncollected receivables greater than 30 days past due were assessed for collectability based on a variety of factors that include, but were not limited to, customer credit worthiness, duration receivables were outstanding, and (or) historical collection experience. Management continuously assessed and considered current economic trends that might have impacted the amount of future credit losses. Additionally, if it became known that a specific customer may have had the inability to settle its obligation that was not yet past due, such receivables were assessed for collectability. If these assessments indicated a receivable collection was remote, its carrying value was reduced through an allowance for doubtful accounts measured at management's best estimate, and a charge was presented on the Consolidated Statements of Operations. If any portion of the original carrying value of the receivable was recovered, the allowance and the associated charge were reversed in the period of collection. See Note 0 for additional information on allowance for doubtful accounts.

Inventory. Inventory consisted of fuel for generation (primarily coal and fuel oil), materials and supplies, and environmental products all of which were valued at the lower of weighted average cost or net realizable value. See Note 9 for additional information on inventory.

Leases. Talen's operating leases are primarily related to offices, land, and generation facility equipment. Several of these lease agreements contain extension options allowing Talen, at its discretion, to renew the lease term for additional periods. The decision to include these renewal periods in the lease term and in the minimum lease payments in the calculation of lease liabilities is dependent on whether it is reasonably certain that the extension option will be exercised. These leases do not contain any material restrictive covenants or residual value guarantees.

Talen has elected to not separate lease and non-lease components for each class of leased assets. Additionally, Talen has elected to not recognize the right of use assets and the lease liabilities arising from leases with a short-term duration. A short-term lease is less than 12 months and does not include a purchase option or an option to extend beyond 12 months that Talen is reasonably certain to exercise.

Right-of-use assets are presented as "Other current assets" and "Other noncurrent assets" on the Consolidated Balance Sheets and represent the right to use an underlying asset for the lease term, while lease liabilities are presented as "Other current liabilities" and "Other noncurrent liabilities" on the Consolidated Balance Sheets and represent the payment obligations related to these assets over the lease term. Right-of-use assets and lease liabilities are recognized on commencement of the lease based on the present value of lease payments over the lease term. The discount rate for a lease is the rate implicit in the lease unless that rate cannot be readily determined. In such a case, the discount rate utilized is Talen's incremental secured borrowing rate over a similar time period and economic environment as the lease, based on information available at the lease commencement date.

At December 31, 2021, Talen Energy Corporation had a non-material amount of operating lease assets and liabilities presented on its Consolidated Balance Sheet; and, at December 31, 2022, due to the Talen Energy Supply Deconsolidation, Talen did not have any operating lease assets and liabilities presented on its Consolidated Balance Sheet.

Variable Interest Entities. The primary beneficiary (a controlling financial interest) of a VIE is required to consolidate the VIE when it has both: (i) the power to direct the activities that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE.

During 2021 and through September 2022, Talen Energy Corporation held interests in two material VIEs, Cumulus Coin Holdings and Cumulus Data Holdings, and Talen was the primary beneficiary of the VIEs. As such, Talen Energy Corporation consolidated Cumulus Coin Holdings and Cumulus Data Holdings through September 2022. In September 2022, Cumulus Digital Holdings, the direct parent of Cumulus Coin Holdings and Cumulus Data Holdings, became controlled by Talen Energy Supply as a result of the Cumulus Digital Equity Conversion. However, because Talen Energy Supply had previously been deconsolidated from Talen Energy Corporation in May 2022, Cumulus Digital Holdings and its subsidiaries were deconsolidated from Talen Energy Corporation at that time.

See Note 10 for additional information on equity method investments and Note 4 for additional information on the Talen Energy Supply and Cumulus Digital Holdings consolidation matters.

Investments in Debt and Equity Securities. The NDT held investments in available-for-sale debt securities and equity securities, which were carried at fair value and presented as "Nuclear decommissioning trust funds" on the Consolidated Balance Sheets.

Unrealized gains and losses, net of income tax, on available-for-sale debt securities are presented as "Other Comprehensive Income (Loss)" on the Consolidated Statements of Comprehensive Income in the period when such gains and losses arose. Realized gains and losses on available-for-sale debt securities were transferred from AOCI to "Nuclear decommissioning trust funds gain (loss), net" on the Consolidated Statements of Operations in the period when the sale of the security occurred. The specific identification method was used to calculate realized gains and losses on debt and equity securities. If an available-for-sale debt security's fair value declined below cost and the decline was determined to be other-than-temporary, the unrealized loss was recognized on the Consolidated Statements of Comprehensive Income in the period when such determination arose.

Unrealized gains and losses and realized gains and losses on equity securities are presented as "Nuclear decommissioning trust funds gain (loss), net" on the Consolidated Statements of Operations in the period when such gains or losses arose.

See Notes 11 and 17 for additional information on investments in debt and equity securities.

Property, Plant and Equipment. Expenditures for land, the construction of generation, data center or Bitcoin facilities, the addition or refurbishment of major equipment, and commercially viable new development projects are capitalized at cost. Such capitalized amounts include interest costs, where appropriate. Generation, data center or Bitcoin facilities, land, and other equipment acquired in a business combination is recognized at fair value. In each case, such amounts are presented as "Property, plant, and equipment, net" on the Consolidated Balance Sheets. Reductions in the carrying value of property, plant and equipment are accumulated over the estimated useful life of each depreciable unit using straight-line or group depreciation methods, where appropriate. Such periodic reduction is presented as a charge to "Depreciation, amortization and accretion" on the Consolidated Statements of Operations. Generally, upon normal retirement of property, plant, and equipment under the group depreciation method, the costs of such assets are retired against accumulated depreciation in the period of the retirement and no gain or loss is recognized. Any remaining carrying value of property, plant and equipment at its retirement date that depreciated under the straight-line depreciation method is presented as a loss within "Other operating income (expense), net" on the Consolidated Statements of Operations. Any remaining carrying value of property, plant and equipment at its sale date and any proceeds from the disposition are presented as a gain or loss within "Other operating income (expense), net" on the Consolidated Statements of Operations.

Expenditures for intangible assets such as contractual rights, software and licenses are capitalized at cost. Intangible assets acquired in a business combination are recognized at fair value. In each case, such amounts are presented as "Property, plant and equipment" on the Consolidated Balance Sheets. Reductions in the carrying value of intangible assets with finite useful lives are accumulated over the estimated useful life of each intangible asset using an amortization pattern in which the economic benefits of each intangible asset is utilized. Such periodic reduction is presented as a charge to "Depreciation, amortization and accretion" on the Consolidated Statements of Operations. The carrying value of intangible assets with indefinite useful lives is not material.

See Note 12 for additional information on property, plant and equipment.

Generation Facility Useful Life Revisions.

Effective September 1, 2021, the estimated useful lives of certain peaking units were respectively amended from June 2030 to April 2022 or June 2022 due to revisions in deactivation dates. The change in the estimated useful lives for the generation facilities increased aggregate depreciation expense by approximately \$11 million for the period from September 2021 through June 2022.

Effective June 1, 2021, the estimated useful lives of Newark Bay and Pedricktown were respectively amended from June 2033 and June 2032 to May 2022 due to revisions in deactivation dates. The change in the estimated useful lives for the generation facilities increased aggregate depreciation expense by approximately \$38 million for the period from June 2021 through May 2022.

As each of these changes is a change in estimate, the changes are accounted for prospectively. Additionally, actual depreciation expense for each useful life revision may vary from estimates based on a number of factors which include, but are not limited to, additions or retirements of property, plant and equipment carrying values subsequent to the effective date of each revision.

Impairments. Property, plant and equipment used in operations are assessed for impairment whenever changes in facts and circumstances indicate the carrying value of the asset group may not be recoverable. Indicators of impairment may include changes in the economic environment, negative financial trends, physical damage to assets or decisions of management regarding strategic initiatives. Where applicable, individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If there is an indication the carrying value of an asset group may not be recovered, management reviews the expected future cash flows of the asset group. If the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset group, the asset group is written down to its estimated fair value. Impairment charges are presented as "Impairments" on the Consolidated Statements of Operations in the period in which the impairment condition arise. If facts and circumstances indicate that the carrying value of an asset under construction will have no future economic benefit, such amounts are presented as a charge to "Operation and maintenance" on the Consolidated Statements of Operations in the period in which such projects are abandoned, canceled, or management otherwise determines the costs to be unrecoverable.

Fair value may be determined by a variety of valuation methods including third-party appraisals, market prices of similar assets, and present value techniques. However, as there is generally a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates that are believed to be consistent with those used by principal market participants. The estimated cash flows and related fair value computations consider all available evidence at the date of the review, such as estimated future generation volumes, forward capacity and commodity prices, energy prices, operating costs, capital expenditures, and environmental costs.

See Note 12 for information on impairments.

Asset Retirement Obligations. A liability for an ARO or conditional ARO exists when a legal obligation arises from laws, regulations or other contractual requirements for the retirement of tangible long-lived assets. When an ARO liability is incurred, which is typically at asset construction or through assumption of the liability in connection with a business combination, it is initially recognized at fair value. Fair value measurements are estimated under a present value technique and are discounted using a credit-adjusted risk-free rate. Additionally, given the inherent uncertainty in estimating the amount of cash flows to settle an ARO liability or its settlement date, fair value estimates include a market risk premium and a range of possible cash flow outcomes, where applicable. At the initial recognition, the effects on the Consolidated Balance Sheets include: (i) an increase to "Asset retirement obligations and accrued environmental costs" for the portion of ARO to be settled after one year and (or) "Other current liabilities" for the portion of the ARO to be settled within one year; and (ii) an offsetting increase to "Property, plant, and equipment" for the asset retirement capitalized cost. Estimated future ARO cash expenditures and settlement dates are reviewed periodically to identify any required amendments to the carrying value of each ARO liability.

ARO liabilities increase over a period of time through the recognition of accretion expense to recognize changes in the obligation due to the passage of time. The asset retirement capitalized cost is depreciated at a rate consistent with the useful life of the associated long-lived asset. The depreciation of the asset retirement capitalized cost and the accretion of the ARO liability are each presented as "Depreciation, amortization and accretion" on the Consolidated Statements of Operations. An ARO liability amendment associated with a long-lived asset that is not fully impaired or depreciated is recognized through an adjustment to the ARO liability and the asset retirement capitalized cost. Any revision to the asset retirement capitalized cost is generally depreciated over the remaining life of the associated long-lived asset. An ARO liability amendment associated with a fully impaired or depreciated asset is presented as "Other operating income (expense), net" on the Consolidated Statements of Operations. At settlement, a gain or loss will arise if the cash expenditures to settle the ARO liabilities are different than the carrying values. Such gains or losses are presented as "Other operating income (expense), net" on the Consolidated Statements of Operations.

A conditional ARO refers to an entity's legal obligation to perform an asset retirement activity in which the timing or method of settlement is conditional on a future event that may or may not be within the entity's control. There may also be instances when there is no available information regarding the ultimate ARO settlement timing or the fair value of the obligation may not be reasonably estimable. If sufficient information becomes available to reasonably estimate the fair value of the liability for an ARO or a conditional ARO, a liability is recognized in the period in which it is determined.

See Note 13 for additional information on AROs.

Contingencies. Management continuously assesses potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. Potential losses are accrued when: (i) information is available that indicates it is probable (i.e., likely to occur) that a loss has been incurred, given the likelihood of the uncertain future events; and (ii) the amount of the loss can be reasonably estimated. Loss contingencies are recognized at management's best estimate, which may be discounted, where appropriate. Loss contingencies exclude estimates for any legal fees, which are recognized as incurred when the legal services are performed. See Note 14 for additional information on loss contingencies.

Business interruption insurance proceeds are considered gain contingencies and not recognized until realized.

Debt. Proceeds received on the issuance of new term loans, secured notes, unsecured notes, bonds, and similar indebtedness are presented as "Long-term debt" or "Long-term debt, due within one year" on the Consolidated Balance Sheets. Interest incurred as paid-in-kind, whether accrued or capitalized as additional principal are presented as "Long-term debt" with the associated outstanding amounts of indebtedness. Costs incurred to issue new indebtedness and any original issuance discounts or premiums are deferred at issuance on the Consolidated Balance Sheets and presented together with the associated outstanding principal amounts of indebtedness.

Interest accrues on outstanding principal amounts of indebtedness based on contractually determined rates during each period. Costs incurred for the issuance of indebtedness and any original issuance discounts or premiums are subsequently amortized through the expected maturity date of the associated indebtedness under the effective interest rate method and are presented as "Interest expense and other finance charges" on the Consolidated Statements of Operations.

Gains and losses on the: (i) early redemption of indebtedness, or (ii) early termination and (or) reduction of revolving credit facility committed capacity are presented as "Debt restructuring gain (loss), net" on the Consolidated Statements of Operations. Such amounts include the proportional derecognition of any deferred financing costs, fees, discounts, and (or) premiums associated with the indebtedness.

Direct cash borrowings under secured lines of credit, revolving credit facilities, and similar indebtedness are presented as "Revolving credit facilities" on the Consolidated Balance Sheets. Costs incurred to issue new arrangements are deferred and presented as "Other current assets" or "Other non-current assets" on the Consolidated Balance Sheets. Interest accrues on direct cash borrowings and LCs based on contractually determined rates during each period.

Costs incurred to issue new arrangements are subsequently amortized through the expected expiration of the associated arrangement under the straight-line method. Commitment fees on available but unused credit facility capacity are expensed as incurred. Such costs are presented as "Interest expense and other finance charges" on the Consolidated Statements of Operations.

Postretirement Benefit Obligations. Talen Energy Supply and its subsidiaries sponsors and (or) participates in, as applicable, various qualified and non-qualified defined benefit pension plans and other postretirement benefit plans. Gains and losses, net of income tax, that arise and are not a component of net periodic defined benefit costs are presented as "Other Comprehensive Income (Loss)" on the Consolidated Statements of Comprehensive Income.

A Talen Energy Supply subsidiary uses an accelerated amortization method for the recognition of gains and losses for defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the expected average remaining service of active plan participants. Actuarial gains and losses in excess of 10% of the greater of the plan's projected benefit obligation or the market-related value of plan assets and less than 30% of the plan's projected benefit obligation are amortized on a straight-line basis over the expected average remaining service period of active plan participants.

Talen is obligated to provide health care benefits under the Coal Act and pneumoconiosis (black lung) benefits under the Black Lung Act for retired miners and allowable beneficiaries. Benefits are funded from a VEBA trust and a trust maintained under certain federal and state black lung legislation. Shortfalls in funded status of the plans are assessed as contingent liabilities. As such, Talen recognizes funding shortfalls on its balance sheet, where applicable, if benefit obligations of either plan exceed the fair value of available trust assets.

See Note 18 for additional information about the plans and the accounting for defined benefits.

New Accounting Standards

Postretirement Benefits (Adopted). On January 1, 2021, Talen adopted the guidance in ASU 2018-14, which amends disclosure requirements around defined benefit plans. The adoption of this guidance did not have a material effect on Talen.

Reference Rate Reform (Pending). In March 2020, the FASB issued ASU 2020-04, which provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The optional expedients are available to be used upon issuance of this guidance and if elected, will permit entities to treat such modifications as the continuation of the original contract without any required accounting reassessments or remeasurements. Talen has not modified contracts that qualify for the expedient described above, therefore, the guidance has not been applied. While a material impact as a result of the adoption of this standard is not expected, the assessment to determine the ultimate impact on the financial statements is ongoing.

3. Talen Bankruptcy

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

On May 17, 2023, the Plan of Reorganization became effective and Talen Energy Corporation and Talen Energy Supply emerged from the Talen Bankruptcy. When Talen Energy Supply filed for bankruptcy in May 2022, Talen Energy Corporation deconsolidated Talen Energy Supply for financial reporting purposes because it was determined that Talen Energy Corporation no longer controlled Talen Energy Supply as of such date. See Note 4 for additional information on the Talen Energy Supply Deconsolidation. As of May 2023, with the bankruptcy proceedings complete, Talen Energy Corporation will reconsolidate Talen Energy Supply and its subsidiaries and apply fresh start accounting beginning in second quarter 2023. The below disclosures include the key terms of the Plan of Reorganization that, due to the May 2023 reconsolidation event, are expected to have an impact on Talen Energy Corporation's consolidated financial statements following such reconsolidation.

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

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

Following commencement of the Talen Bankruptcy in May 2022, and until the Effective Date in May 2023, the Debtors continued to operate their business in the ordinary course as debtors-in-possession under the jurisdiction of and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Pursuant to the Plan of Reorganization, the Talen Filing Parties may assume, assign, or reject certain contracts. Other parties to the rejected contracts could assert claims in the Bankruptcy Court against the Debtors for damages related to these rejections. See "Liabilities subject to compromise and claims" below for additional information.

Talen Restructuring Support Agreement

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

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

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

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

The Plan of Reorganization became effective on May 17, 2023.

Backstop Commitment Letter and Equity Rights Offering

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

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

Plan of Reorganization

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

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

- Holders of Other Secured Claims shall receive at the applicable Debtor's discretion: (i) payment in full in cash of the unpaid portion of such holder's Allowed Other Secured Claim; (ii) reinstatement of such holder's Allowed Other Secured Claim; (iii) the applicable Debtor's interest in the collateral securing such holder's Other Secured Claim; or (iv) such other treatment rendering such holder's Allowed Other Secured Claim unimpaired.
- Holders of Prepetition First Lien Non-CAF Claims shall receive payment in full in cash of such holder's pro rata share of the Settled First Lien Non-CAF Claim Amount.
- Holders of Prepetition CAF Claims shall receive payment in full in cash of such holder's pro rata share of the Settled CAF Claim Amount.
- Holders of Unsecured Notes Claims shall receive 99% of the New Parent Equity, less the New Parent Equity distributed on account of the Retail PPA Incentive Equity, and subject to dilution, certain subscription rights to purchase New Parent Equity or cash.
- Each holder of a General Unsecured Claim shall receive its pro rata share of interests in the \$26.05 million pool of cash set aside for general unsecured creditors. To the extent any proceeds are recovered by the Debtors pursuant to the PPL/Talen Montana Litigation, 10% of the net proceeds recovered will be contributed to the pool of cash, subject to a cap of \$11 million.
- Prepetition Intercompany Claims shall be cancelled, released, discharged, and extinguished.
- Intercompany Interests shall be reinstated so as to maintain the organizational structure of the Debtors as such structure exists on the Effective Date.
- The Riverstone Entities will receive 1.00% of the New Parent Equity, after giving effect to the Rights Offering and the Backstop Put Premium; New Parent Equity (or cash, as applicable) equal to 25.00% of the net present value of projected savings and actual net savings under the amended retail energy agreements and the New Warrants.
- All claims against Talen Energy Corporation will be repaid or reinstated and all prepetition equity interests in Talen Energy Corporation will be extinguished.

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

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

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

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

The Plan of Reorganization became effective on May 17, 2023.

Liabilities Subject to Compromise and Claims

At December 31, 2022, "Liabilities subject to compromise" on the Consolidated Balance Sheet presents the then-expected allowed amount of the prepetition claims against Talen Energy Corporation that have at least a possibility of not being repaid at the full claim amount. Any additional liabilities that are subject to compromise will be recognized accordingly, and the aggregate amount of liabilities subject to compromise may change.

	December 31, 2022
Other liabilities (a)	1
Accounts payable and accrued liabilities	2
Liabilities Subject to Compromise	\$ 3

(a) Includes both current and noncurrent amounts.

Claims Processing. The Company has filed with the Bankruptcy Court, schedules and statements setting forth, among other things, the assets and liabilities of the Company, on the basis of certain assumptions filed in connection therewith. The schedules and statements may be subject to further amendment or modification after filing. Certain holders of prepetition claims were required to file proofs of claim related to Talen Energy Corporation by March 2, 2023, the deadline for general claims. This date excludes claimants that are governmental units. Governmental units are required to file proof of claims by June 13, 2023.

As of May 17, 2023, Talen Energy Corporation received approximately 19 proofs of claim, primarily representing General Unsecured Claims, for an aggregate amount of approximately \$4 billion. These values represent total claims filed and may include duplicative amounts.

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

See Note 2 for additional information on bankruptcy-related accounting policies.

Condensed Debtor-in-Possession Financial Information

This condensed financial information has been prepared on the same basis as Talen Energy Corporation's financial statements. Intercompany transactions between Debtors have been eliminated in the amounts presented below. The following table presents summarized condensed financial information of Talen Energy Corporation as of and for the year ended December 31:

	2022
Cash and cash equivalents	\$ 1
Accounts receivable, net	1
Current assets	2
Total Assets	\$ 2
Liabilities subject to compromise	\$ 3
Total Liabilities	3
Stockholders' Equity	(1)
Total Liabilities and Equity	\$ 2

	2022
Operating Revenues	\$ —
Operating Expenses	
General and administrative	(4)
Operating Income (Loss)	(4)
Subsidiary gain (loss), net (a)	86
Other non-operating income (expense), net (b)	(945)
Income (Loss) Before Income Taxes	(863)
Income tax benefit (expense)	(3)
Net Income (Loss)	(866)
Net Income (Loss) Attributable to Stockholders	\$ (866)

(a) Includes a non-material amount of revenue for the period, net related to transactions with non-debtor subsidiaries.

(b) Primarily represents equity earnings (losses) in subsidiaries

	2022
Cash provided by (used in) operating activities	\$ (4)
Financing Activities	
Proceeds from note payable from subsidiary	\$ 5
Net cash provided by (used in) financing activities	\$ 5

4. Consolidation Matters

Deconsolidation of Talen Energy Supply

In May 2022, Talen Energy Supply and the majority of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the Southern District of Texas. While Talen Energy Corporation's management continued to operate Talen Energy Supply as a debtor-in-possession during the bankruptcy process, the activities that most significantly impacted Talen Energy Supply's economic performance during this time required approval of the Bankruptcy Court. Accordingly, it was determined that Talen Energy Supply was a VIE of Talen Energy Corporation as of the filing date and that Talen Energy Corporation ceded effective control of Talen Energy Supply to the Bankruptcy Court for the duration of the Talen Bankruptcy. Therefore, Talen Energy Corporation no longer had a controlling financial interest in Talen Energy Supply, and Talen Energy Corporation was no longer the primary beneficiary of Talen Energy Supply. As such, Talen Energy Corporation deconsolidated Talen Energy Supply for financial reporting purposes as of the bankruptcy filing date and recognized a cost-method investment for its investment in the net assets of Talen Energy Supply with no value assigned to it. After the Talen Energy Supply Deconsolidation, Talen Energy Supply is considered a related party to Talen Energy Corporation.

For the year ended December 31, 2022, the Talen Energy Supply Deconsolidation resulted in a loss of \$192 million, which was determined as the difference between the fair value of the noncontrolling investment in Talen Energy Supply and the carrying amount of the assets and liabilities of Talen Energy Supply. The loss is presented as "Subsidiary gain (loss), net" on the Consolidated Statement of Operations.

On May 17, 2023, the Plan of Reorganization became effective and Talen Energy Corporation and Talen Energy Supply emerged from the Talen Bankruptcy. With the bankruptcy proceedings complete, Talen Energy Corporation will reconsolidate Talen Energy Supply and its subsidiaries during the second quarter of 2023.

See Note 3 for additional information on the Talen Bankruptcy.

Cumulus Digital Holdings Transactions

2021 Cumulus Coin

In May 2021, Cumulus Coin became party to a Digital Asset Joint Venture, Nautilus. The joint venture is developing and constructing and intends to operate an up to 300 MW capacity digital currency mining facility to be located at the Cumulus Hyperscale Data Center Campus. As of June 30, 2021, Talen Energy Supply, under the terms of the agreement governing the convertible preferred equity interests of Cumulus Coin Holdings, held a controlling financial interest in Cumulus Coin Holdings. Accordingly, Cumulus Coin Holdings was consolidated in Talen Energy Supply's condensed consolidated financial statements.

In September 2021, the terms of these convertible preferred equity interests were amended in connection with the consummation of the Cumulus Digital Loan Transaction. As a result of these amendments, Cumulus Coin Holdings is considered a VIE for which Talen Energy Supply is not the primary beneficiary, as Talen Energy Supply no longer controls the activities that most significantly impact Cumulus Coin Holdings' economic performance. As a result, as of September 30, 2021, Talen Energy Supply: (i) deconsolidated the assets and liabilities of Cumulus Coin Holdings, including its equity method investment in Nautilus; and (ii) Talen Energy Corporation continued to recognize the equity method investment.

Cumulus Term Sheet and Cumulus Digital Equity Conversion

In August 2022, in connection with the TEC Global Settlement, Talen Energy Supply and Talen Growth entered into the Cumulus Term Sheet to resolve a variety of issues relating to Cumulus Digital and its subsidiaries. The Cumulus Term Sheet provided for, among other things: (i) incremental funding commitments into Cumulus Digital by Talen Energy Supply, Riverstone, and Orion; (ii) conversion of all of Talen's preferred units in Cumulus Coin Holdings and Cumulus Data Holdings into voting common units of Cumulus Digital Holdings, the indirect parent of Cumulus Coin Holdings and Cumulus Data Holdings (the Cumulus Digital Equity Conversion); (iii) increased Talen ownership of Cumulus Digital Holdings based on incremental funding by Talen; (iv) additional control over Cumulus Digital Holdings by Talen in the form of a new corporate governance structure and additional consent rights under the applicable LLC agreements; (v) a waiver by Orion of potential defaults and events of default under the Cumulus Digital Credit Agreement and amendments to the Cumulus Digital Credit Agreement to facilitate the Cumulus Term Sheet transactions; (vi) the affirmative right for Talen to refinance, repay, or purchase all amounts under such credit agreement; (vii) the release of certain claims related to the formation, governance, and operation of Cumulus Growth; (viii) assumption by the Talen Filing Parties of all material agreements with Cumulus Digital Holdings and its subsidiaries; and (ix) further deferral of certain preexisting and ongoing fees owed to Talen by Cumulus Digital.

In September 2022, following authorization by the Bankruptcy Court, Talen Energy Supply consummated the transactions contemplated by the Cumulus Term Sheet. As contemplated by the Cumulus Term Sheet: (i) Talen and Riverstone have provided incremental funding of \$77 million and \$3 million, respectively, to Cumulus Digital Holdings; (ii) Orion funded the remaining \$89 million of its loan commitment under the Cumulus Digital Credit Agreement; and (iii) Riverstone sold \$2 million of its common equity in Cumulus Digital Holdings to one current and one former member of the Talen management team.

Until the Plan of Reorganization Effective Date, each of Talen and Riverstone has the right to designate two members of the board of managers of Cumulus Digital Holdings, and to jointly designate an independent member subject to the approval of the Consenting Noteholders. Upon the Plan of Reorganization Effective Date, Talen will have the right to designate four members of the board of managers of Cumulus Digital Holdings and Riverstone will have the right to designate one board member.

2022 Nautilus Consolidation by Cumulus Coin

In August 2022, Cumulus Coin and TeraWulf executed an amendment to the Nautilus limited liability company agreement, pursuant to which Cumulus Coin agreed, among other things, to provide increased funding to Nautilus in exchange for increasing Cumulus Coin's ownership percentage from 50% to approximately 67%. The agreement also included increased governance rights for Cumulus Coin, as well as provisions allowing each member to cover shortfalls by the other in exchange for increased ownership. As a result of the increased ownership and control by Cumulus Coin, it was determined that Cumulus Coin is the primary beneficiary of Nautilus, a VIE, and Nautilus was consolidated by Cumulus Coin for financial reporting purposes beginning in August 2022.

The consolidation of Nautilus resulted in a loss of \$85 million, which was determined as the difference between the carrying value of our equity method investment in Nautilus and the fair value of our controlling financial interest in its net assets upon consolidation. The loss is presented as "Subsidiary gain (loss), net" on the Consolidated Statement of Operations.

The estimated fair value adjustments were primarily determined by a discounted cash flow technique. The technique utilized significant unobservable inputs including discount rates varying from 13.5% to 14.5%. The range of discount rates and other discounted cash flow assumptions that were utilized are believed to be consistent with those used by principal market participants. Such assumptions consider available evidence regarding the prospects of future cash flows for Nautilus, including, but not limited to estimated available future expected operating revenues and useful lives, capacity prices, energy prices, Bitcoin prices, operating costs and capital expenditures.

In September 2022, Cumulus Coin contributed an additional \$20 million to Nautilus, which included funding a \$5 million capital shortfall by TeraWulf. Accordingly, Cumulus Coin's ownership percentage in Nautilus was increased to approximately 71% following such contribution.

2022 Cumulus Digital Holdings Deconsolidation

In September 2022, as described above, the Bankruptcy Court approved the Cumulus Term Sheet and associated transactions, which resulted in an increase of Talen Energy Supply's ownership in, and a change in the governance structure of, Cumulus Digital Holdings. While Talen Energy Supply and Riverstone, a related party, have equal representation on the board of managers of Cumulus Digital Holdings until the Plan of Reorganization Effective Date and can jointly direct the activities of Cumulus Digital Holdings that most significantly impact economic performance, Talen Energy Supply holds the controlling financial interest, provides its employees to support all activities of Cumulus Digital Holdings, and directs the day-to-day management of Cumulus Digital Holdings. Therefore, it was determined that Talen Energy Supply is the primary beneficiary of Cumulus Digital Holdings and Talen Energy Supply began consolidating Cumulus Digital Holdings and its subsidiaries for financial reporting purposes as of September 30, 2022. In addition, in August 2022, as a result of amendments to the Nautilus LLC agreement, Cumulus Digital Holdings' subsidiary, Cumulus Coin, consolidated Nautilus for financial reporting purposes. See "2022 Cumulus Coin Matters" above for additional information on Cumulus Coin's consolidation of Nautilus.

In September 2022, Cumulus Digital Holdings was deconsolidated from Talen Energy Corporation and consolidated by Talen Energy Supply. The deconsolidation of Cumulus Digital Holdings resulted in a gain of \$86 million which was determined as the difference between the prepetition controlling interest carrying value of the net assets attributable to Cumulus Digital Holding versus our wholly attributable noncontrolling interest fair value of such net assets upon deconsolidation. The gain is presented as "Subsidiary gain (loss), net" on the Consolidated Statement of Operations.

After the Talen Energy Supply Deconsolidation, Cumulus Digital Holdings is still considered a related party to Talen Energy Corporation.

5. Risk Management, Derivative Instruments and Hedging Activities

The following risk and other disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Risk Management Objectives

Talen Energy Supply is 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 mitigated and (or) balanced these risks within a structured risk management program in order to minimize near-term future cash flow volatility. The Company's Risk Management Committee, comprised of certain senior management members across the Talen organization and one independent member, oversee the management of these risks in accordance with our risk policy.

Management has established procedures to monitor, measure, and manage hedge and optimization in accordance with the risk policy.

Key risk control activities, which are designed to ensure compliance with the risk policy, include, among other activities: (i) credit review and approval; (ii) validation of transactions and market prices; (iii) verification of risk and transaction limits; (iv) portfolio stress tests, analysis and monitoring of margin at risk analysis; and (v) 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 purchases of power, natural gas, coal, uranium oil products, environmental products and other energy commodities in competitive wholesale markets. Several factors influence price volatility including: seasonal changes in demand; weather conditions; available regional load-serving supply; regional transportation and (or) transmission availability; market liquidity; and federal, regional, and state regulations.

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

Open commodity purchase (sales) derivatives at December 31, 2021 ranged in maturity through 2025. The net notional volumes of open commodity derivatives were:

	December 31, 2021 (a)
Power (MWh)	(33,993,941)
Natural gas (MMBtu)	43,867,702
Emission allowances (tons)	4,700,000

(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 was exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows associated with existing floating rate debt issuances. To reduce interest rate risk, derivative instruments are utilized to economically hedge the interest rates for a predetermined contractual notional amount which results in a cash settlement between counterparties. Certain interest rate derivative instruments were required through December 2021 under the LMBE-MC Credit and Guaranty Agreement; others are entered into at the discretion of Talen.

Open interest rate derivatives at December 31, 2021 range in maturity dates through 2023. The net notional volumes of open interest rate derivatives were:

	December 31, 2021
Interest rate (in millions) (a)	\$ 842

(a) Value at December 31, 2021 relates to LMBE-MC indebtedness.

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

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

Outstanding accounts receivable include those from sales of capacity, generated electricity and ancillary services through contracts directly with ISOs and RTOs, sales of physical electricity to commercial and industrial retail customers and realized settlements of physical and financial derivative instruments with commodity marketers. Additionally, Talen carries accounts receivable due from joint owners for their portion of operating and capital costs for certain jointly owned facilities which are operated by the Company. The majority of outstanding receivables, which are continually monitored, have customary payment terms. Allowances for doubtful accounts were \$10 million at December 31, 2021. See "ERCOT 2021 Winter Market Conditions" below for additional information on the allowance for doubtful accounts recognized during the first quarter 2021.

Credit Risk Contingent Features. Certain derivative instruments contain credit risk-related contingent features which may require us to provide cash collateral, letters of credit or guarantees from a creditworthy entity if the fair value of a liability eclipses a certain threshold or upon a decline in our credit rating. The fair value of derivative instruments in a net liability position, which contain credit risk-related contingent features, was \$13 million at December 31, 2021. There was \$2 million in collateral posted on those positions at December 31, 2021. The additional potential collateral requirements, which primarily related to further adequate assurance features, were non material at December 31, 2021.

Effect of Netting. Generally, the right of set off within master netting arrangements permits the fair value of derivative assets to be offset with derivative liabilities. As an election, derivative assets and derivative liabilities are presented as Consolidated Balance Sheets without the effect of such permitted netting.

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	Net Amounts
December 31, 2021					
Assets	\$ 1,983	\$ (1,957)	\$ 26	\$ —	\$ 26
Liabilities	2,461	(1,957)	504	(312)	192

Derivative Instrument Presentation

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

	December 31, 2021	
	Assets	Liabilities
Commodity contracts	\$ 1,338	\$ 1,731
Interest rate contracts	—	11
Total current derivative instruments	\$ 1,338	\$ 1,742
Commodity contracts	\$ 645	\$ 716
Interest rate contracts	—	3
Total non-current derivative instruments	\$ 645	\$ 719

Prior to the Talen Energy Supply Deconsolidation, all commodity and interest rate derivatives are economic hedges where the changes in fair value are presented immediately in income. Changes in the fair value and realized settlements on commodity derivative instruments are presented as separate components of "Energy revenues" and "Fuel and energy purchases" on the Consolidated Statements of Operations. Changes in fair value and realized settlements of interest rate derivatives are presented as "Interest expense and other finance charges" on the Consolidated Statements of Operations. See Note 17 for additional information on fair value.

The location and pre-tax effect of derivative instruments presented on the Consolidated Statements of Operations for the years ended December 31 were:

	2022	2021
Realized gain (loss) on commodity contracts		
Energy revenues (a)	\$ (339)	\$ (228)
Fuel and energy purchases (a)	40	230
Unrealized gain (loss) on commodity contracts		
Operating revenues (b)	\$ (297)	\$ (847)
Energy expenses (b)	164	135
Realized and unrealized gain (loss) on interest rate contracts		
Interest expense and other finance charges	\$ 24	\$ 12

(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.

Contract Terminations

Commodity Hedge Terminations. In March and April 2022, Talen Energy Marketing and a commercial counterparty terminated certain outstanding economic hedges that were scheduled to be priced and delivered from April 2022 through December 2022. As a result, Talen Energy Marketing realized a \$124 million termination loss and agreed to settle the obligation on a monthly basis through January 2023. For year ended December 31, 2022, the realized termination loss is presented as "Energy revenues" on the Consolidated Statement of Operations and repayments are presented as "Derivatives with financing elements" on the Consolidated Statement of Cash Flows.

ERCOT 2021 Winter Market Conditions

In mid-February 2021, Texas experienced an extreme winter weather event, Winter Storm Uri, that led to systemic energy market disruptions and price volatility throughout ERCOT. Winter Storm Uri precipitated a rapid increase in energy demand due to the storm's historically cold temperatures and a simultaneous decrease in energy supply caused by operational disruptions to the electric grid, natural gas production and distribution systems, water supplies, and other critical infrastructure throughout Texas. Talen incurred an estimated \$78 million pre-tax nonrecurring commercial loss associated with its ERCOT activities during Winter Storm Uri for the year ended December 31, 2021.

Additionally, due to defaults of other ERCOT market participants, ERCOT instituted "short payments." The short payment delays the remittance of cash for an uncertain period of time to non-defaulting market participants and will only be paid as ERCOT recovers money from the defaulting parties or through the collection of default uplift payments. Due to the uncertainty of when and how the short payments would ultimately be recovered from ERCOT, Talen recognized a charge of approximately \$9 million during the year ended December 31, 2021 to fully reserve the amounts due to Talen that are subject to short-payment reimbursements. The outstanding reserve was approximately \$9 million at December 31, 2021.

No assurance can be provided that these losses will not vary based on the final market settlements or any legal and (or) regulatory actions. See Note 14 for additional information on ERCOT systemic risks including a settlement by ERCOT with one of co-ops that had short-paid.

6. Revenue

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

The disaggregation of our operating revenues for the years ended December 31 were:

	2022	2021
Capacity revenues	\$ 189	\$ 444
Electricity sales and ancillary services, ISO/RTO	520	1,960
Physical electricity sales, bilateral contracts, other	169	572
Total revenue from contracts with customers	878	2,976
Realized and unrealized gain (loss) on derivative instruments	(640)	(2,048)
Operating revenues	\$ 238	\$ 928

Accounts Receivable

During the years ended December 31, 2022 and 2021, there were significant changes in accounts receivable due to the Talen Energy Supply Deconsolidation. See Note 4 for additional information on the Talen Energy Deconsolidation. For activity prior to the Talen Energy Supply Deconsolidation, see: (i) Note 5 for additional information on Talen's credit risk on the carrying value of its receivables; and (ii) Note 10 for additional information on a Talen Energy Marketing receivables sales arrangement that was terminated in May 2022.

Accounts receivable, net presented on the Consolidated Balance Sheets at December 31 were:

	2022	2021
Customer accounts receivable	\$ —	\$ 56
Other accounts receivable	1	56
Accounts receivable, net	\$ 1	\$ 112

PJM Capacity Sale and Talen Deferred Capacity Obligation

In March 2021, Talen entered into an arrangement with an unaffiliated third party to sell future capacity revenues awarded by PJM and cleared by Talen in PJM's capacity auctions for the 2021/2022 PJM Capacity Year related to most of Talen's generation facilities located in Pennsylvania, Maryland and New Jersey, excluding the Lower Mt. Bethel and Martins Creek facilities. Under the terms of the arrangement, Talen transferred the rights of future cash flows for certain cleared capacity with aggregate volumes of 7,352 MW and aggregate revenues of approximately \$405 million. In exchange, Talen was advanced proceeds of \$385 million that were further reduced by a \$15 million purchaser discount. Talen received its remaining \$20 million payment in variable monthly installments from September 2021 through the expiration of the arrangement in June 2022. During the term of the arrangement, Talen remained responsible for operating its generation facilities, retained the obligation to perform as a PJM generation capacity resource with respect to the capacity sold in the transaction, had retained its rights for any earned Capacity Performance bonus payments, and had retained the risks associated with performance deficiency penalties.

As Talen continued to have future Capacity Performance obligations to PJM during the term of the arrangement, amounts advanced to Talen pursuant to the Talen Deferred Capacity Obligations were presented as "Deferred capacity obligations" on the Consolidated Balance Sheets. Capacity revenues were recognized over a period of time consistent with the fulfillment of Talen's obligations to PJM. The \$15 million purchaser discount paid by Talen to the unaffiliated third party represented an implied finance charge. Such amount was being amortized through expiry of the agreement and is presented as "Interest expense and other finance charges" on the Consolidated Statements of Operations, with amortization totaling a non-material amount in 2022 and \$13 million in 2021. Due to the Talen Energy Supply Deconsolidation, activity associated with this arrangement on or after May 9, 2022 is not presented on Talen Energy Corporation's consolidated financial statements.

7. Income Taxes

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

The components of "Income tax benefit (expense)" for the years ended December 31 were:

	2022	2021
Federal	\$ (8)	\$ (25)
State	—	1
Current income taxes	(8)	(24)
Federal	53	260
State	(30)	60
Deferred income taxes	23	320
Investment tax credit	—	1
Income tax benefit (expense)	\$ 15	\$ 297
Income (loss) before income taxes	\$ (935)	\$ (1,286)
Effective income tax rate	1.6 %	23.1 %

Effective Tax Rate Reconciliations

The reconciliations of the effective tax rate for the years ended December 31 were:

	2022	2021
Income (loss) before income taxes	\$ (935)	\$ (1,286)
Income tax benefit (expense)	15	297
Effective tax rate	1.6 %	23.1 %
Federal income tax statutory tax rate	21 %	21 %
Income tax benefit (expense) computed at the federal income tax statutory tax rate	\$ 196	\$ 271
Income tax increase (decrease) due to:		
State income taxes, net of federal benefit	53	59
Change in valuation allowance	(231)	(8)
Permanent differences	(5)	—
Nuclear decommissioning trust taxes	18	(28)
Other	(16)	3
Income tax benefit (expense)	\$ 15	\$ 297

The effective tax rate for the years ended December 31, 2022 and 2021 differed from the statutory rate primarily due to the change in valuation allowance, additional 20% trust tax on the NDT income, and state taxes.

Deferred Taxes

The components of deferred tax liabilities and deferred tax assets at December 31 were:

	2022	2021
Property, plant and equipment, net	\$ —	\$ 534
Nuclear decommissioning trust	—	520
Deferred tax liabilities	—	1,054
Less:		
Accrued pension costs	—	76
Unrealized loss on qualifying derivatives	—	124
Federal net operating loss carryforwards	—	305
State net operating loss carryforwards	—	58
Federal credits	—	7
Accrued liabilities	—	24
Interest limitation carryforward	—	195
Investment in subsidiaries	58	6
Other	—	56
Deferred tax assets	58	851
Valuation allowance	(58)	(13)
Deferred tax liabilities	\$ —	\$ 216

Net Operating Losses

The components of NOL carryforwards at December 31 were:

	2021
Federal, expirations 2036 - 2037	\$ 291
Federal, indefinite expiration, limited to annual utilization of 80%	1,189
State, expirations 2023 - 2041	796

Due to the Talen Energy Supply Deconsolidation, the NOLs are not presented on Talen Energy Corporation's Consolidated Balance Sheet at December 31, 2022.

Unrecognized Tax Benefits

	2022	2021
Balance, January 1	\$ 9	\$ 9
Additions for tax positions of prior years	—	—
Decrease due to Talen Energy Supply Deconsolidation	(9)	—
Balance, December 31	\$ —	\$ 9

Included in the balance of unrecognized tax benefits, there are \$9 million of potential benefits at December 31, 2021, that, if recognized, would affect the effective tax rate. We do not expect the total amount of unrecognized tax benefit to change significantly within one year.

All tax returns filed for years ending December 31, 2019 and forward are open to examination by the relevant taxing authorities.

Valuation Allowance

As of December 31, 2022 Talen recognized a \$231 million federal and state valuation allowance expense for the portion of Talen's net deferred tax asset that is not more likely than not to be realized. Such an allowance resulted from a customary deferred tax asset valuation allowance assessment which is performed on net deferred tax asset positions that utilizes available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. At each period, including at the Effective Date of the Plan of Reorganization, management will continue to assess the available positive and negative evidence to determine the need for a valuation. Additionally, it is reasonably possible that sufficient positive evidence may become available that concludes a significant portion of the valuation allowance should be released. No assurance can be provided as to the timing or any amount associated with a valuation allowance release.

8. Other Non-Operating Income (Expense)

The following disclosure applies to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

The components of "Other non-operating income (expense), net" for the years ended December 31 were:

	2022	2021
Professional and legal expenses primarily for liquidity management initiatives	\$ (47)	\$ (23)
Other	(2)	13
Other non-operating income (expense), net	\$ (49)	\$ (10)

(a) See Note 18 for additional information.

9. Inventory

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

	December 31, 2021
Coal	\$ 134
Oil products	64
Fuel inventory for electric generation	198
Materials and supplies, net	187
Environmental products	18
Inventory, net	\$ 403

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 not material for the years ended December 31, 2022 and 2021.

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 not material for the years ended December 31, 2022 and 2021.

Talen Energy Corporation did not include the value of inventory held by its subsidiaries on its consolidated balance sheet at December 31, 2022 due to the Talen Energy Supply Deconsolidation that occurred in May 2022. See Note 4 for additional information on the Talen Energy Supply Deconsolidation.

Talen Inventory Repurchase Obligations

Pursuant to the Talen Inventory Repurchase Obligations, which were terminated in May 2022 by Talen Energy Supply following the commencement of the Talen Bankruptcy, Talen Energy Supply from time to time prior sold and transferred title to certain fuel inventory quantities to an unaffiliated party and was advanced cash consideration. Talen was required to subsequently repurchase the quantities as needed for electric generation or at expiry of the arrangement. The sales and repurchases occurred at a preset formula partially tied to market prices and outstanding repurchase obligations were reported at market value of inventory subject to the arrangement, limited to \$165 million. The carrying value of inventory was reported at the lower of weighted average cost or net realizable value.

While the agreement was in place, Talen was required to subsequently repurchase the quantities transferred to the unaffiliated party. The inventories subject to the arrangement were not derecognized by Talen and any cash consideration advanced to Talen was presented as "Inventory repurchase obligations" on the Consolidated Balance Sheets. Advances were subject to change based on certain conditions in the arrangement, but were limited to \$165 million, at any time. Under the arrangement, outstanding advances accrued fees of LIBOR plus 8.0%, and such fees are presented as "Interest expense and other finance charges" on the Consolidated Statements of Operations.

In May 2022, following the Talen Bankruptcy filing, Talen Energy Supply terminated the agreement by repurchasing the remaining inventory and repaying the \$165 million outstanding obligation, plus accrued interest and other fees. Because the termination occurred after the Talen Energy Supply Deconsolidation, the associated financial activities are not presented on Talen Energy Corporation's consolidated statements for the year ended December 31, 2022.

Prior to the Talen Energy Supply Deconsolidation, the outstanding Talen Inventory Repurchase Obligations and the carrying value of inventories subject to the arrangement were:

	December 31, 2021
Talen Inventory Repurchase Obligations outstanding	\$ 165
Carrying value of inventories subject to arrangement (a)	181

(a) Presented as "Inventory, net" on the Consolidated Balance Sheets.

10. Equity Method Investments

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

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

	Formation	Ownership Interest (a)	December 31, 2021
Talen Receivables Funding, LLC (b)	2019	100.00 %	\$ 8
Conemaugh Fuels, LLC	2002	22.22 %	7
Keystone Fuels, LLC	2000	12.34 %	3
Renewable joint ventures	2019 - 2021	49% / 50%	3
Nautilus Cryptomine	2021	50.00 %	105
Total			\$ 126

(a) Ownership at December 31, 2021.

(b) Investment derecognized in June 2022 upon termination. See "Receivables Company" below for additional information.

Receivables Company

Under a receivables sales arrangement that was terminated in connection with the Talen Bankruptcy, Talen Energy Marketing sold qualifying retail receivables at fair value for cash and equity consideration to TRF. Talen Energy Marketing derecognized the carrying value of the receivables at the time of sale with the difference between cash proceeds and carrying value presented as "Other non-operating income (loss), net". TRF in-turn sold 100% of the receivables to an unaffiliated financial institution. Talen Energy Marketing serviced the receivables sold to TRF in exchange for a servicing fee. As a result of the Talen Bankruptcy, the unaffiliated buyer terminated its agreement with TRF, which in turn terminated further sales of receivables from Talen Energy Marketing to TRF. Talen Energy Marketing continued to act as servicer under the arrangement, and collections of receivables sold under the arrangement prior to termination continued to be remitted to the unaffiliated buyer until all amounts owed by TRF to the buyer in respect thereof were paid in June 2022. See Note 3 for additional information on the Talen Bankruptcy.

Prior to termination of the arrangement, Talen Energy Supply was not the primary beneficiary of TRF because it did not have the power to direct the most significant activities that impact TRF's economic performance. These activities included the power to select receivables that were sold by TRF to the unaffiliated purchaser and to appoint the servicer to manage collection activities. Accordingly, TRF was not consolidated by Talen from the date of execution of the agreement through June 2022. Talen's risk of loss related to TRF was limited to its investment carrying value. Due to the Talen Energy Supply Deconsolidation, the financial activities associated with the receivables sale arrangement from and after the May 9, 2022 Talen Bankruptcy filing are not presented on Talen Energy Corporation's consolidated financial statements for the year ended December 31, 2022.

The sales, contributions and return of capital activities associated with TRF for the years ended December 31 were:

	2022	2021
Receivable sales by Talen to TRF	\$ 140	\$ 492
Receivable contributions by Talen to TRF (non-cash)	2	6
Return of capital to Talen by TRF	4	19

Prior to the Talen Energy Supply Deconsolidation, any net income or net losses associated with the activities of TRF were recognized by Talen as equity earnings that are presented as "Other non-operating income (loss), net" on the Consolidated Statements of Operations. Additionally, gains and losses associated with the sale of Talen Energy Marketing receivables to TRF, servicing fee income earned by Talen Energy Marketing and equity earnings recognized by Talen were not material for the years ended December 31, 2022 and 2021.

Fuels Companies

Talen Energy Supply holds equity interests in Conemaugh Fuels and Keystone Fuels equal to its respective undivided ownership interests in Conemaugh and Keystone. Conemaugh Fuels and Keystone Fuels were formed to purchase coal and sell it to Conemaugh and Keystone. Additionally, they may sell coal to any entity that manufactures or produces synthetic fuel from coal for resale to Conemaugh and Keystone. The aggregate affiliated fuel purchases by Talen from Conemaugh Fuels and Keystone Fuels are presented as "Fuel and energy purchases" on the Consolidated Statements of Operations. Due to the Talen Energy Supply Deconsolidation, the investments in these companies and their associated financial activities on or after May 9, 2022 are not presented on Talen Energy Corporation's consolidated financial statements for the year ended December 31, 2022.

Talen's aggregate fuel purchases for Conemaugh and Keystone Fuels for the year ended December 31, 2021, and for the year ended December 31, 2022, prior to the Talen Energy Deconsolidation, were:

	2022	2021
Fuel purchases	\$ 27	\$ 52
Return of capital	4	2
(Capital contributions)	(2)	(4)

Renewable Development Joint Ventures

Talen Energy Supply, through its Cumulus Affiliates, is party to joint venture agreements with third parties for potential solar and wind projects to be located on or near Talen owned land adjacent to certain current and previously owned generation facilities. The joint ventures are pursuing an aggregate 280 MW of photovoltaic solar development projects and 600 MW of wind development projects. The joint venture project companies are currently each owned either 49% or 50% by Talen. Cash contributions by Talen Energy Supply to these joint ventures were not material for the years ended December 31, 2022 and 2021. Due to the Talen Energy Supply Deconsolidation, the investments in these joint ventures and any associated financial activities on or after May 9, 2022 are not presented on Talen Energy Corporation's consolidated financial statements for the year ended December 31, 2022.

11. Nuclear Decommissioning Trust Funds

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

	December 31, 2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents	\$ 5	\$ —	\$ —	\$ 5
Equity securities	531	664	17	1,178
Debt securities	444	8	2	450
Receivables (payables), net	2	—	—	2
Nuclear decommissioning trust funds	\$ 982	\$ 672	\$ 19	\$ 1,635

See Note 17 for additional information on the fair value of the nuclear decommissioning trust funds at December 31, 2021. There were no available-for-sale debt securities with credit losses at December 31, 2021.

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

	December 31, 2021
Maturities within one year	\$ 27
Maturities within two to five years	159
Maturities thereafter	264
Debt securities, fair value	\$ 450

The sales proceeds, gains, and losses for available-for-sale debt securities for the year ended December 31, 2021, and for the year ended December 31, 2022, prior to the Talen Energy Supply Deconsolidation, were:

	2022	2021
Sales proceeds of nuclear decommissioning trust funds investments (a)	\$ 780	\$ 1,571
Gross realized gains	2	13
Gross realized (losses)	(19)	(15)

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

12. Property, Plant and Equipment

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

	December 31, 2021		
	Cost	Accumulated Provision	Carrying Value
Electric generation	\$ 10,664	\$ (6,423)	\$ 4,241
Nuclear fuel	510	(326)	184
Other property and equipment	149	(76)	73
Intangible assets	136	(56)	80
Capitalized software	98	(90)	8
Construction work in progress	216	—	216
Property, plant and equipment, net	\$ 11,773	\$ (6,971)	\$ 4,802

The components of "Depreciation, amortization, and accretion" presented on the Consolidated Statements of Operations for the year ended December 31, 2021, and for the year ended December 31, 2022 prior to the Talen Energy Supply Deconsolidation, were:

	2022	2021
Depreciation expense (a)	\$ 165	\$ 436
Amortization expense (b)	5	19
Accretion expense (c)	28	71
Qualifying derivative (gain) loss, net (d)	(1)	(2)
Depreciation, amortization, and accretion	\$ 197	\$ 524

(a) Electric generation and other property and equipment.

(b) Intangible assets and capitalized software.

(c) ARO and accrued environmental cost accretion. See Note 13 for additional information.

(d) Reclassified from AOCL.

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

Interest on indebtedness capitalized to property, plant, and equipment under construction for the year ended December 31, 2021, and for the year ended December 31, 2022 prior to the Talen Energy Supply Deconsolidation, were:

	2022	2021
Capitalized interest expense	\$ 11	\$ 4

Jointly Owned Facilities

Certain of Talen Energy Supply's subsidiaries own undivided interests in jointly owned electric generation facilities and related assets. These generation facilities and other assets are maintained and operated pursuant to their joint ownership participation and operating agreements. Under such arrangements, each participant is responsible for funding its proportional share of construction costs and operating costs and is entitled to its proportionate share of electric generation and (or) other attributes of the relevant jointly owned facilities. Talen's proportional share of gross margin and other operating costs for its undivided interests for periods prior to the Talen Energy Supply Deconsolidation is presented within the Consolidated Statements of Operations.

Talen Montana owns 30% of Colstrip Unit 3 and does not own any portion of Colstrip Unit 4. However, it is a participant in a joint-owner sharing agreement which governs each party's responsibilities and rights whereby Talen Montana is responsible for 15% of the total operating costs and expenditures of Colstrip Unit 3 and 15% of Colstrip Unit 4. Accordingly, it is entitled of 15% of the available generation from each of these units. In January 2020, Talen Montana and the other co-owner of Colstrip Units 1 and 2 permanently retired the units. Talen Montana is responsible for 50% of the decommissioning and other related costs of Colstrip Units 1 and 2.

The Colstrip Units had no carrying value at December 31, 2021, and therefore are not displayed in the table below.

Due to the Talen Energy Supply Deconsolidation, the property, plant and equipment associated with these facilities is not presented on the Consolidated Balance Sheet at December 31, 2022. The proportionate shares of property, plant and equipment presented on the Consolidated Balance Sheets at December 31, 2021 were:

	Susquehanna	Conemaugh	Keystone	Merrill Creek Reservoir
Ownership interest	90%	22.22%	12.34%	8.37%
Electric generation	\$ 4,901	\$ 24	\$ 14	\$ 1
Nuclear fuel	510	—	—	—
Other property and equipment	57	—	—	21
Capitalized software	17	—	—	—
Intangible assets	75	—	—	—
Construction work in progress	87	1	—	—
Proportionate property, plant and equipment, cost	5,647	25	14	22
Less: accumulated depreciation and amortization	4,200	4	3	18
Proportionate property, plant and equipment, net	\$ 1,447	\$ 21	\$ 11	\$ 4

13. Asset Retirement Obligations and Accrued Environmental Costs

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

	December 31, 2021
Asset retirement obligations	\$ 760
Accrued environmental costs	23
Total asset retirement obligations and accrued environmental costs	783
Less: asset retirement obligations and accrued environmental costs due within one year	16
Asset retirement obligations and accrued environmental costs due after one year	\$ 767

Asset Retirement Obligations

Certain Talen Energy Supply subsidiaries have legal retirement obligations for the decommissioning and environmental remediation costs associated with our generation fleet, which include activities such as structure removal and remediation of coal piles, wastewater basins, and ash impoundments. Most of these obligations, except remediation of some ash impoundments, are not expected to be paid until several years, or decades, in the future. The most significant obligations are associated with the decommissioning of Susquehanna (for which Susquehanna Nuclear has an NDT to assist in funding the ARO) and coal ash disposal units associated with legacy coal-fired generation facilities (for which Talen Energy Supply and (or) Talen Energy Corporation has posted surety bonds, letters of credit and cash for certain facilities. The carrying value of these obligations include assumptions of estimated future ARO cash expenditures, cost escalation rates, probabilistic cash flow models and discount rates. The ARO carrying value could be impacted by current or future CCR rulemakings, as described in section 16 of the CCR Rule.

Additionally, certain Talen Energy Supply subsidiaries have legal retirement obligations associated with the removal, disposal, and (or) monitoring of asbestos-containing material at certain generation facilities. Given that the ultimate volume of asbestos-containing material is not known, the fair value of these obligations cannot be reasonably estimated. These obligations will be recognized upon a change in economic events or other circumstances which enables the fair value to be estimable.

The changes of the ARO carrying value during the years ended December 31 was:

	2022	2021
Carrying value, January 1	\$ 760	\$ 708
Obligations settled	(2)	(14)
Changes in estimates and (or) settlement dates	—	(7)
Obligations incurred	—	4
Accretion expense	27	69
Deconsolidation of Talen Energy Supply	(785)	—
Carrying value, December 31	\$ —	\$ 760

Additional Breakdown

Nuclear (a)	\$ —	\$ 599
Non-Nuclear (b)	—	161
Carrying value, December 31	\$ —	\$ 760

(a) Collateralized by the Susquehanna Nuclear NDT.

(b) Certain liabilities are collateralized by surety bonds, letters of credit and cash.

Susquehanna Nuclear. Susquehanna Nuclear and the other joint owner of Susquehanna are each obligated to fund their proportional share of Susquehanna's ARO. Susquehanna Nuclear's proportionate share of decommissioning activities will be funded from its NDT when decommissioning commences at the expiration of its licenses. The licenses for Susquehanna Unit 1 and Unit 2 are currently scheduled to expire in 2042 and 2044 and can be extended subject to NRC approval. The NRC has jurisdiction over the decommissioning of nuclear power generation facilities and requires minimum decommissioning funding based upon a formula.

See Notes 11 and 17 for additional information on the NDT.

Talen Montana. Talen Montana has significant decommissioning and environmental remediation liabilities primarily consisting of its proportionate share of remediation, closure and decommissioning costs for coal ash impoundments at the Colstrip Units. Actual cash expenditures associated with these obligations are expected to materially increase over the next five years, due to the expected timing and scope of anticipated remediation activities, and are expected to continue at a reduced spending level for several decades. Talen Montana, along with the other co-owners of the Colstrip Units, are working with the MDEQ to define the scope of required remediation, the scope of closure and decommissioning activities, and an estimate of the costs, including the amount of necessary financial assurance necessary to backstop these obligations. Talen Montana's decommissioning and environmental remediation obligations are expected to be paid by funds available to Talen Montana at the time of decommissioning.

Talen Montana's estimate of its proportionate share of the AROs, discounted using a credit adjusted risk-free rate, was \$79 million at December 31, 2021. Such liability is not presented on Talen Energy Corporation's Consolidated Balance Sheet at December 31, 2022 due to the Talen Energy Supply Deconsolidation.

Brunner Island. In 2021, the carrying value of the Brunner Island ash impoundments ARO decreased by approximately \$12 million due to a decline of expected remediation costs that resulted from management cost control initiatives.

Accrued Environmental Costs

Under the Pennsylvania Clean Streams Law, a subsidiary of Talen Generation is obligated to remediate acid mine drainage at a former mine site and may be required to take additional steps to prevent acid mine drainage at this site. At December 31, 2021, liabilities of \$21 million, which were discounted based on a credit adjusted risk-free rate, were accrued to cover the costs of groundwater pumping and treating groundwater at the site for approximately 50 years. Such liability is not presented on Talen Energy Corporation's Consolidated Balance Sheet at December 31, 2022 due to the Talen Energy Supply Deconsolidation.

14. Commitments and Contingencies

Litigation

Talen Energy Corporation is involved in certain legal proceedings, claims and litigation as disclosed below. While Talen believes that we have meritorious defenses or claims, as applicable, and will continue to defend our positions vigorously in these matters, we may not be successful in our efforts. If an unfavorable outcome is probable and can be reasonably estimated, a liability is recognized. In the event of an unfavorable outcome, the liability may be in excess of amounts currently accrued.

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

Additionally, Talen Energy Supply and its subsidiaries are involved in legal proceedings, claims and litigation which are not disclosed below due to the Talen Energy Supply Deconsolidation. For Talen Energy Supply matters not disclosed, as Talen Energy Corporation remains the ultimate legal owner of Talen Energy Supply after the Talen Energy Supply Deconsolidation, it could have contingent risk for those litigation matters that Talen Energy Supply is currently involved in or may become involved in the future. For those Talen Energy Supply matters not disclosed and should Talen Energy Corporation become party to such matters, at this time, Talen Energy Corporation cannot predict what if any, impact the matter would have on its results of operations and liquidity.

ERCOT Weather Event Lawsuits. In June 2021, Talen Energy Corporation intervened in five cases in which, among other things, certain market participants are challenging the validity of the PUCT's order setting the price cap at \$9,000/MWh during Winter Storm Uri. One case is pending in the Texas Court of Appeals, Third District, and three of these cases are pending in the State of Texas District Court in Travis County. One district court case has been abated pending resolution of the appellate cases and no briefing schedule has been entered in the remaining two district court cases. In March 2023, the Third District issued an opinion in one of the cases that, in part, reversed the PUCT's order setting the price cap at \$9,000/MWh during Winter Storm Uri because such order exceeded the PUCT's authority and remanded the case to the PUCT to take actions consistent with its opinion. The PUCT (along with Talen Energy Corporation and others) has requested leave to appeal the Third District's ruling to the Texas Supreme Court. Talen Energy Corporation is coordinating its efforts in these suits with certain of the other parties in the suits, including the PUCT. Talen cannot predict the timing or outcome of these cases or their ultimate effect on the PUCT's orders during Winter Storm Uri; however, changes in one or more of the PUCT's orders could have a material adverse effect on Talen's results of operations and liquidity.

PPL/Talen Montana Litigation. In October 2018, the Talen Montana Retirement Plan filed a class action suit in Montana state court against PPL, its affiliates, and certain officers and directors relating to a distribution by Talen Montana to PPL of \$733 million of net proceeds from the sale of Talen Montana's hydroelectric facilities in November 2014 (the Distribution), which was during PPL's tenure as owner of Talen Montana. The action generally alleges that the Distribution was improper under applicable law and claims that PPL and its directors improperly made the Distribution, leaving Talen Montana without adequate funds to pay its obligations. Plaintiff seeks compensatory and punitive damages. In January 2020, PPL filed a motion to dismiss this suit for, among other things, lack of personal jurisdiction. In September 2020, the Montana state court denied PPL's motion to dismiss, but granted a stay of the Montana claims until resolution of the Delaware case described below. After commencement of the Talen Bankruptcy and following numerous procedural matters, the case has been transferred to the Bankruptcy Court.

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

In addition, after the commencement of the Talen Bankruptcy, Talen Montana filed an adversary complaint against PPL and its affiliates in the Bankruptcy Court. The adversary complaint asserts actual and constructive fraudulent transfer claims arising from the Distribution, similar to the claims asserted in the Montana action. In August 2022, the Bankruptcy Court entered an order consolidating the Montana and Delaware cases with the adversary proceeding and Talen Montana and Talen Energy Supply filed an amended and consolidated complaint. The amended and consolidated complaint asserts substantially the same fraudulent transfer claims as in the adversary complaint, an indemnity claim by Talen Energy Supply to recover damages, including defense costs, arising from PPL's claims, and claims under the bankruptcy code to disallow claims asserted by PPL and its affiliates in the Bankruptcy Court and to subordinate any such claims that are allowed. In September 2022, the PPL defendants filed an answer responding to the amended and consolidated complaint and asserted counterclaims against the Talen defendants substantially similar to the claims asserted in the Delaware Court. At the PPL defendants' request, the parties participated in a mediation in February 2023. No settlement was reached during the mediation. Talen Montana and its affiliates believe that PPL's claims are without merit and intend to vigorously prosecute and defend these actions. PPL is expected to vigorously defend the claims asserted by Talen Montana. Talen Montana and Talen cannot predict the outcome of this matter or its effect on Talen Montana and Talen; however, a material adverse judgment could have an adverse effect on Talen Montana's and Talen's results of operations and liquidity.

Pension Litigation. In November 2020, four former Talen employees filed a lawsuit in the U.S. District Court for the Eastern District of Pennsylvania against Talen Energy Supply, Talen Energy Corporation, the TERP, and the Talen Energy retirement plan committee, alleging that they are owed enhanced benefits under the TERP because: (i) either or both of the 2015 Talen Formation Transactions and (or) the 2016 take-private transaction constituted a change in control as defined in the TERP; and (ii) their employment was terminated within three years following such change in control. The plaintiffs also allege they are entitled to such benefits because certain provisions in a PPL pension plan were not included in the TERP, and that the availability of the claimed additional benefits was not properly disclosed or made known to them. The lawsuit seeks class action status on behalf of all Talen non-union employees (or their surviving beneficiaries) whose employment was terminated between June 1, 2015 and December 5, 2019 and who were age 55 or older at the time of termination. In February 2021, the Talen defendants filed a motion to dismiss the plaintiffs' claims on the grounds that plaintiffs released the claims in connection with their termination of employment, and further that certain claims are time-barred by the applicable statute of limitations. In September 2021, the court denied this motion on procedural grounds and ordered the parties to commence discovery, but also noted that the court remained willing to consider the Talen defendants' arguments at a later point in the proceeding. In January 2022, plaintiffs filed a motion for class certification seeking to certify the class outlined above. We filed our opposition to this motion in April 2022. After commencement of the Talen Bankruptcy and following the filing of a joint motion, the District Court in Pennsylvania abated the litigation through January 31, 2023, subject to certain exceptions. In March 2023, the District Court granted plaintiffs leave to amend their complaint to add ten former retirement plan committee members as defendants, and the plaintiffs amended their complaint accordingly. In May 2023, the plaintiffs and the Talen Defendants filed a joint stipulation with the District Court staying the proceedings pending the outcome of third-party mediation, which is expected to be held in the third quarter of 2023. At this time, we cannot predict the outcome of this matter or its effect on Talen; however, a material adverse judgment could have an adverse effect on Talen's results of operations and liquidity.

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

Regulatory and Environmental

Talen Energy Corporation (or its affiliates) are involved, and exposed to, regulatory and environmental matters related to Talen Energy Supply activities, some matters are not specifically disclosed herein due to the Talen Energy Supply Deconsolidation. For Talen Energy Supply matters not disclosed, as Talen Energy Corporation remains the ultimate legal owner of Talen Energy Supply after the Talen Energy Supply Deconsolidation, it could have contingent risk for those regulatory or environmental matters that Talen Energy Supply is currently involved in or may become involved in the future. For those Talen Energy Supply matters not disclosed and should Talen Energy Corporation become party to such matters, at this time, Talen Energy Corporation cannot predict what if any, impact the matter would have on its results of operations and liquidity.

Guarantees and Other Assurances

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

Talen Energy Corporation were exposed to the below matters for Talen Energy Supply activities prior to the Talen Energy Supply Deconsolidation. As Talen Energy Corporation remains the ultimate legal owner of Talen Energy Supply after the Talen Energy Supply Deconsolidation, it could have contingent risk for the below matters. For those Talen Energy Supply matters not disclosed and should Talen Energy Corporation become party to such matters, at this time, Talen Energy Corporation cannot predict what if any, impact the matter would have on its results of operations and liquidity.

Surety Bonds. Surety bonds provide financial performance assurance to third parties on behalf of Talen Energy Corporation, Talen Energy Supply and certain Talen Energy Supply 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 Talen Energy Supply, and in some cases, Talen Energy Corporation, would be required to reimburse any payment by the surety. Talen's liability with respect to any surety bond is released once the obligations secured by the surety bond are performed. Surety bond providers generally have the right to request additional collateral or request that such bonds be replaced by alternate surety providers, in each case upon the occurrence of certain events. At December 31, 2021, the aggregate amount of surety bonds outstanding was \$237 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.

Talen Energy Supply has posted an aggregate \$113 million of surety bonds to the MDEQ on behalf of Talen Montana's proportional share of remediation and closure activities at December 31, 2021. Talen Montana has agreed to reimburse Talen Energy Supply and its affiliates in the event that these surety bonds are called. Talen Montana's surety bond requirements may increase due to scope changes, cost revisions and (or) other factors when the MDEQ conducts annual reviews of approved remediation and closure plans as required under the Colstrip AOC. The surety bond requirements will decrease as a result of such reviews as Colstrip's coal ash impoundments remediation and closure activities are completed.

NorthEast Gas Gen Letters of Credit Assurance. At December 31, 2021, pursuant to the terms of NorthEast Gas Gen's chapter 11 plan of reorganization, which is unrelated to the Talen Bankruptcy, Talen Energy Supply has provided \$17 million of letters of credit to backstop long-term letters of credit, including a letter of credit related to a property tax arrangement for Athens.

15. Revolving Credit Facilities and Other Facilities

The following disclosure applies to Talen Energy Supply's activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Revolving Credit and Other Facilities

	Expiration	December 31, 2021			
		Committed Capacity	Direct Cash Borrowings	LCs Issued	Unused Capacity
Recourse					
Talen Commodity Accordion RCF (a)	September 2024	848	848	—	—
Talen RCF	March 2024	459	—	439	20
Talen Unsecured LCF-1	June 2023	100	—	10	90
Talen Unsecured LCF-2	December 2023	100	—	—	100
Non-Recourse					
LMBE-MC RCF	December 2023	25	—	15	10
Total		\$ 1,532	\$ 848	\$ 464	\$ 220

(a) The weighted average interest rate was 9.00% at December 31, 2021.

Talen Energy Corporation was not party to any revolving credit or other facilities at December 31, 2021. As a result of the Talen Energy Supply Deconsolidation, Talen Energy Supply's revolving credit and other facilities in place at December 31, 2022 are not presented on Talen Energy Corporation's Consolidated Balance Sheet as of December 31, 2022. See Note 4 for additional information on the Talen Energy Supply Deconsolidation.

16. Long-term Debt

The following disclosures apply to Talen Energy Supply's activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Long-term Debt

	Interest Rate (a)	December 31, 2021
Talen Senior Secured Term Loans		
Talen 2026 TLB	3.85 %	\$ 427
Talen Senior Secured Notes		
Talen 2027 Secured Notes	7.25 %	750
Talen 2028 Secured Notes	6.63 %	470
Talen 2028 Secured Notes	7.63 %	400
Talen Senior Unsecured Notes		
Talen 2022 Notes	9.50 %	17
Talen 2024 Notes	6.50 %	24
Talen 2025 Notes	6.50 %	543
Talen 2026 Notes	10.50 %	607
Talen 2027 Notes	7.00 %	20
Talen 2036 Notes	6.00 %	119
Talen PEDFA Bonds		
Talen 2038 PEDFA Series 2009A	6.40 %	100
Talen 2038 PEDFA Series 2009B	0.17 %	50
Talen 2037 PEDFA Series 2009C	0.17 %	81
Total recourse principal		3,608
Non-recourse Senior Secured Term Loan		
LMBE-MC 2025 TLB	5.00 %	353
Total non-recourse principal		353
Limited-recourse Senior Secured Term Loan		
Cumulus Digital 2027 TLF, including PIK	12.50 %	60
Total limited-recourse principal		60
Total principal		4,021
Unamortized deferred finance costs and original issuance discounts, recourse (b) (c)		(61)
Unamortized deferred finance costs and original issuance discounts, non-recourse		(6)
Unamortized deferred finance costs and original issuance discounts, limited-recourse		(9)
Total carrying value		3,945
Less: recourse long-term debt, due within one year		150
Less: non-recourse long-term debt, due within one year		9
Long-term debt		\$ 3,786

(a) Computed interest rate at December 31, 2021.

(b) The 2021 amount includes previously recognized fair value adjustments on certain exchanges of indebtedness.

(c) Previously unamortized fees related to unsecured indebtedness were written-off to "Reorganization income (expense), net presented on the Consolidated Statements of Operations.

Talen Energy Corporation had no long-term debt in its own name as of December 31, 2021. As a result of the Talen Energy Supply and Cumulus Digital Holdings Deconsolidations, the long-term debt of Talen Energy Supply and Cumulus Digital Holdings in place at December 31, 2022 is not presented on Talen Energy Corporation's Consolidated Balance Sheet as of December 31, 2022. See Note 4 for additional information on the deconsolidations.

See Note 15 for information on revolving credit facilities and LC issuances and facilities.

At December 31, 2021, Talen Energy Supply, Talen Energy Marketing, Susquehanna Nuclear and LMBE-MC were not in default under any of their respective credit agreements or indentures and Cumulus Digital was not in default under the Cumulus Digital 2027 TLF.

Long-Term Debt Transactions

2021 Transactions.

Talen 2021 Secured Notes Repayment. In December 2021, Talen Energy Supply repaid an aggregate \$114 million principal amount upon maturity.

Talen PEDFA Bond Remarketing. In February 2021, Talen Energy Supply completed the remarketing of the Talen 2028 PEDFA series 2009B bonds and the Talen 2037 PEDFA Series 2009C bonds, and issued \$131 million principal amount of remarketed bonds and received proceeds of \$128 million, net of fees, which are presented as new indebtedness on the Consolidated Balance Sheet and Consolidated Statements of Cash Flows as of and for the year ended December 31, 2021. In connection with this transaction, Talen Energy Supply issued backstop LCs in the amount of principal outstanding of the remarketed bonds plus an interest component. See "Recourse Long-term Debt" below for additional information.

Cumulus Digital 2027 Senior Secured Term Loan. In September 2021, Cumulus Digital executed the Cumulus Digital Credit Agreement, which provided for up to \$175 million in aggregate principal borrowings and matures in September 2027. Cumulus Digital borrowed \$60 million at closing of the loan transaction and made additional borrowings over time to fund Cumulus Coin's contributions to Nautilus and Cumulus Data's construction of certain data center electrical infrastructure that will support the operations of both Cumulus Data and Nautilus.

Guarantees on Cumulus Digital 2027 TLF

All obligations under the Cumulus Digital Credit Agreement are guaranteed by Cumulus Digital Holdings and each of Cumulus Digital's subsidiaries (other than Nautilus). The maximum amount of potential future payments by the guarantors is equal to the maximum amount of outstanding obligations under the Cumulus Digital Credit Agreement and may include unpaid interest, premiums, penalties, and (or) other fees and expenses.

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

17. Fair Value

The following disclosures apply to Talen Energy Supply's activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Recurring Fair Value Measurements

Talen follows the below approach on recurring fair value measurements. As a result of the Talen Energy Supply Deconsolidation, however, the assets and liabilities subject to such measurements are not presented on Talen Energy Corporation's Consolidated Balance Sheet as of December 31, 2022.

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

Energy Commodity Derivatives. Level 1 derivative assets and liabilities primarily consist of exchange-traded futures and options. Level 2 derivative assets and liabilities primarily consist of over-the-counter swaps, options and forward purchase and sale contracts that are valued using adjusted exchange prices, prices provided by brokers or price service companies that are all corroborated by market data. Level 3 derivative assets and liabilities consist of over-the-counter swaps, options and forward purchase and sale contracts where a significant portion of fair value is calculated from underlying market data that is not readily available. The derived value uses industry standard methodologies that consider the historical relationships among various commodities, modeled market prices, time value, volatility factors and other relevant economic measures. The use of these inputs results in management's best estimate of fair value.

Interest Rate Derivatives. Level 2 derivative assets and liabilities primarily consist of fixed for floating over-the-counter swaps which are valued using readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates).

Nuclear Decommissioning Trust Funds. Level 1 investments consist of individual equity securities and U.S. treasury bills and (or) U.S. government debt securities that are valued using unadjusted prices available from the underlying exchange. Level 2 investments primarily consist of municipal and investment grade corporate debt securities which are valued using benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities, and credit valuation adjustments. Certain investments in money market funds, real estate investment trusts, commingled equity funds, and commingled fixed income funds are not classified within the fair value hierarchy. The fair value measurements of these funds are based on firm quotes of NAV per share, as a practical expedient for valuation, which are not obtained from a quoted price in an active market. Real estate investment trust shares are redeemable on a quarterly basis. However, the investment manager has discretion over when the redemptions are paid out which was dependent on liquidity and redemption and subscription queues.

VEBA Trust. Level 1 investments consist of U.S. treasury notes that are valued using unadjusted prices available from the underlying exchange. Level 2 investments primarily consist of investment grade corporate debt securities which are valued using benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities, and credit valuation adjustments. Certain investments in money market funds are not classified within the fair value hierarchy. The fair value measurements of these funds are based on firm quotes of NAV per share, as a practical expedient for valuation, which are not obtained from a quoted price in an active market.

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

	December 31, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Cash equivalents	\$ —	\$ —	\$ —	\$ 5	\$ 5
Equity securities (a)	629	—	—	549	1,178
U.S. Government debt securities	166	—	—	—	166
Municipal debt securities	—	109	—	—	109
Corporate debt securities	—	174	—	—	174
Other debt securities	—	1	—	—	1
Receivables (payables), net (b)					2
Nuclear decommissioning trust funds	795	284	—	554	1,635
Corporate debt securities	—	4	—	—	4
U.S. Government debt securities	1	—	—	—	1
VEBA trust (c)	1	4	—	—	5
Commodity derivatives	1797	176	10	—	1,983
Interest rate derivatives	—	—	—	—	—
Total assets	\$ 2,593	\$ 464	\$ 10	\$ 554	\$ 3,623
Liabilities					
Commodity derivatives	\$ 2,101	\$ 330	\$ 16	\$ —	\$ 2,447
Interest rate derivatives	—	14	—	—	14
Total liabilities	\$ 2,101	\$ 344	\$ 16	\$ —	\$ 2,461

(a) Includes commingled equity and fixed income funds and real estate investment trusts.

(b) Represents: (i) interest and dividends earned but not received; and (ii) net sold or purchased investments, but not settled.

(c) Presented as "Other current assets" on the Consolidated Balance Sheet and relates to Talen Energy Supply's health and welfare "wrap" plan. See Note 18 for additional information

The changes in the net Level 3 commodity derivative assets and liabilities for the years ended December 31 were:

	2022	2021
Asset (liability), net, beginning of the period	\$ (6)	\$ 41
Gains (losses), net, included in earnings	(76)	(24)
Settlements	(5)	(23)
Talen Energy Supply Deconsolidation	87	—
Asset (liability), net, end of the period	\$ —	\$ (6)

The significant unobservable inputs used in the fair value measurement of Level 3 commodity derivatives at December 31, 2021 were:

Transaction Type	Valuation Technique	Unobservable Input	Low End Range	High End Range	Weighted Average (a)	Fair Value
Congestion Products	Historical congestion	Forward congestion price	\$(8.05)/MWh	\$94.08/MWh	\$ 1.77	\$ 10
Heat rate options	Option models	Power volatilities	11%	145%	54%	(16)
		Gas volatilities	3%	57%	13%	
		Power and gas correlation	(5)%	35%	16%	

(a) Weighted average is based on notional volumes at December 31, 2021.

The sensitivity of fair value measurements to changes in the significant unobservable inputs at December 31, 2021 were:

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

The net gains and losses of Level 3 commodity derivatives for the years ended December 31 were:

	2022	2021
Energy Revenues		
Gains (losses) included in earnings	\$ (76)	\$ (24)
Change in unrealized gains (losses) (a)	6	(47)
Energy Expenses		
Change in unrealized gains (losses) (a)	—	—

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

Nonrecurring Fair Value Measurements

There were no nonrecurring fair value measurements related to impairments of long-lived assets for the years ended December 31, 2022 and December 31, 2021.

Reported Fair Value

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

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

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

	December 31, 2021	
	Carrying Value	Fair Value
Revolving credit facilities	\$ 848	\$ 848
Other short-term indebtedness (a)	5	5
Long-term debt (b)	3,945	3,046

(a) Presented as "Other current liabilities" on the Consolidated Balance Sheets.

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

18. Postretirement Benefit Obligations

The following disclosures apply to Talen Energy Supply's benefit obligations during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

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. Due to the Talen Energy Supply Deconsolidation, the assets and liabilities associated with such benefit plans are not presented on Talen Energy Corporation's Consolidated Balance Sheet as of December 31, 2022, and any associated income and expenses shown on the Consolidated Statement of Operations for the year ended December 31, 2022 are only for the period from January 1, 2022 to May 9, 2022.

Pension and Other Postretirement Defined Benefit Plans

Obligations under the defined benefit pension and other postretirement plans are generally based on factors, among others, such as age of the participants, years of service, and compensation. The defined benefit pension and other postretirement plans are closed to new participants. Effective December 31, 2018, all participants ceased accruing additional benefits in the TERP, the Company's largest defined benefit pension plan.

Funded Status. The net fair value of underfunded defined benefit pension and other postretirement plans are presented as "Postretirement benefit obligations" on the Consolidated Balance Sheets. Certain other postretirement plans were overfunded by \$28 million at December 31, 2021 and are presented as "Other noncurrent assets" on the Consolidated Balance Sheets. The current portion of certain unfunded postretirement obligations were not material.

The aggregate funded status and the weighted average assumptions at December 31, 2021 were:

	Pension Benefits	Other Postretirement Benefits
Change in benefit obligation		
Benefit obligation at January 1	\$ 1,853	\$ 108
Service cost	4	2
Interest cost	47	3
Actuarial (gain) loss	(77)	—
Plan participant contributions	—	3
Actual benefits paid	(106)	(11)
Benefit obligation at December 31	1,721	105
Change in plan assets		
Plan assets fair value at January 1	1,388	101
Actual return on plan assets	141	5
Employer contributions	14	1
Plan participant contributions	—	3
Actual benefits paid	(106)	(11)
Plan assets fair value at December 31	1,437	99
Funded Status	\$ (284)	\$ (6)
Accumulated benefit obligation	\$ 1,721	\$ —
Aggregate amounts of underfunded plans		
Benefit obligation / Accumulated benefit obligation	1,721	70
Fair value of plan assets	1,437	36
Amounts recognized in accumulated other comprehensive income		
Net (gain) loss	\$ 247	\$ 7
Prior service cost (credit)	—	(5)
Total accumulated other comprehensive income	\$ 247	\$ 2
Assumptions		
Discount rate	2.97 %	2.94 %
Interest crediting rate	6.00 %	
Rate of compensation increase	3.45 %	2.31 %

In 2021, the decrease in postretirement benefit obligations was primarily attributable to increasing interest rates, combined with actual returns in excess of expected returns on plan assets.

Net Periodic Benefit Cost and amounts recognized in OCI. Service cost is presented as "Postretirement benefits service cost", while the other components of net periodic defined benefit cost (credit) for pension and other postretirement plans are presented as "Postretirement benefits gain (loss), net" on the Consolidated Statements of Operations. The portion of net periodic benefit cost capitalized during the years ended December 31, 2022 and 2021 was not material.

The components of net periodic benefit cost (credit), the amounts recognized in OCI and the associated weighted average assumptions for pension and other postretirement plans for the years ended and at December 31 were:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
Net periodic benefit costs (credits):				
Service cost	\$ 1	\$ 4	\$ —	\$ 2
Interest cost	18	47	1	3
Expected return on plan assets	(24)	(67)	(1)	(4)
Amortization of prior service cost (credit)	—	—	—	(1)
Amortization of net (gain) loss	10	52	—	—
Net periodic defined benefit cost (credit)	5	36	—	—
Net actuarial (gain) loss	7	(151)	(1)	—
Reclassifications due to settlement and (or) curtailment:				
Amortization of prior service cost (credit)	—	—	—	1
Amortization of net (gain) loss	(10)	(52)	—	—
Total recognized in OCI	(3)	(203)	(1)	1
Total recognized in net periodic costs and OCI	\$ 2	\$ (167)	\$ (1)	\$ 1

Assumptions

Discount rate	2.97 %	2.61 %	2.94 %	2.57 %
Rate of compensation increase	3.45 %	2.96 %	2.31 %	2.61 %
Expected return on plan assets	5.75 %	5.75 %	3.89 %	3.89 %
Health care grading trend rates (a)	—	—	5.60% to 4.50%	6.75% to 4.93%

(a) Trend rates grading to 2027.

The expected long-term rates of return for pension and other postretirement plans are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

Contributions and Payments. The American Rescue Plan Act was enacted in March 2021 and provides pension plan funding relief for sponsoring employers. In the second quarter 2021, Talen Energy Supply made certain elections available under The American Rescue Plan Act with respect to the TERP that includes relief provisions for minimum defined benefit pension contributions. Accordingly, there were no minimum required contributions for any of our sponsored pension plans in 2022 and 2021. Talen Montana contributed \$4 million and \$13 million of discretionary contributions in 2022 and 2021 to the Talen Montana pension plan.

The aggregate benefits paid to pension and other postretirement plan participants was \$45 million in 2022 and \$117 million in 2021.

Pension plan assets. Pension plan assets are invested in external trusts, including a master trust, which includes a 401(h) account that is restricted for certain other postretirement benefit obligations of Talen Energy Supply. The plans' investment policies outline investment objectives.

The risk management framework categorizes the plan assets within three sub-portfolios: growth, immunizing and liquidity. The trust investments within these portfolios are routinely monitored to seek a risk-adjusted return on a mix of assets that, in combination with our funding policy, are intended to provide sufficient assets to provide long-term growth and liquidity for benefit payments, match asset duration with the expected liability duration, and mitigate concentrations of risk with asset diversification.

The classification of pension plan asset fair value measurements within the fair value hierarchy were:

	December 31, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Cash equivalents	\$ —	\$ —	\$ —	\$ 139	\$ 139
Equity securities	—	—	—	509	509
Commingled debt securities	—	—	—	455	455
Alternative and other investments	4	—	—	254	258
Receivables (payables), net (a)					95
Total trust funds	4	—	—	1,357	1,456
Restricted 401(h) assets (b)					(19)
Total plan assets	\$ 4	\$ —	\$ —	\$ 1,357	\$ 1,437

(a) Represents: (i) interest and dividends earned but not received; and (ii) net sold or purchased investments, but not settled.

(b) Other postretirement 401(h) benefits assets are a component of the pension plan master trust. Accordingly, these are excluded from pension plan assets.

Level 1 investments consist of U.S. Treasury and (or) U.S. government debt securities and exchange-traded futures contracts, which are valued using unadjusted prices available from the underlying market.

Certain investments in cash equivalent funds, commingled equity funds, commingled debt securities, and alternative investments are not classified within the fair value hierarchy. The fair value measurement of these funds is based on firm quotes of NAV per share, as a practical expedient for valuation, which are not obtained from a quoted price in an active market.

Investments in cash equivalent funds consist of short-term investment funds and commingled cash equivalent funds. Investments in equity funds consisted of large and small cap U.S. and international funds that may be redeemed daily. Investments in commingled debt funds consist of funds that invest in investment-grade intermediate and long-duration corporate and government fixed-income securities. These investments may be redeemed daily.

Alternative and other investments consist of investments in funds that invest in a portfolio of exchange-traded futures and forward contracts, hedged funds of funds that employed investment strategies including long/short equity, market neutral, distressed debt, and relative value, private equity partnerships, with limited lives ranging from ten to fifteen years, and real estate investment partnerships. Investments in real estate partnerships have redemption limitations based on available funding and investments in private equity partnerships that may not be redeemed with the partnership prior to the end of the partnerships' lives, however, the interest could be sold to other parties. Redemptions of hedge funds, private equity, and real estate partnerships are also subject to the respective general partner's approval.

Other postretirement benefit plan assets. The investment strategy with respect to most of the other postretirement benefit obligations is to fund VEBA or similar trusts and (or) 401(h) accounts with voluntary contributions, when appropriate, and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the master trust, other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns to provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers, and therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities but treated as debt securities for asset allocation and target allocation purposes. Ownership interests in money market funds are treated as cash and cash equivalents for asset allocation and target allocation purposes.

The classification of other postretirement benefit plan asset fair value measurements within the fair value hierarchy were:

	December 31, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Cash equivalents	\$ —	\$ —	\$ —	\$ 4	\$ 4
Equity securities	—	—	—	9	9
U.S. Government debt securities	5	—	—	—	5
Corporate debt securities	—	19	—	—	19
Commingled debt securities	—	—	—	43	43
Total trust funds	5	19	—	56	80
Restricted 401(h) assets (a)					19
Total plan assets	\$ 5	\$ 19	\$ —	\$ 56	\$ 99

(a) Other postretirement 401(h) benefits assets are a component of the pension plan master trust. Accordingly, these are reported as postretirement assets.

Level 1 investments consist of U.S. Treasury and (or) U.S. government debt securities, which are valued using unadjusted prices available from the underlying market.

Level 2 investments consisted of corporate debt securities, which are valued using observable inputs such as benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities, and credit valuation adjustments.

Certain investments in money market funds, commingled equity funds, and commingled debt securities are not classified within the fair value hierarchy. The fair value measurements of these funds are based on firm quotes of NAV per share, as a practical expedient for valuation, which are not obtained from a quoted price in an active market.

Investments in equity securities consist of investments in a passively managed equity index fund that invests in securities and a combination of other collective funds. Investments in debt securities represents investments in funds that invest in a diversified portfolio of investment grade fixed income securities.

Defined Contribution Plans

Substantially all Talen employees are eligible to participate in 401(k) deferred savings plans. Employer contributions to the plans were \$6 million in 2022 prior to the Talen Energy Supply Deconsolidation and \$18 million in 2021.

Coal Industry Retiree Benefit Plans

A Talen Energy Supply subsidiary is obligated under the Coal Act and the Black Lung Act to pay for certain health care and black lung benefits of retired miners and allowable beneficiaries. These obligations are funded from medical VEBAs and a black lung trust.

See "Postretirement Benefit Obligations" in Note 2 for additional information.

In January 2020, the Benefit Plan for UMWA Represented Retirees of Pennsylvania Mines, LLC was merged with and into Talen Energy Supply's health and welfare "wrap" plan, under which Talen Energy Supply provides a variety of health and welfare benefits to employees and other eligible participants pursuant to a single ERISA administrative framework. During 2021, excess assets of approximately \$15 million were transferred from the PA Mines UMWA Plan VEBA to a separate VEBA which provides benefits for participants in Talen Energy Supply's health and welfare wrap plan in the amount of \$15 million for the year ended December 31, 2021. As such assets were not presented on the Consolidated Balance Sheets prior to the transfer of the assets from the PA Mines UMWA Plan VEBA, Talen recognized gains for the amounts transferred in their respective periods, which are presented as "Other non-operating income (expense), net" on the Consolidated Statements of Operation.

19. Capital Structure

On December 6, 2016, Talen Energy Corporation completed a transaction in which all of the then-outstanding shares of Talen Energy Corporation's common stock not owned by the Sponsor Entities were acquired by Talen Energy Corporation and canceled. As a result of the transaction, Talen Energy Corporation became privately owned by the Sponsor Entities.

In February 2017, Talen Energy Corporation filed an amendment to its Articles of Incorporation which effected a 1-for-100 reverse stock split of its authorized, issued, and outstanding shares of common stock that reduced the number of shares of common stock authorized from 100,000,000 to 1,000,000 and the shares of common stock outstanding from 44,975 thousand to 450 thousand.

In September 2017, the Sponsor Entities transferred a portion of their shares of common stock to Talen MidCo LLC. All the voting interests in Talen MidCo LLC are owned by the Sponsor Entities. Certain members of Talen management have a non-voting profits interest in Talen MidCo LLC.

At December 31, 2022, outstanding shares of Talen Energy Corporation common stock owned by the Sponsor Entities and Talen MidCo LLC were:

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

On May 17, 2023, the effective date of the Plan of Reorganization, all outstanding shares of Talen Energy Corporation's common stock owned by the Sponsor Entities and Talen MidCo LLC were canceled and new shares of common stock and warrants in the same amount were issued pursuant to the Rights Offering and the Plan of Reorganization.

20. Earnings (Loss) Per Share

Basic EPS is computed by dividing "Net Income (Loss) Attributable to Members" by the "Weighted-Average Number of Common Shares Outstanding - Basic" during the applicable period. Diluted EPS is computed by dividing "Net Income (Loss) Attributable to Stockholders" by the "Weighted-Average Number of Common Shares Outstanding - Diluted," which is increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method.

Reconciliations of the amounts of income and shares used in the EPS computation for the years ended December 31 are:

	2022	2021
Income (in millions)		
Net Income (Loss) Attributable to Stockholders	\$ (866)	\$ (989)
Shares of Common Stock (in thousands)		
Weighted-Average Number of Common Shares Outstanding - Basic and Diluted	450	450

21. Accumulated Other Comprehensive Income

The total changes in AOCI for the years ended December 31 were:

	2022	2021
Beginning balance	\$ (154)	\$ (296)
Gains (losses) arising during the period	(48)	138
Reclassifications to Consolidated Statements of Operations	21	53
Income tax benefit (expense)	8	(49)
Talen Energy Supply Deconsolidation	173	—
Other comprehensive income (loss)	154	142
Accumulated other comprehensive income	\$ —	\$ (154)

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

	2021
Available-for-sale securities unrealized gain (loss), net	\$ 4
Qualifying derivatives unrealized gain (loss), net	11
Postretirement benefit prior service credits (costs), net	6
Postretirement benefit actuarial gain (loss), net	(175)
Accumulated other comprehensive income	\$ (154)

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

Location of gain (loss)	2022	2021
Nuclear decommissioning trust funds gain (loss), net (a)	\$ (13)	\$ (2)
Depreciation, amortization and accretion (b)	1	2
Postretirement benefit gain (loss), net (c)	(9)	(53)
Total	\$ (21)	\$ (53)

(a) Available-for-sale securities unrealized gain (loss), net

(b) Qualifying derivatives unrealized gain (loss)

(c) Postretirement benefit prior service credits (costs), net and Postretirement benefit actuarial gain (loss), net

The postretirement obligations components of AOCI are not presented in their entirety on the statement of operations during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 18 for additional information.

22. Supplemental Cash Flow Information

The following disclosures apply to Talen Energy Supply's activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Supplemental information for the Consolidated Statements of Cash Flows for the years ended December 31:

	2022	2021
Cash paid (received) during the period		
Interest and other finance charges, net of capitalized interest (\$11 million in 2022 and \$6 million in 2021)	\$ 93	\$ 316
Income taxes, net	(1)	20
Non-cash investing and operating activities		
Capital expenditure accrual increase (decrease)	\$ 2	\$ 8
Accounts receivable contributed to equity method investment (a)	2	6
Depreciation, amortization and accretion included on the Statements of Operations:		
Depreciation, amortization and accretion	\$ 197	\$ 524
Amortization of deferred finance costs and original issuance discounts (interest expense) (b)	13	31
Total	\$ 210	\$ 555
Non-cash financing/investing activities		
Unrealized (gain) loss on derivatives:		
Commodity contracts	\$ 132	\$ 712
Interest rate swap contracts	(29)	(28)
Total	\$ 103	\$ 684
Operating Activities Reconciliation Adjustments, Other:		
Net periodic defined benefit cost	\$ 3	\$ 36
Derivative option premium amortization	23	(176)
Non-cash ARO revisions	—	(3)
Nonrecourse PIK interest	8	—
Debt restructuring (gain) loss, net	4	2
Other	2	(5)
Total	\$ 40	\$ (146)

(a) See Note 10 for information on equity method investments.

(b) Includes previously recognized fair value adjustments on certain exchanges of indebtedness.

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:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 1	\$ 276
Restricted cash and cash equivalents:		
Commodity exchange margin and other collateral deposits	—	442
LMBE-MC major maintenance reserve deposits	—	15
LMBE-MC debt service reserve deposits	—	10
Other	—	10
Restricted cash and cash equivalents	—	477
Total	\$ 1	\$ 753

23. Related Party Transactions

The following disclosures apply to Talen Energy Supply's operating activities during the periods in which Talen Energy Supply was consolidated by Talen Energy Corporation.

Talen historically has incurred and paid customary management fees for services provided by Riverstone and its affiliates and reimbursed Riverstone for certain costs. In November 2021, Riverstone agreed to suspend Talen's payment obligations for these management fees. The aggregate fees incurred for services and reimbursements for the years ended December 31 were:

	2022		2021
Riverstone Holdings, LLC management fees (a)	\$	—	\$ 1
Riverstone Holdings, LLC litigation fees (a)		2	6

(a) Presented as "General and administrative" on the Consolidated Statements of Operations.

In recent years, Talen Energy Supply has paid certain expenses and liabilities incurred by Talen Energy Corporation. After considering the Talen Energy Supply Deconsolidation, Talen Energy Corporation presented \$2 million due to Talen Energy Supply as "Liabilities subject to compromise" on the Consolidated Balance Sheet at December 31, 2022. The same amount existed between Talen Energy Corporation and Talen Energy Supply at December 31, 2021, however, the amount eliminated in consolidation of Talen Energy Corporation and its subsidiaries.

Pursuant to the TEC Global Settlement: (i) upon confirmation of the Plan of Reorganization in December 2022, Talen Energy Supply paid \$8 million in fees and expenses of Talen Energy Corporation's professional advisors; (ii) deposited \$7 million in a custodial account presented as "Restricted cash" on Talen Energy Supply's Consolidated Balance Sheet which will be used to pay fees and expenses of Talen Energy Corporation's advisors when due at future dates; (iii) all other unpaid management fees and expenses owed to Riverstone will be forfeited by Riverstone upon the Plan of Reorganization Effective Date; and (iv) amounts owed by Talen Energy Corporation to Talen Energy Supply will either waived or reinstated, at the option of New Parent, upon the Plan of Reorganization Effective Date.

During the year ended December 31, 2022, as a result of the TEC Global Settlement and UCC Settlement, Talen Energy Supply: (i) reversed prior amounts accrued due to Riverstone for unpaid management fees and expenses totaling \$5 million (to "General and administrative"); and (ii) recognized expense totaling \$8 million (to "Reorganization gain (loss)"), for certain fees and expenses incurred by Talen Energy Corporation which have been reimbursed by Talen Energy Supply pursuant to the TEC Global Settlement.

See Note 3 for information on the TEC Global Settlement.

Cumulus Digital Intercompany Agreements

Talen Energy Supply and (or) its subsidiaries have executed certain agreements with Cumulus Digital Holdings and (or) its subsidiaries. Such agreements include, but are not limited to: (i) the Nautilus CSA, Nautilus FOA, and Cumulus Digital COSA, pursuant to which Talen Energy Supply provides administrative and operational services to Cumulus Digital and its subsidiaries; (ii) the Nautilus Ground Lease Agreement for the Nautilus site; and (iii) energy supply agreements which support the power requirements of Cumulus Data and Nautilus.

Additionally, under the terms of the Cumulus Digital Credit Agreement, Talen Energy Supply has provided a \$30 million LC at December 31, 2021, to the Cumulus Digital lender to support certain of Cumulus Digital's obligations under the Cumulus Digital 2027 TLF. Cumulus Digital has agreed to reimburse Talen Energy Supply for fees associated with the LCs with payment of such amounts deferred, until the earlier of: (i) two years from the commercial operation date of the Nautilus facility; or (ii) the date Cumulus Data and Cumulus Coin meet a minimum interest coverage threshold. Talen Energy Supply will have the option to receive payment for the deferred fees in cash payments ratably over the next succeeding 24 months or in additional common units of Cumulus Digital Holdings, subject to certain caps under the Cumulus Digital COSA.

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

24. Subsequent Events

Talen Energy Corporation evaluated subsequent events through June 9, 2023, the date the financial statements are available to be issued; all significant subsequent events are included in their respective notes to the financial statements.

FORWARD-LOOKING STATEMENTS AND SIGNIFICANT BUSINESS RISKS

Forward-Looking Statements

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

Significant Business Risks

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

Market, Financial and Economic Risks

- Prices for power, nuclear fuel, natural gas, coal, fuel oil, Bitcoin and emission allowances are predominately impacted by supply and demand. Supply, which can vary by region, is impacted by generation and transmission capacity availability and governmental regulation. Demand can vary due to, among other things, weather, general economic conditions, and the COVID-19 pandemic;
- The differences between the price received for power and the fuel prices for natural gas, coal and uranium, which significantly influence our Realized Energy Margin;
- Changes in capacity revenues from annual and supplemental RTO and ISO capacity auctions, particularly the result for the uncleared capacity auctions;
- The price differences between the locations where we deliver power and liquid market hubs which may be impacted by, among other things, transmission constraints and congestion;
- Our ability to mitigate short-term and medium-term cash flow variability through the consummation of commercial hedging transactions;
- The effects of extreme natural gas, uranium, power, and coal price volatility on our energy margin and our hedging strategy;
- The availability of sufficient natural gas, uranium and coal fuel supplies at our generation facilities for electric generation;
- The effects of interest rate and equity security price volatility on the value of assets in, and potential cash funding requirements of, our NDT and our pension and other postretirement plans;
- The potential effects of the Ukraine and Russia conflict and attendant sanctions imposed on Russia, including supply chain disruptions, and disruptions in oil and natural gas production and the supply of nuclear fuel;
- Increases in the supply of electricity due to new power generation capacity, including new combined cycle gas and renewable power generation;
- Wholesale electric energy price volatility in the markets in which we operate due to increasing generation from intermittent renewable power generation;
- The effects of our reliance on the operations of, and financial results from, Susquehanna to fund our other operations and to satisfy our financial and liquidity requirements;
- Our ability to generate sufficient cash flow in order to fund our operations, debt service obligations and working capital requirements due to macroeconomic factors, such as a sustained period of low natural gas and (or) power prices in the markets in which we operate, decreases in demand for electricity, a slowdown in the U.S. economy, extended periods of moderate weather or broad increases in energy efficiency;
- The credit risk associated with the collection of shared operational expenses, capital expenditures, and other required jointly funded amounts due from the co-owners and (or) partners of jointly-owned facilities;
- The effects on our business resulting from the financial difficulties or creditworthiness of our hedging counterparties, contractors, fuel suppliers (including coal and nuclear fuel suppliers), and fuel transporters (including railroads and pipelines), and market operators;

- The risks associated with material payment defaults by other ISO and RTO market participants including: (i) the effects of such default on ISO and RTO market liquidity and the ability for the market operator to perform settlements in the ordinary course of business; (ii) the allocation by the market operator of settlement losses from defaulting market participants to non-defaulting market participants; and (iii) the lengthy recoverability period, if at all, of amounts owing to non-defaulting market participants due to disruptions in settlements;
- The effects of our stakeholders' increasing focus on environmental, social and governance issues on our ability to raise capital and access liquidity in the financial markets;
- Significant collateral requirements required by commodity exchanges and (or) hedging counterparties, due to, among other factors, unexpected volatility in the price for natural gas and wholesale power;
- The need to make cash contributions to defined benefit pension plans and other postretirement benefit plans, and the impact of volatility in interest rates, and prices of securities and their impact on the fair value of debt and equity securities in such plans, on the amount and timing of such required contributions;
- The financial effects of Capacity Performance penalties imposed by PJM due to operational issues at our power generation facilities or the failure of PJM to call on our generation in a timely manner;
- The effects of defaults and (or) cross-defaults that may occur under the terms of the Cumulus Digital Credit Agreement or other indebtedness relating to these projects due to delays or counterparty non-performance, which could result in a draw on LCs or other credit support provided by Talen, as well as a loss in value of Talen's investment in such projects;
- Market conditions of, and overall sentiment towards, crypto assets, including the negative impacts caused by the extreme price volatility and recent significant decline in value of cryptocurrencies and disruption caused by the recent bankruptcies in the industry;

Regulatory, Environmental and Legislative Risks

- Uncertainty around unknown future changes in the market construct of ISOs or RTOs, including but not limited to, changes in response to unusual events, such as Winter Storm Uri and Winter Storm Elliott;
- The influence of ESG based policies developed by regulators, legislatures, capital market participants and others that could materially affect Talen's operations and results of operations;
- The effects of rules, regulations, legislation and (or) international climate change treaty changes, including those that result from changes in political party control of the executive and legislative branches of the U.S. Government, on: (i) environmental and asset retirement obligations; (ii) market structure; (iii) ESG policies; and (iv) other matters applicable to our operations;
- Changes in state, federal and other laws and regulations, as well as interpretations thereof, applicable to our current and future cryptocurrency operations, including: (i) regulatory changes or actions that may alter the nature of an investment in us or restrict or prohibit the use of cryptocurrencies altogether or otherwise in a manner that adversely affects our business, prospects or operations; and (ii) future regulation over the environmental impact of both cryptocurrency mining and the manufacture of new miners, which could restrict or prohibit our mining activity altogether or otherwise affect the availability of new miners;
- Uncertainty of the rules and timing of PJM's capacity auction for subsequent delivery years and the pending implementation of any final FERC orders, appeals of such orders, and other actions that would impact the capacity market and (or) the prospects for our PJM generation facility portfolio to earn capacity revenues;
- Increasing scrutiny from investors, lenders, customers, and government regulators, related to the actual or perceived environmental impact of Bitcoin mining, including environmental concerns raised by private individuals and governmental actors related to the energy resources consumed in the Bitcoin mining process which may result in a significant reduction or complete halting of any Bitcoin mining activities;
- Uncertainty around the results from audits or other reviews by regulatory agencies of our business processes;
- Uncertainty around the effective date of Pennsylvania's entrance into the RGGI market;
- Future uncertainty related to our fossil fuel-fired power generation business and the associated environmental liabilities and asset retirement obligations, including estimates management has made related to the carrying value of such liabilities;
- Our ability to acquire the necessary permits for expansion of the data center and cryptocurrency mining facilities;

Operational Risks

- The effects of transmission congestion, generally due to line maintenance outages, on the realized margin earned by our generation fleet;
- Risks associated with our nuclear facility including: (i) the safe operation of, and unscheduled outages, at the facility; (ii) the availability and cost of nuclear fuel and fuel-related components; (iii) increased nuclear industry security, safety and regulatory requirements; and (iv) the substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel;
- Operational risks associated with an aging fossil-fueled generation facility portfolio, including: (i) managing its useful lives; (ii) unscheduled outages and the effects of extreme weather, such as the freezing of operational plant and equipment components; (iii) potential disruptions in fuel supply for our generation facilities, including unavailable rail or pipeline capacity, and the unavailability of chemicals and (or) sorbents required for environmental regulation compliance; (iv) potential disruptions in our materials supply chains from regulations affecting the use of imported materials; and (v) increased state and federal regulation;
- The risk of disruption to our operations and energy marketing activities due to cyber-attacks on computer systems and networks on which our operations rely and the risk of damage to our generation facilities and (or) disruption to our operations due to attacks by terrorists, vandals or others;
- The ability of our generation units to: (i) be available in strong market conditions; (ii) achieve a reliable run-time; (iii) achieve safe low-cost operations; and (iv) complete planned outages on time and within budget;
- Our ability to operate and market power generated at our facilities during periods of planned and unplanned electric transmission outages;
- Our ability to exercise discipline in capital expenditures, which primarily include maintenance, safety, environmental and reliability projects, and effectively control operating expenses;
- The risk of disruption to our operations due to extreme weather conditions or other natural disasters and the risk of damage to generation facilities;
- Penalties incurred that are associated with non-performance of PJM Capacity Performance requirements and tariff non-compliance imposed by FERC or the PUCT;
- Our inability to obtain agreement on management decisions for joint owner and (or) joint venture projects, which could result in construction delays, increased costs and (or) abandonment of the affected projects;
- Our aging workforce, including the difficulty in replacing retiring workers and the cost of funding legacy postretirement benefit obligations;
- The expiration or termination of commodity contracts and our inability to replace such contracts on favorable terms, or at all;
- The effect of future pandemics (and any governmental responses thereto) on Talen's business, which effects are presently unknown and may also amplify many of the risks otherwise described herein;

Growth Project and Energy Transition Risks

- The ability to fund and otherwise successfully execute on our energy infrastructure transition plan, including our renewable energy, battery storage, and digital infrastructure growth projects, and our efforts to repower facilities to run on alternate fuel sources;
- Delays in performance and (or) non-performance by third-party contractors on whom we are reliant for the development and construction of our energy transition projects; and
- Our ability to find tenants to occupy our new data center projects on reasonable business terms.

GLOSSARY OF TERMS AND ABBREVIATIONS

Legal Entities and Certain Generation Facilities

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

Colstrip. A generation facility comprised of four coal-fired generation units located in Colstrip, Montana, collectively, "Colstrip Units." Talen Montana operates the Colstrip Units, owns an undivided interest in Colstrip Unit 3, and has an economic interest in Colstrip Unit 4. Colstrip Units 1 and 2 were permanently retired in January 2020. See Note 12 in Notes to the Consolidated Financial Statements for additional information on jointly owned facilities and Talen Montana's ownership interests in the Colstrip Units and Note 4 or information on a pending acquisition by Talen Montana of additional interests in Colstrip Units 3 and 4.

Conemaugh. A generation facility located in New Florence, Pennsylvania in which Talen Generation, through a direct subsidiary, owns a 22.22% undivided interest, and which is operated by an unaffiliated party. See Note 12 in Notes to the Consolidated Financial Statements for additional information on jointly owned facilities.

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

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

Cumulus Battery Storage Holdings. Cumulus Battery Storage Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply currently consolidates this company and its subsidiaries in accordance with accounting rules. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company.

Cumulus Coin. Cumulus Coin LLC, a direct subsidiary of Cumulus Coin Holdings that owns a 75% equity interest in Nautilus at December 31, 2022.

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

Cumulus Compute Holdings. Cumulus Compute Holdings, LLC formerly Cumulus Crypto Holdings LLC and Cumulus Barney Davis Coin Holdings LLC, a direct subsidiary of Cumulus Growth that is exploring potential currency mining projects at or near Talen locations other than Susquehanna. The name changes occurred in Jun 2022 and October 2021. Talen Energy Supply currently consolidates this company and its subsidiaries in accordance with accounting rules. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company.

Cumulus Data. Cumulus Data LLC, formerly Susquehanna Data LLC, currently an indirect subsidiary of Talen Energy Corporation and Cumulus Growth and an indirect subsidiary of Talen Growth until August 31, 2021. The company's name was changed in October 2021.

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

Cumulus Digital. Cumulus Digital LLC, a subsidiary of Cumulus Digital Holdings that owns Cumulus Data Holdings and Cumulus Coin Holdings.

Cumulus Digital Holdings. Cumulus Digital Holdings, LLC, a subsidiary of Talen Energy Supply that owns Cumulus Digital. Prior to September 2022, Cumulus Digital Holdings was a subsidiary of Cumulus Growth. As a result of the Cumulus Digital Equity Conversion, Cumulus Digital Holdings became majority-owned by Talen Energy Supply, with the minority interests held by affiliates of Riverstone and Orion.

Cumulus Growth. Cumulus Growth Holdings LLC, a direct subsidiary of Talen Energy Corporation that prior to September 2022, owned common equity interests in Cumulus Digital Holdings and that as of December 31, 2022, owns 100% of the common equity interests in Cumulus Renewables Holdings, Cumulus Battery Storage Holdings, Cumulus Compute Holdings, Cumulus Real Estate Holdings and Cumulus PT Energy Transitions Holdings. As a result of the preferred equity interests held by Talen Energy Supply as of December 31, 2022, these entities are controlled by Talen Energy Supply and consolidated with Talen Energy Supply for financial statement reporting purposes. On an as-converted basis, Talen Energy Supply owns a majority of the common equity interests of these entities.

Cumulus PT Energy Transitions Holdings. Cumulus PT Energy Transitions Holdings LLC, a direct subsidiary of Cumulus Growth that owns a 50% interest in a joint venture entity with Pattern that is intended to hold early-stage development assets prior to the formation of project-specific joint venture entity. Talen Energy Supply currently consolidates Cumulus PT Energy Transitions Holdings in accordance with accounting rules. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company.

Cumulus Real Estate Holdings. Cumulus Real Estate Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply currently consolidates this company in accordance with accounting rules. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company.

Cumulus Renewables Holdings. Cumulus Renewables Holdings LLC, a direct subsidiary of Cumulus Growth. Talen Energy Supply currently consolidates this company and its subsidiaries in accordance with accounting rules. Talen Energy Supply receives voting-convertible preferred equity units for investments made into this company.

Keystone. A generation facility located in Shelocta, Pennsylvania in which Talen Generation, through a direct subsidiary, owns a 12.34% undivided interest that is operated by an unaffiliated party. See Note 12 in Notes to the Consolidated Financial Statements for additional information on jointly owned facilities.

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

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

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

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

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

Nautilus. Nautilus Cryptomine LLC, a joint venture owned, as of December 31, 2022, 75% by Cumulus Coin and 25% by TeraWulf, which was formed for purposes of developing and constructing a cryptomining project.

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

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

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

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

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

Riverstone. Riverstone Holdings LLC.

Riverstone Entities. Riverstone V Coin Holdings, L.P., Raven Power Holdings LLC, C/R Energy Jade, LLC, and Sapphire Power Holdings, LLC.

Sponsor Entities. Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC, affiliates of Riverstone that collectively control 100% of Talen Energy Corporation's common stock.

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

Susquehanna Nuclear. Susquehanna Nuclear, LLC, a direct subsidiary of Talen Energy Supply that operates and holds an undivided interest in Susquehanna.

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

Talen Energy Corporation. Talen Energy Corporation, the parent company of Talen Energy Supply and Cumulus Growth and their consolidated subsidiaries.

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

Talen Generation. Talen Generation, LLC, a direct subsidiary of Talen Energy Supply that through its subsidiaries, owns and operates generation facilities and holds certain undivided interests in generation facilities that are operated by unaffiliated parties in Pennsylvania, New Jersey, and Maryland.

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

Talen Montana. Talen Montana, LLC, a direct subsidiary of Talen Montana Holdings, LLC that owns an undivided interest and operates the Colstrip Units.

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

TRF. Talen Receivables Funding, LLC, a direct subsidiary of Talen Energy Marketing that, prior to the Talen Bankruptcy, purchased certain receivables from Talen Energy Marketing and sold them to an unaffiliated financial institution. The agreement was terminated during the second quarter 2022 as a result of the Talen Bankruptcy. See Note 10 in Notes to the Consolidated Financial Statements for additional information on TRF activities.

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

Other Terms and Abbreviations

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

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

American Rescue Plan Act. A federal stimulus bill passed in 2021 to accelerate recovery from the economic and health effects of the COVID-19 pandemic.

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

ARO. Asset retirement obligation.

ASU. Accounting standards update.

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

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

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

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

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

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

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

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

CAF. Commodity Accordion Facility.

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

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

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

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

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

Coal Act. Coal Industry Retiree Health Benefit Act of 1992.

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

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

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

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

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

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

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

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

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

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

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

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

Cumulus Digital Equity Conversion. The conversion of Talen's and Riverstone V Coin Holdings L.P.'s preferred equity in Cumulus Coin Holdings and Cumulus Data Holdings, and the conversion of class B units of Cumulus Digital Holdings held by Orion affiliates, in each case into common equity of Cumulus Digital Holdings as contemplated by the Cumulus Term Sheet.

Cumulus Digital Holdings Deconsolidation. In September 2022, the Bankruptcy Court approved the Cumulus Term Sheet and associated transactions, which resulted in an increase of Talen Energy Supply's ownership in, and a change in the governance structure of, Cumulus Digital Holdings, which triggered a change of control for accounting purposes. Therefore, Talen Energy Corporation deconsolidated Cumulus Digital Holdings and its subsidiaries.

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

Cumulus Term Sheet. That certain Cumulus Term Sheet dated as of August 29, 2022, by and among Talen, Talen Energy Corporation, Cumulus Digital, Orion Energy Partners Investment Agent, LLC, and the Riverstone Entities, and certain of each of their affiliates. The Cumulus Term Sheet is an attachment to the TEC Term Sheet.

Debtors. The Talen Filing Parties.

Digital Asset Joint Venture. A joint venture, Nautilus, formed in May 2021, by Cumulus Coin and TeraWulf, an unaffiliated third party, to develop, construct, own and operate a zero-carbon cryptocurrency mining project on land adjacent to Susquehanna that is owned by Cumulus Data. Phase I of the project is for the construction of an up to 200 MW capacity cryptocurrency mining facility. Phase II, which may commence at the agreement by TeraWulf, could further expand the facility to a total capacity of 300 MW.

DIP. Debtor in possession.

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

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

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

Effective Date. The date that the Plan of Reorganization became effective, which occurred on May 17, 2023.

EPA. U.S. Environmental Protection Agency.

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, is responsible for, among other things, scheduling electric deliveries and performing financial settlements for the competitive wholesale bulk-power market.

ESG. Environmental, social and corporate governance.

Existing Equity Interests. Interests in Talen Energy Supply.

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

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

GAAP. Generally Accepted Accounting Principles in the United States.

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

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

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

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

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

ISO. Independent System Operator.

Kilowatt. One thousand watts of electric power.

LC. Letter of credit.

LIBOR. London Interbank Offered Rate.

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

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

LMBE-MC RCF. Revolving credit facility established under the LMBE-MC Credit and Guaranty Agreement.

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

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

MMBtu. One million British Thermal Units.

MW. Megawatt, one thousand kilowatts of electric power.

MWh. Megawatts of electric power per hour.

Nautilus CSA. Corporate Services Agreement dated May 13, 2021 between Talen Energy Supply and Nautilus whereby Talen Energy Supply is to provide corporate and administrative services. In September 2021, Talen Energy Supply assigned this agreement to Cumulus Digital to provide these services.

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

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

NAV. Net asset value.

NDT. Nuclear facility decommissioning trust for Susquehanna Nuclear.

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

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

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

NOL. Net operating loss.

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

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

OCI. Other comprehensive income or loss.

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

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

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

Pattern. Pattern Renewables 2 LP, an unaffiliated party.

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

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

PIK. Paid-in-kind.

PJM. PJM Interconnection, L.L.C., operator of the electricity transmission network and electricity market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

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

Plan of Reorganization. The Joint Chapter 11 Plan of Reorganization of Talen Energy Supply, LLC and Its Affiliated Debtors (Docket No. 1206), as may be amended from time to time, and any exhibits or schedules thereto.

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

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

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

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

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

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

PUCT. Public Utility Commission of Texas.

RCF. Revolving Credit Facility.

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

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

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

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

RSA. Restructuring Support Agreement.

RTO. Regional transmission organization.

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

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

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

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

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

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

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

Talen Commodity Accordion RCF. The Credit Agreement, dated as of December 14, 2021, among Talen Energy Supply, as parent, Talen Energy Marketing and Susquehanna, as borrowers, the lenders party thereto and Alter Domus (US) LLC, as administrative agent. Obligations under the Talen Commodity Accordion RCF are guaranteed by the Subsidiary Guarantors and secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors. See Note 15 in Notes to the Consolidated Financial Statements for additional information.

Talen Deferred Capacity Obligations. Obligations arising under an auction specific MW transaction confirmation executed in March 2021 between Talen and an unaffiliated third party, which was fully performed in June 2022. See Note 6 in Notes to the Consolidated Financial Statements for additional information.

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

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

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

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

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

Talen Energy Supply Deconsolidation. In May 2022, as a result of the Talen Energy Supply and the majority of its subsidiaries bankruptcy filing, which triggered a change of control for accounting purposes, Talen Energy Corporation deconsolidated Talen Energy Supply and its subsidiaries.

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

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

Talen Inventory Repurchase Obligations. Obligations arising under a product purchase and sale agreement executed in December 2019 between certain Subsidiary Guarantors and an unaffiliated party and which was terminated in May 2022. See Note 9 in Notes to the Consolidated Financial Statements for additional information.

Talen ISDAs. Certain bilateral secured International Swaps and Derivatives Association (ISDA) agreements and Base Contracts for Sale and Purchase of Natural Gas as published by the North American Energy Standards Board (NAESB) of Talen Energy Marketing, the obligations under which are secured by a lien and security interest in substantially all of the assets of Talen Energy Supply and the Subsidiary Guarantors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UMWA. United Mine Workers of America.

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

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

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

VIE. Variable interest entity.

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

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

[THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK]

TALEN ENERGY 