

Certified Public Accountants
& Consultants



The Tennessee Energy Acquisition Corporation
March 31, 2023
Financial Statements

The Tennessee Energy Acquisition Corporation

Index

	Page
Independent auditor's report	1 - 2
Management's discussion and analysis	3 - 14
 Basic Financial Statements	
Balance sheet	15 - 16
Statement of revenues, expenses, and changes in net position	17
Statement of cash flows	18 - 19
Notes to financial statements	20 - 36
 Supplementary Information	
Independent auditor's report on supplementary information	37
Schedule of debt service requirements	38
Schedule of changes in long-term debt by individual issue	39
Directory of officials	40
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	41 - 42
Summary schedule of prior year findings	43

Independent Auditor's Report

The Board of Directors
The Tennessee Energy Acquisition Corporation
Clarksville, Tennessee

Opinion

We have audited the accompanying financial statements of The Tennessee Energy Acquisition Corporation (the Corporation) which comprise the balance sheet as of March 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tennessee Energy Acquisition Corporation as of March 31, 2023, and the changes in financial position and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2023, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama
July 6, 2023

Management's Discussion and Analysis

The following is intended to provide an understanding of various factors related to the operations and financial condition of The Tennessee Energy Acquisition Corporation (the Corporation). This information should be read in conjunction with the financial statements and related notes. This information focuses on significant changes in financial condition during the fiscal year ended March 31, 2023, and highlights certain events that occurred during the year.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Corporation's financial condition and performance. Summary financial statement data, key financial and operational indicators, bond indentures and other management tools were used for this analysis.

The financial statements report information about the Corporation using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include balance sheets, statements of revenues, expenses, and changes in net position, statements of cash flows and notes to the financial statements. While the balance sheets provide information about the nature and amount of resources and obligations at year end, the statements of revenues, expenses and changes in net position present results of the Corporation's business activities over the course of the fiscal years presented and information as to how the net position of the entity changed during those periods.

Assets and Deferred Outflows, Liabilities, and Deferred Inflows

The assets of the Corporation consist primarily of cash and investments, accounts receivable, short and long-term prepaid gas supplies, derivative instruments, costs recoverable from future billings under the natural gas supply contracts between the Corporation and its Members and Project Participants, capital assets, and regulatory assets, which represents unamortized debt expense relating to the gas projects. Deferred outflows consist of the accumulated increase in the fair value of the gas price swaps related to the Corporation's prepaid gas supply and gas price swaps entered into at the request of Members to hedge cash flows. Total assets and deferred outflows were \$3,046,506,404 and \$3,224,786,659 as of March 31, 2023 and 2022, respectively.

The liabilities of the Corporation consist primarily of accounts payable, the current and long-term portions of the bonds issued to finance the Corporation's prepaid gas supplies, and accrued interest payable on the long-term debt, and derivative instrument liabilities. There are no deferred inflows at March 31, 2023, and deferred inflows at March 31, 2022 consist of the accumulated increase in the fair value of the gas price swaps entered into at the request of Members to hedge cash flows. Principal paid on bonds during 2023 and 2022 was \$147,730,000 and \$140,825,000, respectively. Total liabilities, deferred inflows, and net position were \$3,046,506,404 and \$3,224,786,659 as of March 31, 2023 and 2022, respectively.

The \$178.3 million decrease in total assets and deferred outflows and total liabilities, deferred inflows, and net position in fiscal year 2023 was primarily attributable changes in the derivative instrument commodity swaps associated with the Corporation's gas projects and commodity swaps entered into at the request of Members to hedge cash flows.

Current unrestricted assets decreased \$0.6 million. There was a \$1.3 million increase in unrestricted cash, which was offset by a \$1.9 million decrease in accounts receivable due to lower market prices at the end of the period.

Current restricted assets increased \$47.9 million. There was a \$24.4 million increase in cash due to changes in scheduled debt service requirements for the bond issues. There was a \$5.8 million decrease in customer accounts receivable due to changes in gas prices and volumes at the end of the period. There was a \$12.7 million increase in other accounts receivable, which is the commodity swaps associated with the bond transactions, also due to changes in gas prices and volumes at the end of the period. There was a \$16.6 million increase in current prepaid gas supplies due to planned changes in the delivery schedules of the prepaid gas supply projects.

Noncurrent unrestricted assets decreased \$16.4 million. There was a \$16.4 million decrease in derivative instruments due to changes in the market price of gas and volumes at the end of the period.

Noncurrent restricted assets decreased \$92 million. There was an \$3.9 million increase in investments due to the issuance of the 2023A bonds, which refunded the 2017A bonds. There was a \$74.2 million decrease in long-term prepaid gas supplies, due to current operations, despite the additional 2023 project volumes which extended deliveries for five years from 2048 to 2053. The total notional amount relating to all project commodity swaps which are presented at fair value increased due to the extended deliveries, however due to changes in market prices the end of the period, the value decreased. The 2006, 2018, 2021, and 2023 projects delivery periods end in December 2026, September 2049, March 2052, and March 2053, respectively. There was a \$23.4 million decrease in costs recoverable from future billings. Costs recoverable from future billings of the 2006 project decreased during the period and costs recoverable from future billings of all other projects increased during the period. There was a \$1.7 million increase in the Corporation's regulatory asset representing unamortized debt expense relating to all series of bonds due to the issuance of the 2023A bonds.

Deferred outflows decreased \$117 million. The fair value of the gas price swaps entered into by the Corporation relating to the gas projects are in a liability position, which decreased \$121.5 million due to changes in the market price of gas and current operations. The fair value of the gas price swaps entered into at the request of Members to hedge cash flows and that are in a liability position increased \$4.5 million.

Current unrestricted liabilities decreased \$1.7 million. There was a \$1.7 million decrease in accounts payable and other accrued expenses.

Current restricted liabilities increased \$19.8 million. There was a \$0.6 million increase in accounts payable. There was a \$24.9 million increase in current maturities of long-term debt due to maturity schedules of the bonds. There was a \$5.7 million decrease in accrued interest payable due to decrease in outstanding bonds.

Noncurrent unrestricted liabilities increased \$4.5 million. The derivative instrument commodity swaps entered into at the request of Members to hedge cash flows increased \$4.5 million.

Noncurrent restricted liabilities decreased \$185.4 million. Long-term debt relating to the 2017A bonds decreased \$686.6 million, when the bonds were defeased on February 1, 2023. Long-term debt relating to the 2023 project increased \$818.8 million. Long-term debt relating to the 2006, 2018, and 2021 projects decreased \$173.9 million, \$5.1 million, and \$17.1 million respectively, all of which was due to amortization of bond premiums and reclassification of maturities for the coming year. Derivative instrument commodity swaps relating to the Corporation's prepaid gas supply projects are in a liability position and decreased \$121.5 million.

There are no deferred inflows at March 31, 2023, which is a decrease of \$16.4 million. The deferred inflows of \$16.4 million at March 31, 2022 represented the accumulated change in fair value of hedging derivatives entered into at the request of Members to hedge cash flows due to changes in market prices.

Summary of Balance Sheets

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets-Unrestricted	\$ 23,441,606	\$ 24,037,537
Current Assets-Restricted	388,531,648	340,611,435
Noncurrent Assets-Unrestricted	952,471	17,413,140
Noncurrent Assets-Restricted	2,365,499,227	2,457,564,284
Deferred Outflows		
Accumulated change in fair value of hedging derivatives	268,081,452	385,160,263
Total Assets and Deferred Outflows	<u>3,046,506,404</u>	<u>3,224,786,659</u>
Liabilities		
Current Liabilities-Unrestricted	5,312,958	7,051,565
Current Liabilities-Restricted	210,866,623	191,070,859
Noncurrent Liabilities-Unrestricted	4,451,284	
Noncurrent Liabilities-Restricted	2,806,794,420	2,992,265,123
Deferred Inflows		
Accumulated change in fair value of hedging derivatives		16,431,300
Total Liabilities and Deferred Inflows	<u>3,027,425,285</u>	<u>3,206,818,847</u>
Net Position		
Investment in Capital Assets	952,471	981,840
Unrestricted	18,128,648	16,985,972
Total Net Position	<u>19,081,119</u>	<u>17,967,812</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,046,506,404</u>	<u>\$ 3,224,786,659</u>

Gas Revenues and Expenses

During fiscal years 2023 and 2022, the Corporation sold gas to Members under long-term gas supply contracts and Natural Gas Supply and Transportation, Storage, and Load Management Agreements (Management Agreements) and to Project Participants under long-term gas supply contracts. Under the long-term gas supply contracts, Members and Project Participants purchase monthly quantities specified in the contracts at prices based upon the first-of-the month Index price of gas reported in *Inside FERC's Gas Market Report*, a publication of S&P Global Platts, a division of S&P Global, Inc., for specified delivery points (Index). Under the Management Agreements, the Members purchase the remaining natural gas required for the operation of their local gas distribution utilities at prices based upon Index and other supply and transportation related services.

The Corporation's gas supplies during each of the years consisted of gas delivered under the Corporation's 2006, 2017, 2018 projects with J. Aron & Co., and in 2023, also include the 2021 project with Aron Energy Project 3, purchases from Black Belt Energy (BBE) under the BBE Natural Gas Supply Agreement which began July 1, 2016, and gas purchased from various suppliers under short-term arrangements.

The following table summarizes the gas supplies and sales for fiscal years 2023 and 2022:

Summary of Gas Supplies and Sales

	<u>2023</u>	<u>2022</u>
Gas Supplies	(bcf)	(bcf)
2006A&B Supplies	15.7	16.6
2006C Supplies	14.9	14.9
2017A Supplies	7	6.9
2018 Supplies	6.2	6.5
2021A Supplies	6	0
Black Belt Energy Supplies	1.7	1.6
Short-term Supplies	9.8	8.5
Total Gas Supplies	<u>61.3</u>	<u>55</u>
Gas Sales	(bcf)	(bcf)
Members	20.5	18.3
2006 Project Participants	25.2	26
2017 Project Participants	6.3	6.2
2018 Project Participants	3.3	4.5
2021A Project Participants	6	0
Total Gas Sales	<u>61.3</u>	<u>55</u>

Under each of the bond projects and the related Index-to-fixed gas price swaps, the Corporation made separate fixed price prepayments for specified quantities of gas to be delivered each month through December 2026 with the proceeds from the Series 2006A&B and C Bonds, through March 2048 with the proceeds from the Series 2017A Bonds, through September 2049 with the proceeds from the 2018 Bonds, and through March 2052 with the proceeds from the 2021A Bonds. In February 2023, the 2023A Bonds were issued to replace the funding for the 2017 project, and extend deliveries under that project through March 2053. In each transaction, the Corporation pays (receives) monthly amounts to (from) the swap counterparties based on the net difference between the Index price of gas and a specified fixed price, which is different for each transaction. The swap payments are recorded as adjustments to operating revenues, effectively converting the sales price under the gas supply contracts to the fixed price relating to the transactions. During the fiscal year ending 2023, the Corporation received payments from the swap counterparties of \$63.5 million and made payments to the swap counterparties of \$57.5 million. During the fiscal year ending 2022, the Corporation received payments from the swap counterparties of \$80.3 million and made payments to the swap counterparties of \$9.5 million.

Under the BBE Natural Gas Supply Agreement, the Corporation purchases firm gas supplies at prices based on Index, and the gross amount of payments made and receipts from the purchase and sale of this gas are included in gas operations expenses and gas sale revenues. The Corporation's short-term gas purchase arrangements are also based on Index prices, and the gross amounts of payments and receipts from this gas are also included in gas operations expenses and gas sale revenues.

Operating revenues includes revenues from the prepaid gas supply transactions, the paygo gas supply revenues, and other operating revenues. As explained earlier, the revenues from the prepaid gas supply transactions are affected mainly by the amount of gas scheduled for delivery during the fiscal year, as determined at the time the transaction is entered into or as amended, and the fixed price relating to the transaction. Revenues from prepaid gas supply transactions increased \$16.9 million during fiscal year 2023 despite slightly decreased scheduled deliveries from the 2006 project, due to beginning deliveries from the 2021A project. Revenues from paygo gas supply, which is part of the 2006 project, but has no associated fixed price commodity swap, decreased during fiscal 2023 despite higher market prices, due to decrease in paygo deliveries from 5.5 bcf to 2.5 bcf. Deliveries from the 2017 project was relatively unchanged and deliveries from the 2018 project decreased according to the delivery schedule.

Other operating revenues are affected by changes in Index prices and sales volumes from year to year and costs associated with transportation of the gas to the Members. Other operating revenues for fiscal year 2023 increased 31% from 2022 due to a 14% increase in sales volumes of BBE and short-term supplies and 42% increase in market prices.

Gas operations expenses and paygo gas operations expenses are also affected by changes in Index prices and sales volumes from year to year. Gas operations expense in fiscal year 2023 increased 33% from 2022, due to the 14% increase in sales volumes of BBE and short-term supplies and 42% increase in Index prices during the year. Paygo Gas operations expense in fiscal year 2023 decreased 27% from 2022 due to the 54% decrease in deliveries offset by the 42% increase in Index prices.

For further information regarding changes in sales volume, see "Weather and Prices".

Summary of Revenues, Expenses and Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Revenues-Prepaid Gas Supply Transactions	\$ 241,073,508	\$ 224,127,176
Revenues-Paygo Gas Supply	14,074,533	19,389,934
Other Operating Revenues	80,515,269	61,412,936
Total Operating Revenues	<u>335,663,310</u>	<u>304,930,046</u>
Nonoperating Revenues		
Investment Income	14,711,691	13,594,856
Gain on refunding	3,292,338	
Total nonoperating revenues	<u>18,004,029</u>	<u>13,594,856</u>
Total Revenues	<u>353,667,339</u>	<u>318,524,902</u>
Operating Expenses		
Gas Operations	77,633,904	58,514,001
Gas Operations-Paygo Gas Supply	14,074,533	19,389,934
Depletion of prepaid gas supplies	170,489,945	142,893,145
General and administrative	3,034,295	1,837,687
Total operating expenses	<u>265,232,677</u>	<u>222,634,767</u>
Nonoperating Expense		
Interest and amortization	87,321,355	94,629,911
Total nonoperating expense	<u>87,321,355</u>	<u>94,629,911</u>
Total Expenses	<u>352,554,032</u>	<u>317,264,678</u>
Change in Net Position	<u>\$ 1,113,307</u>	<u>\$ 1,260,224</u>

Weather and Prices

Differences in the Corporation's sales volumes to Members from year to year are to be expected as most of the Members' retail service customers use natural gas for space heating and are very heating degree day-sensitive. The weather in the Members' Tennessee service areas is variable from heating season to heating season, and from month to month within a heating season. The following table summarizes heating degree day averages and market price information for the last two winter heating seasons in the Corporation's service area. The 2022-2023 winter heating season as a whole was warmer than normal and lower in total degree days than the 2021-2022 winter heating season. Despite the decrease in heating degree days, sales to Members increased from 18.3 billion cubic feet to 20.5 billion cubic feet. Sales to Project Participants represent only a portion of their total requirements and will vary only with the volumes specified in the long-term gas supply contracts, and therefore weather will not affect those sales volumes.

Heating Degree Days and Pricing Comparison

	2022-2023				2021-2022		
	Average Heating Degree Days	2022-2023 Heating Degree Days	Deviation From Average*	Index Pricing	2021-2022 Heating Degree Days	Deviation From Average*	Index Pricing
November	502	467	-7.00%	\$5.02	583	16.10%	\$6.15
December	782	741	-5.20%	\$6.54	399	-49.00%	\$5.38
January	889	604	-32.10%	\$4.60	941	5.80%	\$3.97
February	683	445	-34.80%	\$2.97	672	-1.60%	\$6.23
March	505	459	-9.10%	\$2.29	400	-20.80%	\$4.47
Totals	3,361	2,716	-19.20%		2,995	-10.90%	
Average				\$4.28			\$5.24

*(Negative deviation = warmer than normal; Positive deviation = colder than normal)

Other Operating Income and Expenses

Interest expense on long-term debt, amortization of bond issue costs and investment income during the periods reflect the amortization schedules of the Corporation's Bond issues.

Under the Management Agreements, the Corporation charges a management fee which is designed to offset the costs of running the Corporation. Based on the proposed budget for the year, which is approved by the Board of Directors, a management fee is established by dividing the dollar amount of the budget by the estimated sales volume to Members. This management fee is assessed to the Members on each monthly invoice and applied to actual purchase volumes. If the total amount assessed is ever insufficient because of warmer than normal weather or budget overages, the Board may address the shortage in establishing the management fee for the next fiscal year. If the total amount assessed is more than anticipated because of cooler than normal weather or budget savings, the Board may likewise adjust the next fiscal year's management fee to reflect that. For fiscal years 2023 and 2022, the management fee was two cents per MMBtu. Total management fee revenues for fiscal years 2023 and 2022 totaled \$376,000 and \$362,000, respectively. At its March 29, 2023 meeting, the Board set the management fee for fiscal year 2023 at three cents per MMBtu.

Derivative Instrument-Commodity Swaps

As explained in “Gas Revenues and Expenses” the settlements of the Index-to-fixed (fixed-receiver) gas price swaps relating to the prepaid gas supply transactions during the current period are reflected in the summary of revenues, expenses, and changes in net position. At the end of each fiscal period, the Corporation is required to mark the remaining notional volumes of all commodity swaps to fair market value and report them as a derivative instrument on the balance sheet. At March 31, 2023 and 2022, the remaining 2006 project volumes were 85 million and 113 million MMBtu, respectively, and the market price of gas was lower than the fixed prices at which the 2006 fixed-receiver gas price swaps were executed, resulting in derivative instrument assets of \$290 million and \$333 million, respectively, relating to the commodity swaps unsettled as of those dates. On February 1, 2023, the 2017 project was refunded with the proceeds of the 2023 bonds. The remaining volumes increased to 299 million MMBtu, due to the additional five years added to the end of the project, and the fixed price changed from the 2017 fixed price to the 2023 fixed price. At March 31, 2023, the market price of gas was lower than the fixed price at which the 2023 fixed-receiver gas price swaps were executed, resulting in derivative instrument liabilities of \$196 million relating to the commodity swaps unsettled as of March 31, 2023. At March 31, 2022, the remaining 2017 project volumes were 253 million, and the market price of gas was markedly higher than the fixed price at which the 2017 fixed-receiver gas price swaps were executed, resulting in derivative instrument liabilities of \$257 million relating to the commodity swaps unsettled as of March 31, 2022. At March 31, 2023 and 2022, the remaining 2018 project volumes were 205 million and 212 million MMBtu, respectively, and the market price of gas was markedly higher than the fixed price at which the 2018 fixed-receiver gas price swaps were executed, resulting in derivative instrument liabilities of \$180 million and \$247 million, respectively, relating to the commodity swaps unsettled as of those dates. At March 31, 2023 and 2022, the remaining 2021 project volumes were 174 million and 180 million MMBtu, respectively, and the market price of gas was higher than the fixed price at which the 2021 fixed-receiver gas price swaps were executed, resulting in derivative instrument liabilities of \$178 million and \$214 million, respectively, relating to the commodity swaps unsettled as of those dates.

The Corporation also enters into fixed-payer commodity swaps from time to time at the request of its Members to hedge against variability of cash flows related to gas supply and provide rate stability. The requesting Member enters into a corresponding agreement to pay the costs and receive the benefits of these fixed-payer commodity swaps. At March 31, 2023 and 2022, the remaining volumes relating to fixed-payer swaps entered into on behalf of the Corporation’s Members was 20 million and 9.9 million MMBtu, respectively. At March 31, 2023, the market price of gas was lower than the fixed prices at which most of those swaps were executed and resulted in derivative instrument liabilities of \$4.5 million. At March 31, 2022 the market price of gas was higher than the fixed prices at which most of those swaps were executed and resulted in derivative instrument assets of \$16.4 million.

With regard only to the amounts relating to the prepaid gas supply projects, none of the amounts would have been owed to the Corporation by the Corporation’s commodity swap counterparties had the swaps terminated as of that date, as the swaps are “tear up” swaps under which neither party makes any mark-to-market payment to the other in the event of early termination of the swap.

Moody’s Issuer Credit Rating

As of June 13, 2022, Moody’s Investors Service affirmed the issuer rating of “A2” to the Corporation, with a stable outlook. The issuer rating is intended to be used as an assessment of the Corporation’s financial and operational strength and the credit strength of the Corporation’s Members with Management Agreements.

According to Moody's, the "A2" rating incorporates the "A2" weighted average credit quality assessment of the Corporation's Members; the sound provisions of the Management Agreements between the Corporation and its Members; the Corporation's ability to pass all gas costs through to the Members which have unregulated rate setting capabilities; sound record of payments by the Members to the Corporation without default; the generally diversified customer base of the Corporation's Members; and the Corporation's good record as a joint-action agency in the acquisition, management and financing of natural gas supplies, including natural gas prepayment projects on behalf of its Members.

Gas Project Revenue Bonds

In order to be able to provide economical, reliable service to its Members, the Corporation in 2006 entered into two 20-year Prepaid Gas Purchase Agreements and financed the lump-sum prepayments to the supplier as required in the agreements through the issuance of revenue bonds with maturities matching the term of the agreements. In July 2006, the Series 2006A Bonds were issued in the amount of \$1,994,475,000 and the Series 2006B Bonds were issued in the amount of \$132,545,000. In December 2006, the Series 2006C Bonds were issued in the amount of \$1,060,220,000. All of the Series 2006 Bonds are fixed-interest rate revenue bonds and will be repaid from the revenues derived from the sale of the gas to certain of the Corporation's Members and Project Participants, all of which are located in the Southeastern United States. Deliveries from the 2006 project began on August 1, 2006.

In 2017, the Corporation entered into a 30-year Prepaid Gas Purchase Agreement and financed the lump-sum prepayment to the supplier as required in the agreement through the issuance of revenue bonds with maturities matching the term of the agreement. The Series 2017A Bonds were issued in the amount of \$678,250,000 in November 2017, and bore interest at fixed rates through May 1, 2023, including term bonds in the amount of \$673,255,000 with a maturity date of May 1, 2048. The Series 2017A Bonds were subject to optional redemption and extraordinary mandatory redemption through May 1, 2023 and the term bonds were required to be tendered for purchase on May 1, 2023. On February 1, 2023, the Corporation's Series 2023A-1 were issued in the amount of \$768,035,000 and the Series 2023A-2 Bonds (taxable) were issued in the amount of \$19,455,000, and the proceeds used to refund the 2017A Bonds, prepay for additional gas quantities, fund capitalized interest and commodity swap and debt service reserves, and pay costs of issuance of the bonds. The Corporation deposited cash and securities with the Trustee sufficient to pay the principal and interest due on May 1 2023, and the 2017A Bonds were deemed to be paid according to the terms of the Indenture. The 2023A-1 Bonds are subject to optional and extraordinary mandatory redemption through May 1, 2028, and subject to mandatory tender for purchase on May 1, 2028. Under the bond indenture, if the Corporation is unable to remarket the Bonds, the result of the failed remarketing will be early termination of the gas purchase agreement and the extraordinary redemption of the bonds on that date. If the Corporation is unable to do so, there may be an early termination of the gas purchase agreement and the extraordinary redemption of the bonds at that time. The 2023A-1 and 2023A-2 Bonds will be repaid from the revenues derived from the sale of the gas to certain of the Corporation's Members and Project Participants, which are located in the Central and Southeastern United States, all of which extended their agreements to match the extended delivery period. Deliveries from the project began on April 1, 2018 and now extend to March 31, 2053.

In 2018, the Corporation entered into a 30.5 year Prepaid Gas Purchase Agreement and financed the lump-sum prepayment to the supplier as required in the agreement through the issuance of revenue bonds with maturities matching the term of the agreement. The Series 2018 Bonds were issued in the amount of \$516,785,000 in August 2018 and bear interest at fixed rates through October 31, 2025, including term bonds in the amount of \$499,060,000 with a maturity date of November 1, 2049. The Series 2018 Bonds are subject to optional redemption and extraordinary mandatory redemption through November 1, 2025 and the term bonds are required to be tendered for purchase on November 1, 2025. Under the bond indenture, the Corporation will enter into a bond purchase agreement, firm remarketing agreement, or similar agreement with respect to the remarketing or refunding of the bonds by the last day of the second calendar month preceding November 1, 2025. If the Corporation is unable to do so, there may be an early termination of the gas purchase agreement and the extraordinary redemption of the bonds on that date.

The 2018 Bonds will be repaid from the revenues derived from the sale of the gas to certain of the Corporation's Members and Project Participants, which are located in the Southeastern United States. Deliveries from the 2018 project began on April 1, 2019.

In 2021, the Corporation entered into a 30-year Commodity Purchase Agreement and financed the lump-sum prepayment to the supplier as required in the agreement through the issuance of revenue bonds with maturities matching the term of the agreement. The Series 2021A Bonds were issued in the amount of \$466,410,000 in June 2021 and bear interest at fixed rates through October 31, 2031, including term bonds in the amount of \$437,990,000 with a maturity date of May 1, 2052. The Series 2021A Bonds are subject to optional redemption and extraordinary mandatory redemption through November 1, 2031 and the term bonds are required to be tendered for purchase on November 1, 2031. Under the bond indenture, if the Corporation is unable to remarket the Bonds, the result of the failed remarketing will be early termination of the commodity purchase agreement and the extraordinary redemption of the bonds on that date. The 2021A Bonds will be repaid from the revenues derived from the sale of the commodities to certain of the Corporation's Project Participants, which are located in the Southeastern United States. Deliveries from the 2021 project began on April 1, 2022.

The following Project Participants table shows the average daily quantity (ADQ) delivered to each Project Participant during the fiscal years ending 2023 and 2022.

Project Participants	Project	ADQ FYE 2023	ADQ FYE 2022
Bedford County Utility District	2006	14	14
City of Bolivar	2006,2023	763	763
Bridgeport Utilities	2006	245	273
City of Cartersville	2006	3,660	3,660
Town of Centerville	2006	389	389
Clarke-Mobile Counties Gas District	2023	900	900
City of Clarksville	2018	5,655	3,485
City of Clifton	2023	20	20
Elk River Public Utility District	2018	894	894
Florida Gas Utility	2021	5,000	0
Greater Dickson Gas Authority	2006,2023	3,158	3,176
Harriman Utility Board	2006,2018	400	400
Natural Gas Utility Dist of Hawkins County	2006,2018	890	890
City of Henderson	2023	200	200
City of Hohenwald	2006,2023	159	160
Humphreys County Utility District	2018	1,473	748
Huntsville Utility Board	2006,2018,2021	7,929	4,938
Public Ut Dist of Jefferson and Cocke Cnties	2018	1,317	1,317
City of LaGrange	2018	2,442	2,442
City of Lexington	2006,2023	1,272	1,272
Town of Linden	2006,2023	91	91
The Lower Alabama Gas District	2006	6,847	8,475
Marion Natural Gas System	2006,2018	324	324
Memphis Light, Gas & Water	2006	30,017	30,016
Metropolitan Utilities District of Omaha	2023	2,913	2,913
City of Munford	2023	250	250
Municipal Gas Authority of Georgia	2006,2023	10,453	8,921
Oak Ridge Utility District	2006,2018	2,745	2,745
Patriots Energy Group	2006,2023	7,197	7,431
Poplar Grove Utility District	2023	100	100
Powell-Clinch Utility District	2018	990	990
Public Energy Authority of Kentucky, Inc.	2006	6,729	8,015
City of Ridgetop	2006	42	42
Rockwood Water and Gas System	2006,2018	407	407
City of Savannah	2006,2023	523	523
Scottsboro Water Works, Sewer & Gas Bd	2006	500	500
Town of Selmer	2006,2023	180	182
Sevier County Utility District	2018	207	207
The Southeast Alabama Gas District	2006,2023	5,772	5,772
Springfield Gas System	2006,2023	1,767	1,767
Stevenson Utilities	2006	28	28
City of Tallahassee	2006,2018,2021,2023	16,545	12,295
TEAC System Supply	2018	2,000	2,000
City of Waynesboro	2006	65	64
West Tennessee Public Utility District	2006,2023	3,043	3,061

Gas Project Revenue Bonds Ratings

The ratings on the Series 2006 Bonds are dependent on a variety of factors, including the credit ratings of the prepaid gas supplier, J. Aron & Company, LLC (J. Aron) and its guarantor The Goldman Sachs Group, Inc. (GSG), the commodity swap counterparties, the counterparties under the guaranteed investment contracts, and with respect to the Series 2006C Bonds, the surety bond provider (MBIA Insurance Corporation reinsured by National Public Finance Guarantee Corporation). The Series 2006A are currently rated “A2,” “BBB+” and “A” by Moody’s, Standard & Poor’s, and Fitch, respectively, and the 2006C Bonds are currently rated “Baa2,” “BBB+” and “A” by Moody’s, Standard & Poor’s and Fitch, respectively.

The Corporation’s Series 2006B Bonds are subordinate to the Series 2006A Bonds, and were originally issued without a rating. In January 2009, Fitch Ratings assigned the 2006B Bonds a rating of BBB, and no other rating agency has rated the Series 2006B Bonds. The Series 2006B Bonds are currently rated BBB by Fitch.

All Members and Project Participants have made all required payments under the 2006 Gas Supply Contracts, J. Aron has made timely performance of its gas delivery obligations under the 2006 Gas Purchase Agreements, and all of the Corporation’s counterparties in the 2006 gas supply transactions have made timely payment of all required amounts. The Corporation has made all required deposits to the 2006 debt service funds and all required debt service payments as and when required by the bond indentures.

The ratings on the Series 2018 Bonds are dependent on a variety of factors, including the credit ratings of the prepaid gas supplier, J. Aron & Company, LLC. (J. Aron) and its guarantor The Goldman Sachs Group, Inc. (GSG). The Series 2018 Bonds are currently rated “A2” and “A” by Moody’s and Fitch, respectively.

All Members and Project Participants have made all required payments under the 2018 Gas Supply Contracts, J. Aron has made timely performance of its gas delivery obligations under the 2018 Gas Purchase Agreement, and all of the Corporation’s counterparties in the 2018 gas supply transaction have made timely payment of all required amounts. The Corporation has made all required deposits to the 2018 debt service fund and all required debt service payments as and when required by the bond indenture.

The ratings on the Series 2021A Bonds are dependent on a variety of factors, including the credit quality of Goldman Sachs Group, Inc., as borrower under the term loan agreement and guarantor for payments under various of the agreements relating to the Bonds, ratings of the participants, and ratings of the GIC provider. The prepaid gas supplier in the transaction is Aron Energy Prepay 3, LLC, a special purpose entity. The Series 2021A Bonds are currently rated “A2” by Moody’s. No other ratings were issued on the Series 2021A Bonds.

All Project Participants have made all required payments under the 2021 Gas Supply Contracts, Aron Energy Prepay 3 has made timely performance of its gas delivery obligations under the Gas Purchase Agreement, and all of the Corporation’s counterparties in the 2021 gas supply transaction have made timely payment of all required amounts. The Corporation has made all required deposits to the 2021 debt service fund and all required debt service payments as and when required by the bond indenture.

The ratings on the Series 2023A-1 and 2023A-2 Bonds are dependent on a variety of factors, including the credit quality of Goldman Sachs Group, Inc., as borrower under the term loan agreement and guarantor for payments under various of the agreements relating to the Bonds, ratings of the participants, and ratings of the GIC provider. The prepaid supplier in the transaction is Aron Energy Prepay 18, LLC, a special purpose entity. The Series 2023A-1 and 2023A-2 Bonds were issued with a rating of “A2” by Moody’s, and are currently rating “A2” by Moody’s. No other ratings were issued on Series 2023A-1 and 2023A-2 Bonds.

All Members and Project Participants have made all required payments under the 2023 Gas Supply Contracts, J. Aron (through January 31, 2023) and Aron Energy Prepay 18, (beginning February 1, 2023) have made timely performance of the gas delivery obligations under the Gas Purchase Agreements, and all of the Corporation's counterparties in the 2023 gas supply transactions have made timely payment of all required amounts. The Corporation has made all required deposits to the 2023 debt service fund and all required debt service payments as and when required by the bond indenture.

The Corporation posts annual operating and financial information pursuant to its continuing disclosure undertakings to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website at www.emma.msrb.org.

Basic Financial Statements

The Tennessee Energy Acquisition Corporation
Balance Sheet
At March 31, 2023

Assets and Deferred Outflows

Current Assets

Current assets, unrestricted	
Cash and cash equivalents	\$ 19,158,165
Accounts receivable	4,283,441
Total current assets, unrestricted	<u>23,441,606</u>
 Current assets, restricted	
Cash and cash equivalents	171,752,922
Accounts receivable	
Customers	9,768,559
Other	19,802,414
Prepaid gas supplies	187,207,753
Total current assets, restricted	<u>388,531,648</u>
Total current assets	<u>411,973,254</u>

Noncurrent Assets

Noncurrent assets, unrestricted	
Capital assets, net	952,471
Total noncurrent assets, unrestricted	<u>952,471</u>
 Noncurrent assets, restricted	
Investments	187,805,000
Prepaid gas supplies	1,938,264,235
Costs recoverable from future billings	224,664,493
Regulatory asset	14,765,499
Total noncurrent assets, restricted	<u>2,365,499,227</u>
Total noncurrent assets	<u>2,366,451,698</u>

Deferred Outflows

Accumulated change in fair value of hedging derivatives	268,081,452
Total assets and deferred outflows	<u>\$ 3,046,506,404</u>

The accompanying notes are an integral part of these financial statements.

Liabilities, Deferred Inflows, and Net Position

Current Liabilities

Current liabilities, unrestricted	
Accounts payable	\$ 4,520,898
Other accrued expenses	792,060
Total current liabilities, unrestricted	<u>5,312,958</u>
Current liabilities, restricted	
Accounts payable	8,867,477
Current maturities on bonds payable	172,620,000
Accrued interest payable	29,379,146
Total current liabilities, restricted	<u>210,866,623</u>
Total current liabilities	<u>216,179,581</u>

Noncurrent Liabilities

Noncurrent liabilities, unrestricted	
Derivative instrument - commodity swaps	4,451,284
Total noncurrent liabilities, unrestricted	<u>4,451,284</u>
Noncurrent liabilities, restricted	
Bonds payable, net of current maturities	2,363,155,000
Bond premium	180,009,252
Derivative instrument - commodity swaps	263,630,168
Total noncurrent liabilities, restricted	<u>2,806,794,420</u>
Total noncurrent liabilities	<u>2,811,245,704</u>
Total liabilities	<u>3,027,425,285</u>

Net Position

Investment in capital assets	952,471
Unrestricted	18,128,648
Total net position	<u>19,081,119</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,046,506,404</u>

The Tennessee Energy Acquisition Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended March 31, 2023

Operating Revenues	<u>\$ 335,663,310</u>	<u>100.00%</u>
Operating Expenses		
Gas operations	91,708,437	27.32%
Depletion of prepaid gas supplies	170,489,945	50.79%
General and administrative	<u>3,034,295</u>	<u>0.90%</u>
Total operating expenses	<u>265,232,677</u>	<u>79.02%</u>
Operating Income	<u>70,430,633</u>	<u>20.98%</u>
Nonoperating Revenues (Expenses)		
Interest expense	(83,935,214)	(25.01%)
Amortization expense	(3,386,141)	(1.01%)
Investment income	14,711,691	4.38%
Gain on refunding	<u>3,292,338</u>	<u>0.98%</u>
Total nonoperating expenses, net	<u>(69,317,326)</u>	<u>(20.65%)</u>
Change in Net Position	<u>1,113,307</u>	<u>0.33%</u>
Net Position at Beginning of Year	<u>17,967,812</u>	
Net Position at End of Year	<u>\$ 19,081,119</u>	

The accompanying notes are an integral part of these financial statements.

The Tennessee Energy Acquisition Corporation
Statement of Cash Flows
For the Year Ended March 31, 2023
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From (Used For) Operating Activities	
Receipts from customers	\$ 360,839,128
Payments to derivatives counterparties, net	(6,589,514)
Payments to suppliers	(207,679,095)
Payments to employees	<u>(1,119,343)</u>
Net cash from operating activities	<u>145,451,176</u>
Cash Flows From (Used For) Noncapital Related Financing Activities	
Principal paid on bonds	(147,730,000)
Proceeds from issuance of bonds	112,835,000
Premium on gas revenue bonds	32,303,552
Bond issuance costs	(5,371,640)
Interest paid	<u>(122,529,673)</u>
Net cash used for noncapital related financing activities	<u>(130,492,761)</u>
Cash Flows Used For Capital Activities	
Purchases of capital assets	<u>(4,735)</u>
Net cash used for capital activities	<u>(4,735)</u>
Cash Flows From (Used For) Investing Activities	
Interest received	14,711,691
Purchases of investments	<u>(3,850,000)</u>
Net cash from investing activities	<u>10,861,691</u>
Net Increase in Cash and Cash Equivalents	25,815,371
Cash and Cash Equivalents at Beginning of Year	<u>165,095,716</u>
Cash and Cash Equivalents at End of Year	<u>\$ 190,911,087</u>
Noncash Financing Activities	
Series 2023A bonds issued	\$ 674,655,000
Series 2017A bonds defeased	(674,655,000)

The accompanying notes are an integral part of these financial statements.

The Tennessee Energy Acquisition Corporation
Statement of Cash Flows
For the Year Ended March 31, 2023
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From (Used For) Operating Activities

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 70,430,633
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	34,104
Depletion of prepaid gas supplies	170,489,945
Deferred member billings	23,446,709
Changes in assets and liabilities	
Accounts receivable - customers	7,795,973
Accounts receivable - other	(12,656,378)
Prepaid gas supplies	(112,956,791)
Accounts payable	(1,320,270)
Other accrued expenses	187,251
Net cash from operating activities	<u>\$ 145,451,176</u>

Reconciliation of Cash and Cash Equivalents

Unrestricted	\$ 19,158,165
Restricted	<u>171,752,922</u>
	<u>\$ 190,911,087</u>

The accompanying notes are an integral part of these financial statements.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 1 - Summary of Significant Accounting Policies

The Tennessee Energy Acquisition Corporation (the Corporation) is a nonprofit public corporation and an instrumentality of the State of Tennessee and certain municipalities created in March 1996 by actions of the Cities of Clarksville, Tennessee and Springfield, Tennessee pursuant to an act of the Tennessee State Legislature for the purpose of obtaining dependable and economical supplies of natural gas for the benefit of its Members. As of March 31, 2023, 25 cities, towns, utility districts, and authorities in the State of Tennessee (the Members) have contracted with the Corporation for gas supplies for resale to their customers. All Members are located in the State of Tennessee. The Corporation also sells natural gas under long-term contracts to various nonmembers and other entities (the Project Participants). The Project Participants are located in the central and southeastern United States.

The financial statements of the Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As provided for in the Codification of Governmental Accounting and Financial Reporting Standards, the Corporation applies all GASB statements.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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. The fair value of gas price swap agreements is a significant estimate.

Cash and cash equivalents - The Corporation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Restricted cash held by the trustee is considered cash and cash equivalents for the purposes of the statement of cash flows.

Prepaid gas supplies - Prepaid gas supplies represent the Corporation's prepayments for gas to be received by the Corporation at specified quantities per month through March 31, 2053. Capitalized acquisition costs are depleted using the units of production method.

Property and equipment - Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Vehicles	5 years
Office equipment	5 - 10 years
Building and improvements	12 - 40 years

Capitalization - The Corporation's policy is to capitalize all purchases greater than \$500.

Investments - The Codification of Governmental Accounting and Financial Reporting Standards Section 150, requires certain investments to be reported at fair value in the balance sheet, with the change in fair value reported as a component of investment income in the statement of revenues, expenses, and changes in net position. All investments are restricted and held by the trustee under the terms of the Gas Revenue Bond indentures.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Derivatives - The Corporation bills its Members and Project Participants based on index prices and, therefore, has entered into various commodity swap agreements to effectively adjust its gas revenues from a market price to the fixed price related to the prepaid gas transactions. The financial results of the gas price swap agreements are recorded as adjustments to revenues from gas operations.

Natural gas over the counter swap contracts are entered into primarily to fix short-term gas costs for the Members.

Costs recoverable from future billings - The long-term Gas Supply Contracts establish a pricing mechanism outlining the methods for billing Members and Project Participants for gas supply services provided under the contract. Expenses in excess of amounts currently billable to the Members and Project Participants will be recovered from future billings and are classified as noncurrent assets.

Regulatory assets - As a rate regulated entity, the Corporation has ratemaking authority to allow recovery of its costs of operations. The regulatory assets reflect the expected future recovery through rates of bond issuance costs. Regulatory assets are amortized over the life of the associated bonds for the 2006A, 2006B, and 2006C bonds. Regulatory assets created by the 2018 bonds are amortized over the 7-year period from issuance to the mandatory redemption date. Regulatory assets created by the 2021A bonds are amortized over the 10-year period from issuance to the mandatory redemption date. Regulatory assets created by the 2023A bonds are amortized over the 5-year period from issuance to the mandatory redemption date.

Amortization - Bond premiums are amortized using the interest method over the term of the related debt for the 2006A, 2006B, and 2006C bonds. Bond premiums of the 2018 bonds are amortized using the interest method over the 7-year period from issuance to the mandatory redemption date. Bond premiums of the 2021A bonds are amortized using the interest method over the 10-year period from issuance to the mandatory redemption date. Bond premiums of the 2023A bonds are amortized using the interest method over the 5-year period from issuance to the mandatory redemption date.

Recognition of revenue - Revenue is recognized when gas is received by the customer at the delivery point. The Corporation considers all revenues and expenses associated with energy sales to be operating activities. Any revenues or expenses that do not meet the definition of operating activities are considered to be nonoperating activities.

Income tax status - As a public corporation, the Corporation is exempt from federal and state income taxes. Consequently, no provision for income taxes is reflected in the accompanying financial statements.

Note 2 - Cash and Cash Investments

Restricted cash - Restricted cash of \$18,729,204, \$127,380,683, and \$25,643,035 at March 31, 2023 is held by a local government investment pool managed by the State of Tennessee, several restricted guaranteed investment contracts and repurchase agreements, and money market funds, respectively.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Certain deposits in financial institutions are required by the laws of the State of Tennessee to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance.

Upon approval, financial institutions may collateralize public fund accounts by participating in the State of Tennessee's collateral pool. Participating banks determine the aggregate balance of their public fund accounts.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account.

The Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. As of March 31, 2023, all of the Corporation's deposits, except funds held by out of state institutions in a trustee capacity, were held by financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

Credit risk - The Board of Directors has authorized management to invest in securities which are allowable under the terms of the bond indentures and in accordance with the State of Tennessee's statutes governing investment of the Corporation's funds.

As of March 31, 2023, the Corporation had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Guaranteed investment contracts and repurchase agreements	\$ 187,805,000	\$ 187,805,000	\$ -	\$ -

Note 3 - Capital Assets

Capital assets in service at March 31, 2023 are summarized as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land and improvements	\$ 272,450			\$ 272,450
Total capital assets not being depreciated	272,450			272,450
Capital Assets Being Depreciated				
Building and improvements	693,748			693,748
Vehicles	40,758			40,758
Office equipment	111,214	\$ 4,735	\$ (2,977)	112,972
Total capital assets being depreciated	845,720	4,735	(2,977)	847,478
Total accumulated depreciation	(136,330)		(31,127)	(167,457)
Total capital assets being depreciated, net	709,390	4,735	(34,104)	680,021
Total capital assets, net	\$ 981,840	\$ 4,735	\$ (34,104)	\$ 952,471

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 4 - Bonds Payable

Bonds payable at March 31, 2023 consist of the following:

Gas project revenue bonds, Series 2006A	\$ 378,704,626
Gas project revenue bonds, Series 2006B	111,705,000
Gas project revenue bonds, Series 2006C	291,427,467
Gas project revenue bonds, Series 2018	521,464,559
Gas project revenue bonds, Series 2021A	593,714,557
Gas project revenue bonds, Series 2023A-1	799,313,043
Gas project revenue bonds, Series 2023A-2	19,455,000
	<u>2,715,784,252</u>
Less unamortized premium	180,009,252
Less current portion	172,620,000
Totals	<u><u>\$ 2,363,155,000</u></u>

The bonds are payable solely from the revenues of the Corporation and certain amounts held under the bond indentures. The bonds are secured by the pledge of the trust estate under the bond indentures. The bond indentures require deposits into debt service accounts held by a corporate trustee to cover future principal and interest payments. As of March 31, 2023, all required deposits to the debt service accounts had been made.

Changes in bonds payable for the year ended March 31, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Gas Project				
Revenue Bonds				
Series 2006A	\$ 449,895,000		\$ 75,285,000	\$ 374,610,000
Series 2006B	111,705,000			111,705,000
Series 2006C	349,760,000		63,220,000	286,540,000
Series 2017A	676,115,000		676,115,000	
Series 2018	516,785,000		6,405,000	510,380,000
Series 2021A	466,410,000		1,360,000	465,050,000
Series 2023A-1		\$ 768,035,000		768,035,000
Series 2023A-2		19,455,000		19,455,000
Totals	<u><u>\$ 2,570,670,000</u></u>	<u><u>\$ 787,490,000</u></u>	<u><u>\$ 822,385,000</u></u>	<u><u>\$ 2,535,775,000</u></u>

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 4 - Bonds Payable (continued)

Under the terms of the bond indentures, the debt service requirements are as follows:

	Series 2006A <u>Principal</u>	Series 2006B <u>Principal</u>	Series 2006C <u>Principal</u>	Series 2018 <u>Principal</u>	Series 2021A <u>Principal</u>	Series 2023A-1 <u>Principal</u>	Series 2023A-2 <u>Principal</u>	Interest	Total Debt <u>Service</u>
2024	\$ 98,545,000		\$ 70,900,000	\$ 740,000	\$ 2,435,000			\$ 101,231,731	\$ 273,851,731
2025	144,580,000		51,445,000	460,000	2,630,000			91,145,949	290,260,949
2026	59,050,000		63,030,000	509,180,000	2,690,000			83,073,912	717,023,912
2027	72,435,000	\$ 111,705,000	101,165,000		2,825,000			52,726,328	340,856,328
2028					2,965,000		\$ 11,825,000	42,483,706	57,273,706
2029 - 2033					451,505,000	\$ 768,035,000	7,630,000	99,203,853	1,326,373,853
Totals	<u>\$ 374,610,000</u>	<u>\$ 111,705,000</u>	<u>\$ 286,540,000</u>	<u>\$ 510,380,000</u>	<u>\$ 465,050,000</u>	<u>\$ 768,035,000</u>	<u>\$ 19,455,000</u>	<u>\$ 469,865,479</u>	<u>\$ 3,005,640,479</u>

The bonds bear interest at rates ranging from 4.00% to 5.75%.

On February 1, 2023, the Series 2017A Bonds were tendered for purchase and successfully refunded. On that date, the Corporation issued Series 2023A Bonds. The Series 2023A Bonds are subject to optional redemption and extraordinary mandatory redemption through May 1, 2028 and the term bonds are required to be tendered for purchase on May 1, 2028. Under the bond indenture, the Corporation will enter into a bond purchase agreement, firm remarketing agreement, or similar agreement with respect to the remarketing or refunding of the bonds by the last day of the second calendar month preceding May 1, 2028. If the Corporation is unable to do so, there may be an early termination of the gas purchase agreement and the extraordinary redemption of the bonds at that time.

The Series 2018 Bonds are subject to optional redemption and extraordinary mandatory redemption through November 1, 2025 and the term bonds are required to be tendered for purchase on November 1, 2025. Under the bond indenture, the Corporation will enter into a bond purchase agreement, firm remarketing agreement, or similar agreement with respect to the remarketing or refunding of the bonds by the last day of the second calendar month preceding November 1, 2025. If the Corporation is unable to do so, there may be an early termination of the gas purchase agreement and the extraordinary redemption of the bonds at that time.

The Series 2021A Bonds are subject to optional redemption and extraordinary mandatory redemption through November 1, 2031 and the term bonds are required to be tendered for purchase on November 1, 2031. Under the bond indenture, the Corporation will enter into a bond purchase agreement, firm remarketing agreement, or similar agreement with respect to the remarketing or refunding of the bonds by the last day of the second calendar month preceding November 1, 2031. If the Corporation is unable to do so, there may be an early termination of the gas purchase agreement and the extraordinary redemption of the bonds at that time.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 5 - Gas Supply

The Corporation and its Members have entered into long-term or annually renewable gas supply and management contracts (the Gas Supply Contracts), which require the Members to take substantially all of their gas supply from the Corporation, and the Corporation is required to provide that supply.

BBE gas - In May, 2016, the Corporation entered into the BBE Natural Gas Supply Agreement with the Black Belt Energy Gas District (BBE Supply Agreement). Under the BBE Supply Agreement, BBE has agreed to sell and the Corporation has agreed to purchase natural gas with scheduled daily nominations ranging between 3,100 and 5,300 MMBtu and scheduled monthly nominations ranging between 86,800 and 164,300 MMBtu.

Delivery of gas under the BBE Supply Agreement began July 1, 2016 and extends through April 30, 2051. This price of gas purchased by the Corporation under the BBE Supply Agreement is based on the first of the month index of natural gas prices for the applicable delivery point at which the gas is delivered.

PGP gas - The Corporation is one of seven gas and electric joint action agencies and large distribution systems that are Members of Public Gas Partners, Inc. (PGP), a Georgia nonprofit corporation. PGP acts as the instrumentality of its Members for the primary purpose of acquiring interests in gas producing properties to diversify and enhance each Member's gas supply portfolio. Each of PGP's gas supply acquisition programs is designated as a Supply Pool, and each Member may elect, but is not obligated, to participate under a separate Production Sharing Agreement (PSA) for each Supply Pool. To date, PGP has established Gas Supply Pool No. 1, Gas Supply Pool No. 2, Gas Supply Pool No. 3, and Gas Supply Pool No. 4 (collectively, the Supply Pools).

The Corporation has elected to participate in Supply Pools No. 1 and No. 2. Under the PSA, the Corporation has a participation share of 2.02% in Gas Supply Pool No. 1 and 1.00% in Gas Supply Pool No. 2. The Production Sharing Agreements include a step up provision that could obligate the Corporation to increase its participation share in the pool by up to 125.00% in the event of default of another member. The Corporation is not a participant in Pool No. 3 or Pool No. 4. Participation in these pools is for the life of the underlying projects, estimated to be at least 20 years from inception. Pool No. 1 began in 2004 and Pool No. 2 began in 2005.

The Corporation's percentage participation levels represent daily production of approximately 500 MMBtu. Under each Production Sharing Agreement, the Corporation has agreed to pay its percentage share of all of PGP's costs of that Supply Pool on a take or pay basis. Certain of the Corporation's Members have elected to enter into gas supply agreements with the Corporation under which they have agreed to pay, on a take or pay basis, all of the costs, and receive all of the benefits, of the Corporation's participation in each of the Supply Pools until all related PGP or participant debt has been paid and the last volumes have been delivered. No associated municipality has elected to participate at a level in excess of approximately 10.00% of its annual requirements for gas supplies. Under the Production Sharing Agreements, PGP may deliver the benefits of each Supply Pool to its Members in gas or cash. Cash payments are being made by the Corporation and the other PGP Members. Separate audited financial statements of PGP as of June 30, 2022 are available from the Corporation.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 5 - Gas Supply (continued)

J. Aron 2006A&B - In July 2006, the Corporation issued bonds to finance the cost of acquiring a fixed quantity of natural gas to be delivered over a 20-year period by J. Aron under the J. Aron 2006A&B Purchase Agreement. Under the 2006A&B Purchase Agreement, J. Aron was to deliver approximately 486 billion cubic feet of natural gas in specified daily quantities each month over the 20-year period, which began on August 1, 2006, and ends on July 31, 2026. Scheduled daily quantities ranged from 26,000 to 94,000 MMBtu; scheduled monthly quantities ranged from 806,000 to 2,914,000 MMBtu. On February 8, 2013, an amendment to the 2006A&B Purchase Agreement was entered into by the Corporation reducing obligations of J. Aron to deliver approximately 395 billion cubic feet of natural gas in specified daily quantities each month over the 20-year period. Scheduled daily quantities now range from 14,000 to 88,500 MMBtu; scheduled monthly quantities now range from 420,000 to 2,743,500 MMBtu.

J. Aron's obligations under the 2006A&B Purchase Agreement are unconditionally guaranteed by The Goldman Sachs Group (GSG). The Corporation has entered into Natural Gas Supply Agreements with certain of its Members and other public gas systems and joint action agencies (Project Participants) that provide for the sale of all of the natural gas to be delivered to the Corporation over the term of the 2006A&B Purchase Agreement.

In connection with the gas supply acquired by the Corporation under the 2006A&B Purchase Agreement, the Corporation entered into a commodity swap agreement covering the quantities of gas purchased under such agreement. Under that swap agreement, the Corporation will pay market price for natural gas over a 20-year period and receive a fixed natural gas price for notional quantities of natural gas at various pricing points that correspond to the quantities and related delivery points under the 2006A&B Purchase Agreement, as amended.

J. Aron 2006C - In December 2006, the Corporation issued bonds to finance the cost of acquiring a fixed quantity of natural gas to be delivered over a 20-year period by J. Aron under the J. Aron 2006C Purchase Agreement. Under the 2006C Purchase Agreement, J. Aron was to deliver approximately 262 billion cubic feet of natural gas in specified daily quantities each month over the 20-year period, which began on January 1, 2007, and ends on December 31, 2026. Scheduled daily quantities ranged from 21,500 to 62,700 MMBtu; scheduled monthly quantities ranged from 645,000 to 1,943,700 MMBtu. On August 29, 2013, an amendment to the 2006C Purchase Agreement was entered into by the Corporation reducing obligations of J. Aron to deliver approximately 210 billion cubic feet of natural gas in specified daily quantities each month over the 20-year period. Scheduled daily quantities now range from 13,500 to 57,200 MMBtu; scheduled monthly quantities now range from 405,000 to 1,773,200 MMBtu. Additionally, the amendment provides for J. Aron to sell to the Corporation on a pay as you go basis specified quantities of gas at the discount in the corresponding gas sales agreements with the project participants. Scheduled daily quantities of pay as you go gas range from 500 to 23,700 MMBtu; scheduled monthly quantities range from 15,000 to 735,000 MMBtu.

J. Aron's obligations under the 2006C Purchase Agreement are unconditionally guaranteed by The Goldman Sachs Group (GSG). The Corporation has entered into Natural Gas Supply Agreements with certain of its Members and Project Participants that provide for the sale of all of the natural gas to be delivered to the Corporation over the term of the 2006C Purchase Agreement.

In connection with the gas supply acquired by the Corporation under the 2006C Purchase Agreement, the Corporation entered into two commodity swap agreements covering the quantities of gas purchased under such agreement. Effective August 1, 2016, one of the commodity swap providers novated its half of the commodity swaps to the other commodity swap provider, as a result of their decision to exit the commodity swap business. Under the swap agreement, the Corporation will pay market price for natural gas over a 20-year period and receive a fixed natural gas price for notional quantities of natural gas at various pricing points that correspond to the quantities and related delivery points under the 2006C Purchase Agreement, as amended.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 5 - Gas Supply (continued)

The amendment to the 2006C Purchase Agreement included converting prepaid gas deliveries to pay as you go deliveries, which began in November 2013 and ends in December 2026. The price of gas purchased by the Corporation is based on the first of the month index of natural gas prices for the applicable delivery point. In 2023, the Corporation purchased 2,555,998 MMBtu of gas under the contract.

The Corporation has contracted to purchase the following volumes of gas from J. Aron through December 2026 at a discount to spot market pricing on a pay as you go basis:

<u>For the Year Ended March 31:</u>	<u>Volumes</u> <u>(MMBtu)</u>
2024	3,820,120
2025	5,385,078
2026	4,517,094
2027	3,218,088
Total	16,940,380

J. Aron 2017 / Aron Energy Prepay 18 LLC - In November 2017, the Corporation issued bonds to finance the cost of acquiring a fixed quantity of natural gas to be delivered over a 30-year period by J. Aron under the J. Aron 2017 Purchase Agreement. Under the 2017 Purchase Agreement, J. Aron is to deliver approximately 281 billion cubic feet of natural gas in specified daily quantities each month over the 30-year period, which began on April 1, 2018, and ends on March 31, 2048. Scheduled daily quantities range from 17,500 to 37,600 MMBtu; scheduled monthly quantities range from 525,000 to 1,165,600 MMBtu.

In connection with the gas supply acquired by the Corporation under the 2017 Purchase Agreement, the Corporation entered into a commodity swap agreement covering the quantities of gas purchased under such agreement. Under that swap agreement, the Corporation will pay market price for natural gas over a 30-year period and receive a fixed natural gas price for notational quantities of natural gas at various pricing points that correspond to the quantities and related delivery points.

On February 1, 2023, the Series 2017A Bonds were tendered for purchase and successfully refunded. On that date, the Corporation issued Series 2023A Bonds. As a result, the Corporation entered into a 30-year prepaid gas supply agreement with Aron Energy Prepay 18 LLC. Under the 2023 Purchase Agreement, Aron Energy Prepay 18 LLC is to deliver approximately 299 billion cubic feet of natural gas in specified daily quantities each month over the 30-year period, which began on February 1, 2023 and ends on March 31, 2053. Scheduled daily quantities range from 18,000 to 37,600 MMBtu; scheduled monthly quantities range from 540,000 to 1,165,600 MMBtu.

In connection with the gas supply acquired by the Corporation under the 2023 Purchase Agreement, the Corporation entered into a commodity swap agreement covering the quantities of gas purchased under such agreement. Under that swap agreement, the Corporation will pay market price for natural gas over a 30-year period and receive a fixed natural gas price for notional quantities of natural gas at various pricing points that correspond to the quantities and related delivery points.

J. Aron 2018 - In August 2018, the Corporation issued bonds to finance the cost of acquiring a fixed quantity of natural gas to be delivered over a 30.5-year period by J. Aron under the J. Aron 2018 Purchase Agreement. Under the 2018 Purchase Agreement, J. Aron is to deliver approximately 228 billion cubic feet of natural gas in specified daily quantities each month over the 30.5-year period, which began on April 1, 2019, and ends on September 30, 2049. Scheduled daily quantities range from 11,170 to 35,995 MMBtu; scheduled monthly quantities range from 335,100 to 1,115,845 MMBtu.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

In connection with the gas supply acquired by the Corporation under the 2018 Purchase Agreement, the Corporation entered into a commodity swap agreement covering the quantities of gas purchased under such agreement. Under that swap agreement, the Corporation will pay market price for natural gas over a 30.5-year period and receive a fixed natural gas price for notional quantities of natural gas at various pricing points that correspond to the quantities and related delivery points under the 2018 Purchase Agreement.

Aron Energy Prepay 3 LLC - In June 2021, the Corporation issued bonds to finance the cost of acquiring a fixed quantity of natural gas to be delivered over a 30-year period by Aron Energy Prepay 3 LLC under the 2021 Purchase Agreement. Under the 2021 Purchase Agreement, Aron Energy Prepay 3 LLC is to deliver approximately 180 billion cubic feet of natural gas in specified daily quantities each month over the 30-year period, which began on April 1, 2022, and ends on March 31, 2052. Scheduled daily quantities range from 13,150 to 17,150 MMBtu; scheduled monthly quantities range from 394,500 to 531,650 MMBtu.

In connection with the gas supply acquired by the Corporation under the 2021 Purchase Agreement, the Corporation entered into a commodity swap agreement with two commodity swap counterparties covering the quantities of gas purchased under such agreement. Under that swap agreement, the Corporation will pay market price for natural gas over a 30-year period and receive a fixed natural gas price for notional quantities of natural gas at various pricing points that correspond to the quantities and related delivery points under the 2021 Purchase Agreement.

Spot market supply - The Corporation uses its prepaid gas supply and spot market purchases to meet the gas requirements of its Members. The Management Agreements between the Corporation and the Members that are parties thereto provide that the Corporation will use its best efforts to acquire additional long-term gas supplies to serve its Members. Because a significant portion of the customers served by its Members are residential users whose daily gas requirements increase on cold days, the Corporation regularly purchases supplies of gas in the spot markets to meet the actual supply requirements of the Members. During the year ended March 31, 2023, short-term purchases of gas accounted for 15.4% of the Corporation's total gas deliveries.

Price of gas supply - The gas sold by the Corporation to its Members under the Management Agreements and to Project Participants is based upon monthly market Index. Members have the option to fix the price of all or a portion of the Index priced gas supply it purchases from the Corporation in a future month or months under the terms of the Management Agreements. Revenues received by the Corporation under the Management Agreements are not pledged to the payment of the bonds.

Note 6 - Gas Price Swap Agreements

The Corporation employs hedging techniques utilizing over the counter derivative instruments to manage the gas commodity price exposure inherent in the purchase, storage, and sale of natural gas in its everyday service to Members and Project Participants. During the reporting period, the Corporation was party to two categories of hedging instruments:

- 1) Fixed payer natural gas commodity swaps, to hedge the variability of cash flows related to fixed price agreements with Members in which the Corporation is obligated to pay the NYMEX-Henry Hub monthly settlement price in exchange for a fixed price paid by the Member, for an agreed upon term and based on predetermined monthly settlement volumes. The fixed payer swaps are with a counterparty who is obligated to pay the NYMEX-Henry Hub monthly settlement prices in exchange for fixed prices paid by the Corporation, based on identical terms in the fixed price agreements.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 6 - Gas Price Swap Agreements (continued)

- 2) Fixed receiver natural gas commodity swaps, to hedge the fair value of Prepaid Natural Gas Purchase Agreements, entered into in conjunction with the Series 2006A, B, & C Gas Project Revenue Bonds, the Series 2018 Gas Project Revenue Bonds, the Series 2021A Gas Project Revenue Bonds, and the Series 2023A Gas Project Revenue Bonds in which the Corporation has prepaid for certain volumes of natural gas at certain delivery points based on a fixed price. The fixed receiver swaps are with a single counterparty who is obligated to pay fixed prices in exchange for payment by the Corporation of the first of the month Index prices for gas at the various delivery points, based on identical terms in the J. Aron 2006A&B, 2006C, 2018, and 2023A Purchase Agreements. The fixed receiver swaps are with two counterparties who are obligated to pay fixed prices in exchange for payment by the Corporation of the first of the month Index prices for gas at the various delivery points, based on identical terms in the 2021A Purchase Agreements.

Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Corporation must adhere to guidelines addressing the recognition, measurement, and disclosure of information regarding derivative instruments. The Statement defines derivative instruments and items that may be hedged, provides criteria for “hedging derivative instruments” and “investment derivative instruments,” prescribes methods for determining “effectiveness” as a hedging derivative instrument, and outlines accounting and financial statement reporting and disclosure requirements.

By applying the consistent critical terms methodology, the Corporation has determined that each of its hedge positions is “effective,” and is thus a hedging derivative instrument under GASB 53. As such, the fair market value of derivative positions is recorded as a deferred inflow or deferred outflow on the balance sheet, depending on whether the value is positive or negative from the Corporation’s perspective. The Corporation will continue to assess the effectiveness of each hedge, on an annual basis, applying one of the methodologies prescribed under GASB 53.

The fixed payer commodity swap agreements contain a provision requiring the Corporation to post cash collateral or a letter of credit in the event the fair value of all hedging derivative instruments with that counterparty is in a liability position, exceeding a predetermined threshold. As of March 31, 2023, some of the fixed payer commodity swap agreements were in a liability position but did not exceed the collateral threshold; therefore, no collateral has been posted.

The Corporation bills its Members and Project Participants based on Index prices and entered into fixed receiver commodity swap agreements to ensure that the Corporation’s total net revenues from the sale of the Project gas, including commodity swap revenues and commodity swap expenses, at all times will be sufficient to service the debt associated with the Projects. These agreements require periodic payments to be paid or received based on the difference between the Index price and the fixed contract price on the notional monthly quantity. The notional quantities match the delivery quantities in the prepaid agreements.

The agreements settle monthly as the related gas supplies are delivered with the final maturity in 2053. The Corporation intends to hold these agreements to maturity. The Corporation is exposed to market gas price risk for gas already delivered to its Members and Project Participants in the event of nonperformance by the counterparties to the gas price swap agreements. However, the Corporation does not anticipate nonperformance by the counterparties. The total amount due from the counterparties was \$19,802,414 as of March 31, 2023.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 6 - Gas Price Swap Agreements (continued)

At March 31, 2023, the fair value of the fixed receiver commodity swap agreements was a liability and a deferred outflow of \$263,630,168. The fair value of the fixed payer commodity swap agreements was a liability and a deferred outflow of \$4,451,284 at March 31, 2023. The fair values of the natural gas commodity swaps are estimated by an independent pricing service using observable market-based inputs, unobservable inputs corroborated by market data, and unobservable inputs not corroborated by market data. The values are based on the present value of each swap's future cash flows based on the contractual fixed price and both market-based, forward price curves for the next 72 months going forward and on the estimated forward price curve for periods thereafter for the underlying delivery points, as of the reporting date, and discounted using the Secured Overnight Financing Rate yield curve.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 6 - Gas Price Swap Agreements (continued)

Instrument Type	Objective	Total Notional Volume	Effective Date	Maturity Date	Terms	Counterparty Credit Rating	Fair Value as of March 31, 2023
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	1,100,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.61/MMBtu; receives NYMEX-HH	A2/BBB+/A	\$ 786,209
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	630,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.60/MMBtu; receives NYMEX-HH	A2/BBB+/A	385,713
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	200,000 MMBtu	11/1/2023	3/31/2025	TEAC pays \$2.64/MMBtu; receives NYMEX-HH	A2/BBB+/A	276,034
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	750,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.575/MMBtu; receives NYMEX-HH	A2/BBB+/A	402,982
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	1,200,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.66/MMBtu; receives NYMEX-HH	A2/BBB+/A	757,986
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	650,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.68/MMBtu; receives NYMEX-HH	A2/BBB+/A	334,016
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	800,000 MMBtu	11/1/2020	3/31/2025	TEAC pays \$2.641/MMBtu; receives NYMEX-HH	A2/BBB+/A	566,816
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	370,000 MMBtu	1/1/2023	12/31/2023	TEAC pays \$2.535/MMBtu; receives NYMEX-HH	A2/BBB+/A	52,076
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	410,000 MMBtu	1/1/2023	12/31/2023	TEAC pays \$2.634/MMBtu; receives NYMEX-HH	A2/BBB+/A	30,473
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	490,000 MMBtu	1/1/2023	12/31/2023	TEAC pays \$2.728/MMBtu; receives NYMEX-HH	A2/BBB+/A	(16,172)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	2,500,000 MMBtu	11/1/2022	3/31/2027	TEAC pays \$3.59/MMBtu; receives NYMEX-HH	A2/BBB+/A	1,351,356
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	460,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$3.34/MMBtu; receives NYMEX-HH	A2/BBB+/A	112,754
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	2,500,000 MMBtu	11/1/2022	3/31/2027	TEAC pays \$4.88/MMBtu; receives NYMEX-HH	A2/BBB+/A	(1,000,334)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	6,000,000 MMBtu	1/1/2023	12/31/2027	TEAC pays \$4.27/MMBtu; receives NYMEX-HH	A2/BBB+/A	(2,193,302)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	1,200,000 MMBtu	1/1/2023	12/31/2027	TEAC pays \$4.50/MMBtu; receives NYMEX-HH	A2/BBB+/A	(677,791)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	480,000 MMBtu	1/1/2023	12/31/2024	TEAC pays \$4.765/MMBtu; receives NYMEX-HH	A2/BBB+/A	(611,627)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	480,000 MMBtu	1/1/2023	12/31/2024	TEAC pays \$5.08/MMBtu; receives NYMEX-HH	A2/BBB+/A	(738,354)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	4/1/2023	3/31/2024	TEAC pays \$5.12/MMBtu; receives NYMEX-HH	A2/BBB+/A	(248,207)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	380,000 MMBtu	1/1/2023	11/30/2023	TEAC pays \$5.60/MMBtu; receives NYMEX-HH	A2/BBB+/A	(791,659)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	11/1/2022	10/31/2023	TEAC pays \$5.88/MMBtu; receives NYMEX-HH	A2/BBB+/A	(229,483)

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 6 - Gas Price Swap Agreements (continued)

Instrument Type	Objective	Total Notional Volume	Effective Date	Maturity Date	Terms	Counterparty Credit Rating	Fair Value as of March 31, 2023
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	420,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$4.80/MMBtu; receives NYMEX-HH	A2/BBB+/A	\$ (468,811)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	410,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$4.818/MMBtu; receives NYMEX-HH	A2/BBB+/A	(473,346)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	230,000 MMBtu	1/1/2023	12/31/2023	TEAC pays \$5.29/MMBtu; receives NYMEX-HH	A2/BBB+/A	(422,658)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	240,000 MMBtu	1/1/2023	12/31/2023	TEAC pays \$5.391/MMBtu; receives NYMEX-HH	A2/BBB+/A	(465,517)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	2/1/2023	1/31/2024	TEAC pays \$4.29/MMBtu; receives NYMEX-HH	A2/BBB+/A	(139,457)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	4/1/2023	3/31/2024	TEAC pays \$4.384/MMBtu; receives NYMEX-HH	A2/BBB+/A	(162,415)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	4/1/2024	3/31/2025	TEAC pays \$4.07/MMBtu; receives NYMEX-HH	A2/BBB+/A	(28,143)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	70,000 MMBtu	4/1/2023	10/31/2023	TEAC pays \$3.47/MMBtu; receives NYMEX-HH	A2/BBB+/A	(63,982)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	800,000 MMBtu	3/1/2023	12/31/2023	TEAC pays \$3.27/MMBtu; receives NYMEX-HH	A2/BBB+/A	(327,942)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	700,000 MMBtu	3/1/2023	10/31/2023	TEAC pays \$3.245/MMBtu; receives NYMEX-HH	A2/BBB+/A	(485,304)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	420,000 MMBtu	1/1/2025	12/31/2025	TEAC pays \$3.245/MMBtu; receives NYMEX-HH	A2/BBB+/A	100,043
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	240,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$3.90/MMBtu; receives NYMEX-HH	A2/BBB+/A	(60,363)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	5/1/2023	4/30/2024	TEAC pays \$3.12/MMBtu; receives NYMEX-HH	A2/BBB+/A	(2,875)
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2006 A&B Gas Project Revenue Bonds	395,135,179 MMBtu	8/1/2006	7/31/2026	TEAC receives \$7.451/MMBtu; pays basket of indices	A1/AA-/AA	170,473,623
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2006 C Gas Project Revenue Bonds	209,502,902 MMBtu	1/1/2007	12/31/2026	TEAC receives \$7.220/MMBtu; pays basket of indices	A1/AA-/AA	119,770,661
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2023 Gas Project Revenue Bonds	299,050,500 MMBtu	2/1/2023	3/31/2053	TEAC receives \$4.94/MMBtu; pays basket of indices	A1/AA-/AA	(195,594,841)
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2018 Gas Project Revenue Bonds	228,281,050 MMBtu	4/1/2019	9/30/2049	TEAC receives \$4.169/MMBtu; pays basket of indices	A1/AA-/AA	(180,268,245)
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2021A Gas Project Revenue Bonds	90,166,650 MMBtu	4/1/2022	3/31/2052	TEAC receives \$4.645/MMBtu; pays basket of indices	A1/AA-/AA	(89,005,683)
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2021A Gas Project Revenue Bonds	90,166,650 MMBtu	4/1/2022	3/31/2052	TEAC receives \$4.645/MMBtu; pays basket of indices	A2/A-/A	(89,005,683)
Total							<u>\$ (268,081,452)</u>

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

Note 6 - Gas Price Swap Agreements (continued)

The effect of marking the commodity swap agreements to market during fiscal year 2023 had no impact on net revenues or expenses in the accompanying statement of revenues, expenses, and changes in net position.

Due to the long tenor of the fixed receiver swaps, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Corporation could realize upon liquidation. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

During fiscal year 2023, the Corporation made payments of \$2,901,120 to swap counterparties and received payments of \$9,304,890 from swap counterparties in association with the cash flow hedges. Payments are recorded as adjustments to operating revenues and expenses and are reflected in the statement of revenues, expenses, and changes in net position.

During fiscal year 2023, the Corporation made payments of \$57,475,936 to swap counterparties and received payments of \$63,460,730 from swap counterparties in association with the fair value hedges. Payments are recorded as adjustments to operating revenues and expenses and are reflected in the statement of revenues, expenses, and changes in net position.

The aggregate fair value for hedging derivative instruments is classified in the Corporation's balance sheet as follows for the year ended March 31, 2023:

Derivative instrument - commodity swaps	\$ 268,081,452
Deferred outflow - accumulated change in fair value of hedging derivatives	268,081,452

The derivative instrument - commodity swaps decreased by \$100,647,511 during fiscal year 2023.

The Corporation is exposed to counterparty credit risk on derivative instruments that are in asset positions. To minimize the risk of loss due to counterparty credit risk, the Corporation's hedge policy states that derivative instruments with a duration of less than one year must be transacted with a counterparty that has a credit rating of Baa3/BBB- or better. Derivative instruments with a duration longer than one year must be transacted with a counterparty that has a credit rating of A3/A- or better. The Corporation currently has contracts with counterparties (and guarantors) bearing credit ratings of A2/BBB+/A, A2/A-/A, and A1/AA-/AA.

To further mitigate counterparty credit risk, the terms of the fixed receiver swap agreements include a ratings based termination right of the Corporation in the event the counterparty is downgraded below A2/A. The terms of the fixed payer swap agreements provide for the posting of liquid collateral by the counterparty based on credit rating and market value thresholds or other metrics. Under the fixed payer swap agreements, the Corporation may also set off any settlement amounts owed to the Corporation against collateral posted by the counterparty or settlement amounts owed by the Corporation to the counterparty.

The Corporation or its swap counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or breaches certain contractual provisions. In addition, the fixed receiver swap agreements which hedge the Purchase Agreements will automatically terminate if the associated Prepaid Natural Gas Purchase Agreement is terminated.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

For 2006 transactions, the only amounts due upon termination would generally be previously accrued but unpaid amounts. However, if the fixed receiver commodity swap is terminated as a result of the Corporation's default or as a result of the termination of the Prepaid Natural Gas Purchase Agreement, the Corporation would be obligated to pay a termination payment to the swap counterparty based on the net present value of the remaining notional quantities of gas during the remaining term multiplied by a fixed amount. The termination amounts are not based upon the marked to market value of the commodity swaps, and are payable solely out of the termination proceeds and reserve amounts available to the Corporation at the time of any early termination of the commodity swaps.

The Corporation does not currently have any hedging or investment derivative instruments to manage interest rate risk. However, the fair value of commodity swaps that are in an asset position may be reduced as interest rates rise.

The Corporation does not bear basis risk on any of its commodity swaps. Hedged items are matched with hedging derivative instruments that are indexed to the same price index/delivery point.

The Corporation is not exposed to rollover risk due to the fact that the maturities of the hedging derivative instruments and the underlying hedged item are matched.

All hedging derivative instruments and underlying hedged items are denominated in United States Dollars; thus, the Corporation is not exposed to foreign currency risk.

The table below presents the values of the commodity swaps in asset positions and those in liability positions at March 31, 2023:

Fair value of asset position swaps	\$ 295,400,742
Fair value of liability position swaps	<u>(563,482,194)</u>
Net commodity swap agreements	<u>\$ (268,081,452)</u>

Note 7 - Employee Benefit Plans

The Corporation has a defined contribution profit sharing plan, The Tennessee Energy Acquisition Corporation Excess Revenue 401(a) Plan (the Plan), for eligible employees who have reached age 21 and completed one year of service prior to the semiannual sign up date. The Plan is noncontributory in that employees make no contribution to the Plan.

The Corporation's contributions to the Plan are made at the discretion of the Board of Directors. Plan provisions and contribution requirements are established and may be amended by the Board of Directors. As of March 31, 2023, there were five plan members. The vesting terms of the Plan are: 6 Year Graded: 0 - 1 year - 0%; 2 years - 20%; 3 years - 40%; 4 years - 60%; 5 years - 80%; 6 years - 100%. Regardless of the vesting schedule, a participant will become fully vested upon death or total and permanent disability. Forfeitures will be allocated to all participants eligible to share in the allocations of employer contributions in the same proportion that each participant's compensation for the plan year bears to the compensation of all participants for such year.

In September 2018, the Corporation began contributing for all employees terminating service with the Corporation during the Plan year and reaching age 59 ½, an amount equal to the employee's current hourly rate of pay multiplied by the employee's number of unused accumulated sick leave hours. In no event will the Corporation's contribution for the Plan year exceed the maximum contribution permitted under Code 415(c). The Corporation's outstanding liability for unused accumulated sick leave amounted to \$75,651 for the year ended March 31, 2023.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

The Corporation's contributions to the Plan are included in general and administrative expense in the accompanying statement of revenues, expenses, and changes in net position and also in other accrued expense as an outstanding liability in the accompanying balance sheet and amounted to \$88,238 during the year ending March 31, 2023. There were no forfeitures for the year ended March 31, 2023.

The Corporation also has a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code (Section 457) which allows plan participants to defer and contribute to the Plan, through the Corporation, a specified portion of their salary until future years. Plan participants' contributions are subject to limitations outlined within Section 457. Under the terms of the Plan, the Corporation may contribute to the Plan on behalf of the participants; however, no contributions were made by the Corporation during the year ended March 31, 2023. The assets of the Plan, including all deferred amounts, property, and rights purchased with deferred amounts and all income attributable to such deferred amounts, property, or rights are held in trust for the exclusive benefit of the Plan participants, thus, the assets and liabilities of the plan are not reflected in the Corporation's balance sheet.

Note 8 - Fair Value of Financial Instruments

The estimated fair value amounts of instruments carried at fair value in the balance sheet have been determined by the Corporation using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Corporation could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair market value.

The Corporation measures and reports certain assets and liabilities at fair value. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities that are subject to fair value measurement.

The fair value of investments restricted for debt service is based on quoted market prices. The fair value of the gas price swap agreements is estimated by an independent pricing service using both Level 2 and Level 3 inputs as defined above.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2023. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2023

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level at March 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment restricted bond funds	\$ 187,805,000	\$ 187,805,000		
Gas price swap agreements	(268,081,452)		\$ 296,199,760	\$ (564,281,212)

Note 9 - Major Customers

The Corporation considers customers that account for more than 10% of sales to be major customers. Revenue from two of the Corporation's Project Participants compose approximately 28% of total sales for the year ended March 31, 2023 and 20% of accounts receivable as of March 31, 2023.

Note 10 - Risk Management and Insurance Arrangements

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to employees; and natural disasters. The Corporation carries insurance with Public Entity Partners, a non-profit organization that provides coverage for Tennessee municipalities, for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. No significant reduction in insurance coverage has occurred since the prior year.

Note 11 - Subsequent Events

The Corporation has evaluated subsequent events through July 6, 2023, which is the date these financial statements were available to be issued. Management concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

Supplementary Information

Independent Auditor's Report on Supplementary Information

The Board of Directors
The Tennessee Energy Acquisition Corporation
Clarksville, Tennessee

We have audited the financial statements of The Tennessee Energy Acquisition Corporation (the Corporation) as of and for the year ended March 31, 2023, and our report thereon dated July 6, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Debt Service Requirements and the Schedule of Changes in Long-Term Debt by Individual Issue is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Debt Service Requirements and the Schedule of Changes in Long-Term Debt by Individual Issue is fairly stated in all material respects in relation to the basic financial statements as a whole. The Directory of Officials, which is the responsibility of management, is of nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Jackson Thornton & Co. PC

Montgomery, Alabama
July 6, 2023

**The Tennessee Energy Acquisition Corporation
Schedule of Debt Service Requirements
As of March 31, 2023**

Fiscal Year	2006 Series A Bonds		2006 Series B Bonds		2006 Series C Bonds		2018 Series Bonds		2021 Series A Bonds		2023 Series A-1 Bonds		2023 Series A-2 Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 98,545,000	\$ 17,080,219		\$ 6,283,406	\$ 70,900,000	\$ 14,327,000	\$ 740,000	\$ 20,528,400	\$ 2,435,000	\$ 23,252,500		\$ 19,200,875		\$ 559,331	\$ 273,851,731
2025	144,580,000	10,698,187		6,283,406	51,445,000	10,782,000	460,000	20,491,400	2,630,000	23,130,750		19,200,875		559,331	290,260,949
2026	59,050,000	5,352,900		6,283,406	63,030,000	8,209,750	509,180,000	20,468,400	2,690,000	22,999,250		19,200,875		559,331	717,023,912
2027	72,435,000	1,901,419	\$ 111,705,000	3,141,703	101,165,000	5,058,250			2,825,000	22,864,750		19,200,875		559,331	340,856,328
2028									2,965,000	22,723,500		19,200,875	\$ 11,825,000	559,331	57,273,706
2029									3,185,000	22,575,250	\$ 768,035,000	9,600,438	7,630,000	279,665	811,305,353
2030									3,275,000	22,416,000					25,691,000
2031									3,440,000	22,252,250					25,692,250
2032									441,605,000	22,080,250					463,685,250
	<u>\$ 374,610,000</u>	<u>\$ 35,032,725</u>	<u>\$ 111,705,000</u>	<u>\$ 21,991,921</u>	<u>\$ 286,540,000</u>	<u>\$ 38,377,000</u>	<u>\$ 510,380,000</u>	<u>\$ 61,488,200</u>	<u>\$ 465,050,000</u>	<u>\$ 204,294,500</u>	<u>\$ 768,035,000</u>	<u>\$ 105,604,813</u>	<u>\$ 19,455,000</u>	<u>\$ 3,076,320</u>	<u>\$ 3,005,640,479</u>

See Independent Auditor's report on Supplementary Information.

The Tennessee Energy Acquisition Corporation
Schedule of Changes in Long-Term Debt by Individual Issue
As of March 31, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding April 1, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding March 31, 2023
Bonds Payable									
2006 Series A	\$ 1,994,475,000	5.00 - 5.25%	7/20/2006	9/1/2026	\$ 449,895,000		\$ (75,285,000)		\$ 374,610,000
2006 Series B	132,545,000	5.625%	7/20/2006	9/1/2026	111,705,000				111,705,000
2006 Series C	1,060,220,000	5.00%	12/20/2006	2/1/2027	349,760,000		(63,220,000)		286,540,000
2017 Series A	678,250,000	4.00%	11/7/2017	5/1/2023	676,115,000		(1,460,000)	\$ (674,655,000)	
2018 Series	516,785,000	4.00 - 5.00%	8/24/2018	11/1/2049	516,785,000		(6,405,000)		510,380,000
2021 Series A	466,410,000	5.00%	6/18/2021	5/1/2052	466,410,000		(1,360,000)		465,050,000
2023 Series A-1	768,035,000	5.00%	2/1/2023	5/1/2053		\$ 768,035,000			768,035,000
2023 Series A-2	19,455,000	5.75%	2/1/2023	5/1/2028		19,455,000			19,455,000
Total bonds payable					<u>\$ 2,570,670,000</u>	<u>\$ 787,490,000</u>	<u>\$ (147,730,000)</u>	<u>\$ (674,655,000)</u>	<u>\$ 2,535,775,000</u>

See Independent Auditor's report on Supplementary Information.

**The Tennessee Energy Acquisition Corporation
Directory of Officials
As of March 31, 2023**

Board of Directors

<u>Name</u>	<u>Position</u>
Greg Riddle	Chairman
Brent Dillahunty	Vice Chairman
Mark O'Neal	Secretary
Justin Roach	Member
Kyle Hamm	Member
Mike French	Member
Jim Nuckolls	Member
Jim Garland	Member
Blake Walley	Member

Management

<u>Name</u>	<u>Position</u>
Mark McCutchen	President/General Manager
Rhonda Wall	Treasurer/Controller/Asst Secretary

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Board of Directors
The Tennessee Energy Acquisition Corporation
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Tennessee Energy Acquisition Corporation (the Corporation), which comprise the balance sheet as of March 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated July 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson Thornton & Co. PC

Montgomery, Alabama
July 6, 2023

**The Tennessee Energy Acquisition Corporation
Summary Schedule of Prior Year Findings
For the Year Ended March 31, 2023**

There were no prior year findings reported.