The Tennessee Energy Acquisition Corporation

MARCH 31, 2017

FINANCIAL STATEMENTS

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

INDEX

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Tennessee Energy Acquisition Corporation (the Corporation) which comprise the balance sheets as of March 31, 2017 and 2016, and the related statements of revenue and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017 and 2016, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2017 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 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 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.

Other Matters

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 15 be presented to supplement the basic financial statements. Such information, 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.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 14, 2017

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, 2017, 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 and 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 and 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, 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, and regulatory assets, which represent unamortized debt expense relating to the gas projects. Total assets were $2,926,652,845, $3,184,942,450, and $3,227,119,144, as of March 31, 2017, 2016, and 2015 respectively.

The liabilities of the Corporation consist primarily of the current and long-term portions of the bonds issued to finance the Corporation's prepaid gas supplies, accounts payable, and accrued interest payable on the long-term debt. The deferred inflows primarily consist of the accumulated increase in the fair value of the gas price swaps related to the Corporation's prepaid gas supply. Principal paid on bonds during 2017, 2016, and 2015 was $132,580,000, $107,440,000, and $102,260,000 respectively. Total liabilities, deferred inflows, and net position were $2,926,652,845, $3,184,942,450, and $3,227,119,144, as of March 31, 2017, 2016, and 2015 respectively.

Fiscal Year 2017. The $258 million decrease in total assets and total liabilities and deferred inflows in fiscal year 2017 was primarily attributable to the decrease in long-term prepaid gas supplies of $160 million due to reclassification of scheduled deliveries for the next period to current assets, which will be amortized as the gas is delivered.

Derivative instruments decreased $114 million. The total notional amount relating to the commodity swaps which had to be presented at fair value was reduced as a result of current operations, which resulted in a lower swap fair value at the end of the period.

Current and restricted assets increased $32.4 million. There was a $9.1 million increase in scheduled deliveries of short-term prepaid gas for current operations, an $18.6 million increase in required deposits to debt service funds for current maturities, a $.3 million increase in cash, and a $4.4 million increase in accounts receivable as a result of increased deliveries and higher prices at the end of the period.

Costs recoverable from future billings decreased $14.8 million, all of which resulted from current operations.

The Corporation's regulatory asset is the unamortized debt expense relating to the gas projects, which decreased $1.2 million, all of which resulted from current operations.

Long-term debt decreased $183 million, all of which was due to scheduled maturities and reclassification of maturities for the coming year.

Fiscal Year 2016. The $42 million decrease in total assets and total liabilities and deferred inflows in fiscal year 2016 was primarily attributable to the decrease in long-term prepaid gas supplies of $151 million, due to reclassification of scheduled deliveries for the next period to current assets, which will be amortized as the gas is delivered.

Derivative instruments increased $75 million. The total notional amount relating to the commodity swaps which had to be presented at fair value was reduced as a result of current operations, but this reduction was more than offset by the generally lower forward gas prices at the end of the period, which resulted in a higher swap fair value at the end of the period.

Current and restricted assets increased $29 million. There was a $26 million increase in scheduled deliveries of short-term prepaid gas for current operations, a $3.6 million increase in required deposits to debt service funds for current maturities, a $.4 million increase in cash, and a $.9 million decrease in accounts receivable as a result of lower prices at the end of the period.

Costs recoverable from future billings increased $6.1 million, all of which resulted from current operations.

The Corporation's regulatory asset is the unamortized debt expense relating to the gas projects, which decreased $1.2 million, all of which resulted from current operations.

Long-term debt decreased $142 million, all of which was due to scheduled maturities and reclassification of maturities for the coming year.

SUMMARY OF BALANCE SHEETS

	2017	2016	2015
ASSETS:			
Current and restricted assets	$ 482,901,448	$ 450,402,111	$ 421,233,612
Prepaid gas supplies	1,003,158,857	1,163,514,704	1,314,786,823
Derivative instrument-commodity swaps	1,116,445,929	1,230,897,015	1,155,921,842
Costs recoverable from future billings	312,845,609	327,660,833	321,513,276
Regulatory asset	11,258,853	12,448,819	13,638,785
Capital assets, net	42,149	18,968	24,806
Total assets	$2,926,652,845	$ 3,184,942,450	$ 3,227,119,144
LIABILITIES:			
Current maturities on long - term debt	$ 174,330,000	$ 132,580,000	$ 107,440,000
Other current liabilities	19,098,754	22,755,336	23,778,152
Long-term debt	1,602,981,457	1,785,982,795	1,927,616,705
DEFERRED INFLOWS:			
Accumulated increase in fair value of hedging derivatives	1,116,445,929	1,230,897,015	1,155,921,842
Total liabilities	2,912,856,140	3,172,215,146	3,214,756,699
NET POSITION:			
Invested in capital assets	42,149	18,968	24,806
Unrestricted	13,754,556	12,708,336	12,337,639
Total net position	13,796,705	12,727,304	12,362,445
Total liabilities, deferred inflows, and net position	$2,926,652,845	$ 3,184,942,450	$ 3,227,119,144

GAS REVENUES AND EXPENSES

During fiscal years 2017, 2016, and 2015 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 the 2006 Project Participants under long-term gas supply contracts, and to others under short-term arrangements. Under the long-term gas supply contracts with the Members and the 2006 Project Participants, the 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 Platts, a division of McGraw-Hill Financial, 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. Sales to others are also made at prices based upon Index.

The Corporation's gas supplies during each of the three years consisted of gas delivered under the Corporation's 2006 prepaid gas supply transactions with J. Aron & Co., purchases from the Public Energy Authority of Kentucky (PEAK) under the PEAK Gas Sale Contract which expired June 30, 2016, purchases from Black Belt Energy (BBE) under the BBE Gas Sale Contract 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 2017, 2016, and 2015.

Summary of Gas Supplies and Sales

	2017	2016	2015
Gas Supplies:	(bcf)	(bcf)	(bcf)
2006A&B Supplies	22.6	21	21.4
2006C Supplies	13.5	8.9	8.9
PEAK/BBE Supplies:	1.4	2.7	2.7
Short-term Supplies	4.9	4.3	6.3
Total Gas Supplies	42.4	36.9	39.3
Gas Sales:	(bcf)	(bcf)	(bcf)
Members	12.6	12.9	15.1
2006 Project Participants	29.8	23.7	24.2
Others	0	0.3	0
Total Gas Sales	42.4	36.9	39.3

Under the 2006 prepaid gas supply transactions and the related Index-to-fixed gas price swaps, the Corporation made a fixed price prepayment for specified quantities of gas to be delivered each month through July 2026 with the proceeds from the Series 2006A&B Bonds, and a separate fixed price prepayment for specified quantities of gas to be delivered each month through December 2026 with the proceeds from the Series 2006C Bonds. 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. 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 years ending 2017, 2016, and 2015, the Corporation received payments from the swap counterparties of $162 million, $149 million, and $108 million, respectively.

Under the 2006 PEAK Gas Sale Contract and the BBE Gas Sale Contract, 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 costs 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 costs and gas sale revenues.

Operating revenues includes revenues from the prepaid gas supply transactions 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 during fiscal year 2017 as a result of increases to scheduled deliveries. Revenues from prepaid gas supply transactions decreased during fiscal year 2016 as a result of decreases to scheduled deliveries. 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 2017 increased 7% due to higher Index prices during the year. During fiscal year 2017, the Index price of gas averaged 13% more than in fiscal year 2016. Other operating revenues for fiscal year 2016 decreased 38% due to lower Index prices during the year and decreased volumes. During fiscal year 2016, the Index price of gas averaged 38% less than in fiscal year 2015.

Gas operations expenses are also affected by changes in Index prices and sales volumes from year to year. Gas operations expense in fiscal year 2017 increased 7% due to higher Index prices during the year. Gas operations expense in fiscal year 2016 decreased 39% from 2015 due to lower Index prices during the year and decreased volumes.

For further information regarding changes in sales volume, see "WEATHER AND PRICES".

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016	2015
OPERATING REVENUES:			
Revenues-prepaid gas supply transactions	$ 226,325,930	$ 205,796,685	$ 212,777,607
Other operating revenues	33,122,997	30,870,723	49,852,223
Total operating revenues	259,448,927	236,667,408	262,629,830
NON-OPERATING REVENUES:			
Investment income	12,683,277	12,248,416	12,181,502
Total non-operating revenues	12,683,277	12,248,416	12,181,502
TOTAL REVENUES	272,132,204	248,915,824	274,811,332
OPERATING EXPENSES:			
Gas operations	31,994,328	29,995,135	49,334,419
Depletion of prepaid gas supplies	151,272,119	125,195,721	126,545,776
General and administrative	2,028,442	2,240,247	1,953,108
Total operating expenses	185,294,889	157,431,103	177,833,303
NON-OPERATING EXPENSE:			
Interest and amortization	85,767,914	91,119,758	96,014,988
Total non-operating expense	85,767,914	91,119,758	96,014,988
TOTAL EXPENSES	271,062,803	248,550,861	273,848,291
CHANGE IN NET POSITION	$ 1,069,401	$ 364,963	$ 963,041

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 population-weighted heating degree day averages and market price information for the last two winter heating seasons in the Corporation's service area. The 2016 - 2017 winter heating season as a whole was much warmer than normal in the service area of the Corporation's Members. Due to the almost identical total and relatively low heating degree days, sales to Members decreased only slightly from 12.9 billion cubic feet to 12.6 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

		2016 - 2017			2015 - 2016		
	Average Heating Degree Days	2016-2017 Heating Degree Days	Deviation From Average*	Index Pricing	2015-2016 Heating Degree Days	Deviation From Average*	Index Pricing
November	502	406	(19.10%)	$2.70	350	(30.30%)	$1.96
December	782	807	3.20%	$3.17	454	(41.90%)	$2.15
January	889	649	(27.00%)	$3.87	930	4.60%	$2.34
February	683	459	(32.80%)	$3.31	680	(0.40%)	$2.16
March	505	456	(9.70%)	$2.53	367	(27.30%)	$1.65
Totals	3,361	2,777	(17.40%)		2,781	(17.30%)	
Average				$3.12			$2.05

**(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 three periods reflect the amortization schedules of the 2006 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 the fiscal years 2017, 2016, and 2015, the management fee was two cents per MMBtu. Total management fee revenues for fiscal years 2017, 2016, and 2015 totaled $320,000, $333,000, and $370,000, respectively. At its March 22, 2017 meeting, the Board set the management fee for fiscal year 2018 at two cents per MMBtu.

Under the Management Agreements, the Corporation agreed on a best efforts basis to assist its Members with short-term cash flows financing to pay the cost of their storage injections. Only one Member requested this assistance and entered into a separate agreement for fiscal years 2016 and 2015 with the Corporation under which the Corporation funded the cost of its storage injections out of available cash and the Member repaid the Corporation as the gas was withdrawn during the winter heating season. The Member made all required payments to the Corporation. None of the Corporation's Members entered into such an agreement with the Corporation for fiscal year 2017 or 2018.

DERIVATIVE INSTRUMENT-COMMODITY SWAPS

As explained in "GAS REVENUES AND COSTS", 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, 2017, 2016, and 2015, the remaining volumes relating to the 2006 prepaid gas supply transactions were 273 million MMBtu, 309 million MMBtu, and 338 million MMBtu, respectively. At March 31, 2017, 2016, and 2015, the market price of gas was markedly lower than the fixed prices at which the fixed-receiver gas price swaps were executed and resulted in derivative instrument assets of $1.12 billion, $1.23 billion, and $1.16 billion, respectively relating to the commodity swaps as yet unsettled as of those dates.

The Corporation also enters into fixed-payer commodity swaps from time to time at the request of its Members and Project Participants to hedge against variability of cash flows related to gas supply and provide rate stability. The requesting Member or Project Participant enters into a corresponding agreement to pay the costs and receive the benefits of these fixed-payer commodity swaps. At March 31, 2017, 2016, and 2015, the remaining volumes relating to fixed-payer swaps entered into on behalf of the Corporation's Members and Project Participants was 4.4 million MMBtu, 1.7 million MMBtu, and 3.1 million MMBtu, respectively. At March 31, 2017, the market price of gas was higher than the fixed prices at which these swaps were executed and resulted in derivative instrument assets of $.3 million. At March 31, 2016 and 2015, the market price of gas was lower than the fixed prices at which these swaps were executed and resulted in derivative instrument liabilities of $1.7 million and

$3.2 million, respectively. For 2016 and 2015, these liabilities were offset against the derivative instrument assets.
With regard only to the amounts relating to the 2006 prepaid gas supply transactions, 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 December 20, 2016, Moody's Investors Service assigned 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.

2006 BOND ISSUES

In order to be able to provide economical, reliable service to its Members, the Corporation 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 its revenue bonds with maturities matching the term of the agreements. The Series 2006A Bonds were issued in the amount of $1,994,475,000, the Series 2006B Bonds were issued in the amount of $132,545,000, and both Series were issued in July 2006. The Series 2006C Bonds were issued in the amount of $1,060,220,000 and were issued in December 2006. 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 the Corporation's Members and Project Participants, all of which are located in the Southeastern United States.

The following 2006 Project Participants table shows the average daily quantity (ADQ) delivered to each Project Participant during the fiscal years ending 2017, 2016, and 2015.

2006 Project Participants

Project Participant	Project	ADQ FYE 2017	ADQ FYE 2016	ADQ FYE 2015
Bedford County Utility District	2006A&B	14	14	14
City of Bolivar	2006A&B	763	764	763
Bridgeport Utilities	2006A&B	371	369	369
Town of Centerville	2006A&B	389	389	389
Greater Dickson Gas Authority	2006A&B	4,029	3,837	3,731
Natural Gas Utility District of Hawkins County	2006A&B	790	791	790
City of Hohenwald	2006A&B	207	198	192
City of Lexington	2006A&B	1,272	1,274	1,272
Town of Linden	2006A&B	113	107	104
The Lower Alabama Gas District	2006A&B	13,248	13,283	13,171
Marion Natural Gas System	2006A&B	324	325	324
Municipal Gas Authority of Georgia	2006A&B	7,006	6,981	6,693
Oak Ridge Utility District	2006A&B	2,462	2,373	2,321
Patriots Energy Group	2006A,B,C	8,134	8,096	8,084
Public Energy Authority of Kentucky, Inc.	2006A&B	11,118	7,109	9,100
City of Ridgetop	2006A&B	42	42	42
Rockwood Water and Gas System	2006A&B	324	325	324
City of Savannah	2006A&B	523	524	523
Scottsboro Water Works, Sewer & Gas Board	2006A&B	500	500	500
Town of Selmer	2006A&B	225	214	208
The Southeast Alabama Gas District	2006A&B	3,500	3,500	3,500
Springfield Gas System	2006A&B	1,767	1,769	1,767
Stevenson Utilities	2006A&B	28	28	28
City of Tallahassee	2006A&B	3,315	3,106	3,046
City of Waynesboro	2006A&B	94	93	93
West Tennessee Public Utility District	2006A&B	3,911	3,724	3,621
Memphis Light, Gas & Water	2006C	27,523	15,877	15,879
Harriman Utility Board	2006C	249	200	200
Huntsville Utility Board	2006C	3,164	2,174	2,166
City of Cartersville	2006C	3,660	3,664	3,660

COUNTERPARTY DOWNGRADES AND SERIES 2006 BONDS RATING CHANGES

Upon the issuance of each of the Series 2006 Bonds, the Corporation entered into guaranteed investment contracts with various counterparties for the investment of debt service deposits and certain reserves required under the trust indentures. The Corporation is exposed to the risk of nonperformance by the counterparties. The contracts provided that if certain financial credit ratings of the counterparties were not maintained the counterparty would provide credit support to secure its continued performance. Since the Series 2006 Bonds were issued, several of the counterparties were downgraded by Standard & Poor's (S&P), Moody's, and Fitch, such that the counterparties were required to provide credit support to the Corporation. Each of the affected counterparties has posted collateral or entered into replacement repurchase agreements with the Corporation.

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 & Co. (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). Since their issuance, the ratings assigned to the Series 2006 Bonds have changed from time to time due to a variety of factors, including changes in the ratings of GSG and other transaction counterparties. The Series 2006A Bonds are currently rated "A3", "BBB+" and "A" by Moody's, Standard & Poor's, and Fitch, respectively, and the Series 2006C Bonds are currently rated "A3", "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.

The ratings changes on the Corporation's Series 2006 Bonds have been reported as material events under its continuing disclosure undertakings to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website at www.emma.msrb.org. Notwithstanding the ratings changes, the 2006 prepaid gas supply projects have been operating as anticipated. All Members and Project Participants have made all required payments under their Gas Supply Contracts, J. Aron has made timely performance of its gas delivery obligations under the Prepaid Gas Purchase Agreements, and all of the Corporation's counterparties in the prepaid gas supply transactions have made timely payment of all required amounts. The Corporation has made all required deposits to the debt service funds and all required debt service payments as and when required by the trust indentures.

NOVATION AGREEMENTS AND AMENDED AND RESTATED INVESTMENT AGREEMENTS

Series 2006A and B. Effective September 2, 2015, the Corporation executed an Amended and Restated Investment Agreement, dated as of September 2, 2015 with J. Aron. J. Aron replaced DEPFA BANK plc ("DEPFA") as the investment agreement provider for the Debt Service Reserve Fund and a portion of the Senior Subaccount of the Debt Service Reserve Account. The change resulted in a ratings confirmation on the Series 2006A Bonds by Moody's Investors Service, Inc. and reduced third-party credit risk to interest earnings and ratings in the future. In connection with the Amended and Restated Investment Agreement, each of J. Aron, DEPFA, the Corporation and the Bank of New York Mellon Trust Company, N.A., as successor trustee, entered into a novation agreement which transferred certain of the rights and responsibilities of DEPFA to J. Aron. Information regarding this change has been posted as a voluntary filing to the EMMA website.

Series 2006A and B. Effective October 20, 2014, the Corporation executed an Amended and Restated Investment Agreement, dated as of October 16, 2014 with J. Aron. J. Aron replaced CitiGroup Financial Products Inc. ("CitiGroup") as the investment agreement provider for the Debt Service Fund. The change resulted in an upgrade in the rating on the Series 2006A Bonds by Moody's Investors Service, Inc. and reduced third-party credit risk to interest earnings and ratings in the future. In connection with the Amended and Restated Investment Agreement, each of J. Aron, CitiGroup, the Corporation and the Bank of New York Mellon Trust Company, N.A., as successor trustee, entered into a novation agreement which transferred certain of the rights and responsibilities of CitiGroup to J. Aron. Information regarding this change has been posted as a voluntary filing to the EMMA website, in addition to the required filing for the ratings change that resulted from it.

Series 2006C. Effective September 2, 2015, the Corporation executed an Amended and Restated Investment Agreement, dated as of September 2, 2015 with J. Aron. J. Aron replaced DEPFA BANK plc ("DEPFA") as the investment agreement provider for the Working Capital Account and the Early Termination Reserve subaccount. J. Aron also replaced DEPFA as the investment agreement provider for the Debt Service Account. The changes resulted in a ratings confirmation on the Series 2006C Bonds by Moody's Investors Service, Inc. and reduced third-party credit risk to interest earnings and ratings in the future. In connection with the Amended and Restated Investment Agreements, each of J. Aron, DEPFA, the Corporation and the Bank of New York Mellon Trust Company, N.A., as successor trustee, entered into a novation agreement which transferred certain of the rights and responsibilities of DEPFA to J. Aron. Information regarding this change has been posted as a voluntary filing to the EMMA website.

Effective August 1, 2016, Royal Bank of Scotland plc, novated its half of the commodity swaps relating to the 2006C Revenue Bonds to Royal Bank of Canada, Europe Limited, which was the other commodity swap provider for the transaction. Royal Bank of Scotland plc was exiting the commodity swap business and requested the Corporation to allow the novation, which did not result in any rating change to the Bonds. Information regarding this change has been posted as a voluntary filing to the EMMA website.

BLACK BELT ENERGY

On May 24, 2016, the Corporation entered into the BBE Gas Sale Contract with the Black Belt Energy Gas District (BBE). Under the BBE Gas Sale Contract, 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 Gas Sale Contract began July 1, 2016 and extends through May 31, 2046. This gas replaced the 2006 PEAK Gas Sale Contract quantities which expired at the end of June 2016.

SUBSEQUENT EVENTS

The Corporation expects to issue bonds with par value of not to exceed $850,000,000 in 2017 for the forward purchase of natural gas for its Members and Project Participants. The terms of these bonds have not been finalized at the time of issuance of these financial statements.

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

BALANCE SHEETS AT MARCH 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,651,447	$ 7,364,900
Accounts receivable:		
Customers	9,878,977	6,797,770
Other	18,089,994	16,750,954
Prepaid gas supplies	160,355,847	151,272,119
Other current assets	221,744	
Total current assets	196,198,009	182,185,743
RESTRICTED ASSETS:		
Restricted cash and cash equivalents	129,808,439	111,321,368
Restricted investments	156,895,000	156,895,000
Total restricted assets	286,703,439	268,216,368
NONCURRENT ASSETS:		
Prepaid gas supplies	1,003,158,857	1,163,514,704
Derivative instrument - commodity swaps	1,116,445,929	1,230,897,015
Costs recoverable from future billings	312,845,609	327,660,833
Regulatory asset	11,258,853	12,448,819
Capital assets, net	42,149	18,968
Total noncurrent assets	2,443,751,397	2,734,540,339
Total assets	$ 2,926,652,845	$ 3,184,942,450

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

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2017	2016
CURRENT LIABILITIES:		
Current liabilities, unrestricted:		
Accounts payable	$ 8,398,172	$ 11,379,629
Other accrued expenses	588,234	545,338
Total current liabilities, unrestricted	8,986,406	11,924,967
Current liabilities, restricted:		
Current maturities on long term debt	174,330,000	132,580,000
Accrued interest payable	10,112,348	10,830,369
Total current liabilities, restricted	184,442,348	143,410,369
Total current liabilities	193,428,754	155,335,336
LONG TERM DEBT:		
Gas revenue bonds, net of current maturities	1,555,665,000	1,729,995,000
Bond premium	47,316,457	55,987,795
Total long term debt	1,602,981,457	1,785,982,795
DEFERRED INFLOWS:		
Accumulated change in fair value of hedging derivatives	1,116,445,929	1,230,897,015
Total liabilities and deferred inflows	2,912,856,140	3,172,215,146
NET POSITION:		
Invested in capital assets	42,149	18,968
Unrestricted	13,754,556	12,708,336
Total net position	13,796,705	12,727,304
Total liabilities, deferred Inflows, and net position	$ 2,926,652,845	$ 3,184,942,450

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	2017		2016	
OPERATING REVENUES	$259,448,927	100.00%	$236,667,408	100.00%
OPERATING EXPENSES:				
Gas operations	31,994,328	12.33%	29,995,135	12.67%
Depletion of prepaid gas supplies	151,272,119	58.31%	125,195,721	52.90%
General and administrative	2,028,442	0.78%	2,240,247	0.95%
Total operating expenses	185,294,889	71.42%	157,431,103	66.52%
OPERATING INCOME	74,154,038	28.58%	79,236,305	33.48%
NONOPERATING REVENUES AND EXPENSES:				
Interest on long term debt	(84,577,948)	(32.60%)	(89,929,792)	(38.00%)
Amortization	(1,189,966)	(0.46%)	(1,189,966)	(0.50%)
Investment income	12,683,277	4.89%	12,248,416	5.18%
Total nonoperating expense, net	(73,084,637)	(28.17%)	(78,871,342)	(33.32%)
CHANGE IN NET POSITION	1,069,401	0.41%	364,963	0.16%
NET POSITION AT BEGINNING OF YEAR	12,727,304		12,362,341	
NET POSITION AT END OF YEAR	$ 13,796,705		$ 12,727,304	

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

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Receipts from customers	$ 269,843,904	$ 231,449,154
Payments to suppliers	(36,258,216)	(31,849,621)
Payments to employees	(912,251)	(861,178)
Net cash from operating activities	232,673,437	198,738,355
CASH FLOWS USED FOR NONCAPITAL RELATED FINANCING ACTIVITIES:		
Principal paid on long term debt	(132,580,000)	(107,440,000)
Interest paid	(93,967,307)	(99,522,806)
Net cash used for noncapital related financing activities	(226,547,307)	(206,962,806)
CASH FLOWS USED FOR CAPITAL ACTIVITIES:		
Purchases of fixed assets	(35,789)	(1,176)
Net cash used for capital activities	(35,789)	(1,176)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	12,683,277	12,248,416
Net cash from investing activities	12,683,277	12,248,416
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,773,618	4,022,789
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	118,686,268	114,663,479
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 137,459,886	$ 118,686,268

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

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 74,154,038	$ 79,236,305
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,048	7,014
Depletion of prepaid gas supplies	151,272,119	125,195,721
Deferred member billings	14,815,224	(6,147,557)
Changes in assets and liabilities:		
Accounts receivable - customers	(3,081,207)	4,479,097
Accounts receivable - other	(1,339,040)	(3,549,794)
Other assets	(220,184)	1,281
Accounts payable	(2,981,457)	(508,046)
Other accrued expenses	42,896	24,334
Net cash from operating activities	$ 232,673,437	$ 198,738,355
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted	$ 7,651,447	$ 7,364,900
Restricted	129,808,439	111,321,368
	$ 137,459,886	$ 118,686,268

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

THE TENNESSEE ENERGY ACQUISITION CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

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, 2017, 26 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 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.

Reclassification - Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

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 statements of cash flows.

Prepaid gas supplies - Prepaid gas supplies represent the Corporation's secured prepayments for gas to be received by the Corporation at specified quantities per month through December 31, 2026. Capitalized acquisition costs are depleted using the units of production method.

Investments - The Codification of Governmental Accounting and Financial Reporting Standards Section I50, requires certain investments to be reported at fair value in the balance sheets, with the change in fair value reported as a component of investment income in the statements of revenues and expenses and changes in net position. All investments are restricted and held by the trustee under the terms of the Gas Revenue Bond indentures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

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

Regulatory asset - As a rate regulated entity, the Corporation has ratemaking authority to allow recovery of its costs of operations. The regulatory asset reflects the expected future recovery through rates of bond issuance costs. The asset is being amortized over the life of the associated bonds.

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.

Amortization - Bond premiums are amortized using the interest method over the term of the related debt.

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

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.

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 and Project Participants.

NOTE 2 - CASH AND INVESTMENTS:

Restricted cash - Restricted cash of $22,424,576, $98,993,380, and $8,390,483 at March 31, 2017 and $22,584,043, $80,344,028, and $8,393,297 at March 31, 2016, 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. 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, 2017 and 2016, 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, 2017 and 2016, the Corporation had the following investments and maturities:

INVESTMENT TYPE	FAIR VALUE	LESS THAN 1	1 - 5	6 - 10
March 31, 2017:				
Guaranteed investment contracts and repurchase agreements	$ 156,895,000	$ 156,895,000	$ -	$ -
March 31, 2016:				
Guaranteed investment contracts and repurchase agreements	$ 156,895,000	$ 156,895,000	$ -	$ -

THE TENNESSEE ENERGY ACQUISITION CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

NOTE 3 - LONG TERM DEBT:
Long term debt at March 31, 2017 and 2016 consists of the following:

	2017	2016
Gas project revenue bonds, Series 2006A; par $1,162,840,000 and $1,244,210,000, respectively; inclusive of unamortized premium of $23,495,554 and $27,978,443 at March 31, 2017 and 2016, respectively.	$ 1,008,005,554	$ 1,105,323,443
Gas project revenue bonds, Series 2006B.	111,705,000	111,705,000
Gas project revenue bonds, Series 2006C; par $695,470,000 and $716,360,000, respectively; inclusive of unamortized premium of $23,820,904 and $28,009,353 at March 31, 2017 and 2016, respectively.	657,600,903	701,534,352
	1,777,311,457	1,918,562,795
Less: Unamortized premium	47,316,457	55,987,795
Less: Amounts due within one year	174,330,000	132,580,000
Totals	$ 1,555,665,000	$ 1,729,995,000

Changes in long term obligations for the years ended March 31, 2017 and 2016, respectively, are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
March 31, 2017:				
Gas project				
Revenue bonds:				
Series 2006A	$1,077,345,000		$ 92,835,000	$ 984,510,000
Series 2006B	111,705,000			111,705,000
Series 2006C	673,525,000		39,745,000	633,780,000
Totals	$1,862,575,000	$ -	$ 132,580,000	$1,729,995,000

NOTE 3 - LONG TERM DEBT: (continued)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
March 31, 2016:				
Revenue bonds:				
Series 2006A	$1,162,840,000		$ 85,495,000	$1,077,345,000
Series 2006B	111,705,000			111,705,000
Series 2006C	695,470,000		21,945,000	673,525,000
Totals	$1,970,015,000	$ -	$ 107,440,000	$1,862,575,000

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, 2017, all required deposits to the debt service accounts had been made.

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

	SERIES 2006A PRINCIPAL	SERIES 2006B PRINCIPAL	SERIES 2006C PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2018	$ 108,305,000		$ 66,025,000	$ 86,816,175	$ 261,146,175
2019	114,070,000		69,365,000	77,677,581	261,112,581
2020	110,135,000		60,365,000	68,323,950	238,823,950
2021	99,155,000		51,120,000	59,811,837	210,086,837
2022	102,950,000		37,145,000	51,950,581	192,045,581
2023 - 2027	449,895,000	$ 111,705,000	349,760,000	140,816,311	1,052,176,311
Totals	$ 984,510,000	$ 111,705,000	$ 633,780,000	$ 485,396,435	$ 2,215,391,435

The bonds bear interest at rates ranging from 5.000% to 5.625%.

NOTE 4 - GAS SUPPLY AND SWAP AGREEMENTS:
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 Gas Sale Contract with the Black Belt Energy Gas District (BBE). Under the BBE Gas Sale Contract, 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 Gas Sale Contract began July 1, 2016 and extends through May 31, 2046. This gas replaced the 2006 PEAK Gas Sale Contract quantities which expired at the end of June 2016. The price of gas purchased by the Corporation under the BBE Gas Sale Contract is based on the first of the month Index of natural gas prices for the applicable delivery point at which such gas is delivered.

PGP gas - The Corporation is one of six 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, and Gas Supply Pool No. 3 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. Participation in these pools is for the life of the underlying projects, estimated to be at least 20 years from inception. Pool 1 began in 2004 and Pool 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, 2016 are available from the Corporation.

NOTE 4 - GAS SUPPLY AND SWAP AGREEMENTS: (continued)

J. Aron I - 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 a Prepaid Natural Gas Sales Agreement (the J. Aron I Purchase Agreement). Under the J. Aron I 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 prepaid gas sales 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 J. Aron I 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 J. Aron I Purchase Agreement.

In connection with the gas supply acquired by the Corporation under the J. Aron I 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 J. Aron I Purchase Agreement, as amended.

J. Aron II - 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 a Prepaid Natural Gas Sales Agreement (the J. Aron II Purchase Agreement). Under the J. Aron II 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 prepaid gas sales 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 J. Aron II 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 J. Aron II Purchase Agreement.

NOTE 4 - GAS SUPPLY AND SWAP AGREEMENTS: (continued)

In connection with the gas supply acquired by the Corporation under the J. Aron II 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 J. Aron II Purchase Agreement, as amended.

The amendment to the J. Aron II 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 at which such gas is delivered. 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:

	Volumes (MMBtu)
For the year ended March 31:	
2018	454,294
2019	1,155,848
2020	2,836,944
2021	5,408,652
2022	5,515,562
Thereafter	19,496,378
Total	34,867,678

In 2017, the Corporation purchased 678,688 MMBtu of gas under the contract.

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 are proportional to heating degree days (gas consumption increases 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 years ended March 31, 2017 and 2016, short term purchases of gas accounted for 11.6% and 11.7% of the Corporation's total gas deliveries, respectively.

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. A Member that is a party to a Management Agreement with the Corporation has 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 5 - GAS PRICE SWAP AGREEMENTS:

The Corporation bills its Members and Project Participants based on Index prices and entered into commodity swap agreements with a large commercial bank to ensure that the Corporation's total net revenues from the sale of the 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 with commercial banks require periodic payments to be paid or received based on the difference between the Index price and a fixed contract price on a 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 2026. 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 Corporation is required to make termination payments to the swap counterparties upon the occurrence of certain early termination events specified in the applicable commodity swaps. 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.

NOTE 5 - GAS PRICE SWAP AGREEMENTS: (continued)

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 associated members and utilities. 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 member utilities 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 utility, for an agreed upon term and based on predetermined monthly settlement volumes. The fixed-payer swaps are with various counterparties who are 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.

2) Fixed-receiver natural gas commodity swaps, to hedge the fair value of Prepaid Natural Gas Sales Agreements, entered into in conjunction with the Series 2006 A, B, & C Gas Project Revenue Bonds, in which the Corporation has agreed to prepurchase certain volumes of natural gas at certain delivery points based on a fixed price. The fixed-receiver swaps are with a 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 Prepaid Natural Gas Sales 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 sheets, 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.

At March 31, 2017 and 2016, the fair value of the commodity swap agreements was an asset and a deferred inflow of $1,116,445,929 and $1,230,897,015, respectively. The fair value of these swaps is estimated by an independent third - party consultant, based on the exchange price for the then next 72 months going forward and on the estimated forward curve for periods thereafter. The effect of marking the commodity swap agreements to market during fiscal years 2017 and 2016 had no impact on net revenues (expenses) in the accompanying statements of revenues and expenses and changes in net position.

NOTE 5 - 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, 2017
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utility	60,000 MMBtu	3/1/20217	8/31/2017	TEAC pays 3.12/MMBtu; receives NYMEX-HH	Baa2/A-/A-	$ 6,645
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utility	100,000 MMBtu	4/1/2017	4/30/2017	TEAC pays 3.06/MMBtu; receives NYMEX-HH	Baa2/A-/A-	12,624
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utility	2,500,000 MMBtu	11/1/2017	3/31/2022	TEAC pays 3.137/MMBtu; receives NYMEX-HH	A3/BBB+/A	(64,516)
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utilities	270,000 MMBtu	4/1/2017	9/30/2017	TEAC pays 3.051/MMBtu; receives NYMEX-HH	Aa3/AA-/AA	54,628
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utility	1,240,000 MMBtu	10/1/2017	3/31/2018	TEAC pays 3.27/MMBtu; receives NYMEX-HH	Aa3/AA-/AA	252,906
Fixed-Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with member utility	270,000 MMBtu	4/1/2018	9/30/2018	TEAC pays 2.829/MMBtu; receives NYMEX-HH	Aa3/AA-/AA	6,521
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	Aa3/AA-/AA	684,513,508
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 7.22/MMBtu; pays basket of indices	Aa3/AA-/AA	431,663,613

NOTE 5 - GAS PRICE SWAP AGREEMENTS: (continued)

The fair values of the natural gas commodity swaps are classified as Level II values, estimated by an independent pricing service using observable market-based inputs or unobservable inputs 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 market-based, forward price curves for the underlying delivery points, as of the reporting date, and discounted using the LIBOR yield curve. 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 2017, the Corporation made payments of $1,263,070 to swap counterparties in association with the cash flow hedges and received payments of $162,176,537 from swap counterparties in association with the fair value hedges. During fiscal year 2016, the Corporation made payments of $5,759,850 to swap counterparties in association with the cash flow hedges and received payments of $149,023,127 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 statements of revenues and expenses and changes in net position.

The aggregate fair value for hedging derivative instruments is classified in the Corporation's balance sheets as follows for the years ended March 31, 2017 and 2016:

	2017	2016
Fair value of gas price swap agreements	$ 1,116,445,929	$ 1,230,897,015
Change in fair value from prior year	(114,451,086)	74,975,173
Statements of net position:		
Derivative instrument - commodity swaps	1,116,445,929	1,230,897,015
Accumulated change in fair value of hedging derivatives	1,116,445,929	1,230,897,015

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 BBB-/Baa3 or better. Derivative instruments with a duration longer than one year must be transacted with a counterparty that has a credit rating of A-/A3 or better. The Corporation currently has contracts with counterparties (and guarantors) bearing credit ratings of Baa2/A-/A-, A3/BBB+/A, and Aa3/AA-/AA.

NOTE 5 - GAS PRICE SWAP AGREEMENTS: (continued)
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 does not currently have any hedging or investment derivative instruments to manage interest rate risk.

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 or its 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 Prepaid Natural Gas Sales Agreements may be terminated by the counterparty if any of the following events occur:

1. The associated Prepaid Natural Gas Sales Agreement is terminated.

2. The swap agreement between the supplier under the Prepaid Natural Gas Sales Agreement and its counterparty is terminated.

3. If the Trust Indenture governing the associated bond which finances the prepayment of natural gas is amended in a manner that is adverse to the counterparty.

If at the time of termination, the derivative instrument is in a liability position, the Corporation would be liable to the counterparty for a payment equal to the fair value of the instrument. The Prepaid Natural Gas Sales Agreement has similar termination provisions which, in the case of the derivative instrument being in a liability position, would result in an equal and offsetting settlement payment to the Corporation by the supplier.

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 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 fiscal year end 2017, one fixed-payer commodity swap agreement was in a liability position but did not exceed the collateral threshold, therefore no collateral has been posted.

NOTE 6 - EMPLOYEE BENEFIT PLANS:
The Corporation has a defined contribution profit sharing plan, The Tennessee Energy Acquisition Corporation Excess Revenue 401(a) 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, 2017 and 2016, 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. There were no forfeitures for the years ending March 31, 2017 and 2016. The Corporation's contributions to the plan are included in general and administrative expense in the accompanying statements of revenues and expenses and changes in net position and also in other accrued expense as an outstanding liability in the accompanying balance sheets and amounted to $69,281 and $65,791 during the years ending March 31, 2017 and 2016, respectively.

The Corporation 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 years ended March 31, 2017 and 2016. 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 sheets.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS:
The estimated fair value amounts of instruments carried at fair value in the balance sheets 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.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (continued)

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 observable market based inputs or unobservable inputs corroborated by market data.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2017 and 2016, respectively. 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 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 table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at March 31, 2017.

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Investment restricted bond funds	$ 156,895,000	$ 156,895,000		
Gas price swap agreements	1,116,445,929		$ 1,116,445,929	

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at March 31, 2016.

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Investment restricted bond funds	$ 156,895,000	$ 156,895,000		
Gas price swap agreements	1,230,897,015		$ 1,230,897,015	

NOTE 8 - 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 commercial insurance 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 9 - CAPITAL ASSETS:
Capital assets in service at March 31, 2017 are summarized as follows:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Vehicles	$ 41,897	$ 20,329	$ (21,468)	$ 40,758
Office equipment	62,925	15,460	(5,458)	72,927
Totals	104,822	35,789	(26,926)	113,685
Less: Accumulated depreciation	(85,854)	(11,048)	25,366	(71,536)
Total capital assets, net	$ 18,968	$ 24,741	$ (1,560)	$ 42,149

Capital assets in service at March 31, 2016 are summarized as follows:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Vehicles	$ 41,897			$ 41,897
Office equipment	61,749	$ 1,176		62,925
Totals	103,646	1,176		104,822
Less: Accumulated depreciation	(78,840)	(7,014)		(85,854)
Total capital assets, net	$ 24,806	$ (5,838)	$ -	$ 18,968

NOTE 10 - SUBSEQUENT EVENTS:

The Corporation has evaluated subsequent events through June 14, 2017 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 31, 2017 have been incorporated into these financial statements.

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 as of and for the years ended March 31, 2017 and 2016, and have issued our report thereon dated June 14, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules appearing on pages 39 and 40 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management.

The information on page 39 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information on page 40 was obtained from company records. This nonaccounting information is the responsibility of management and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Jackson Thornton & Co. PC

Montgomery, Alabama
June 14, 2017

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

SCHEDULES OF DEBT SERVICE REQUIREMENTS
AS OF MARCH 31, 2017

	SERIES A BONDS		SERIES B BONDS		SERIES C BONDS		
YEAR ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2018	$ 108,305,000	$ 48,843,769		$ 6,283,406	$ 66,025,000	$ 31,689,000	$ 261,146,175
2019	114,070,000	43,006,425		6,283,406	69,365,000	28,387,750	261,112,581
2020	110,135,000	37,121,044		6,283,406	60,365,000	24,919,500	238,823,950
2021	99,155,000	31,627,181		6,283,406	51,120,000	21,901,250	210,086,837
2022	102,950,000	26,321,925		6,283,406	37,145,000	19,345,250	192,045,581
2023	75,285,000	21,643,256		6,283,406	63,220,000	17,488,000	183,919,662
2024	98,545,000	17,080,219		6,283,406	70,900,000	14,327,000	207,135,625
2025	144,580,000	10,698,187		6,283,406	51,445,000	10,782,000	223,788,593
2026	59,050,000	5,352,900		6,283,406	63,030,000	8,209,750	141,926,056
2027	72,435,000	1,901,419	$ 111,705,000	3,141,706	101,165,000	5,058,250	295,406,375
	$ 984,510,000	$ 243,596,325	$ 111,705,000	$ 59,692,360	$ 633,780,000	$ 182,107,750	$ 2,215,391,435

See Independent Auditor's report on supplementary information.

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

DIRECTORY OF OFFICIALS
AS OF MARCH 31, 2017

Board of Directors

Name	Position
Robert Durham	Chairman
Brent Dillahunty	Vice Chairman
Greg Riddle	Secretary
Michael Harper	Member
Kyle Hamm	Member
Mike French	Member
Clyde Dellinger	Member
John Smith	Member
Jim Garland	Member

Management

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

See Independent Auditor's report on supplementary information.

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, 2017, and the related statements of revenue and 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 June 14, 2017.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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
June 14, 2017

THE TENNESSEE ENERGY ACQUISITION CORPORATION
CLARKSVILLE, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED MARCH 31, 2017

There were no prior findings reported.