

Certified Public Accountants
& Consultants



The Tennessee Energy Acquisition Corporation
March 31, 2024
Financial Statements

The Tennessee Energy Acquisition Corporation

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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, 2024, 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, 2024, 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 12 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 4 through 15 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 Information

Management is responsible for the other information. The other information comprises the Directory of Officials schedule, but does not include the basic financial statements and our auditor's opinion thereon. Our opinion on the basic financial statements does not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misleading. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, 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 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

Auburn, Alabama
June 28, 2024

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, 2024, 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, and Liabilities

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 change 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 \$2,948,982,241 and \$3,046,506,404 as of March 31, 2024 and 2023, 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, 2024 or 2023. Principal paid on bonds during 2024 and 2023 was \$172,620,000 and \$147,730,000, respectively. Total liabilities and net position were \$2,948,982,241 and \$3,046,506,404 as of March 31, 2024 and 2023, respectively.

The \$97.5 million decrease in total assets and deferred outflows and total liabilities and net position in fiscal year 2024 was primarily attributable to 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 increased \$1.7 million. There was a \$2.3 million increase in unrestricted cash, which was offset by a \$0.6 million decrease in accounts receivable due to lower market prices at the end of the period.

Current restricted assets decreased \$6.7 million. There was a \$28.1 million increase in cash due to changes in scheduled debt service requirements for the bond issues. There was a \$3.7 million decrease in customer accounts receivable due to changes in gas prices and volumes at the end of the period. There was a \$4.3 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 \$35.4 million decrease in current prepaid gas supplies due to planned changes in the delivery schedules of the prepaid gas supply projects.

Noncurrent restricted assets decreased \$185.7 million. There was no change to investments. There was a \$151.8 million decrease in long-term prepaid gas supplies, due to current operations. The total notional amount relating to all project commodity swaps which are presented at fair value decreased due to the current operations, and due to changes in market prices the end of the period, the value also 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 \$30.6 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 \$3.3 million decrease in the Corporation's regulatory asset representing unamortized debt expense relating to all series of bonds due to current operations.

Deferred outflows increased \$93 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 increased \$90.7 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 \$2.3 million.

Current restricted liabilities increased \$35.5 million. There was a \$.2 million increase in accounts payable. There was a \$26.5 million increase in current maturities of long-term debt due to maturity schedules of the bonds. There was a \$8.8 million increase in accrued interest payable due to decrease in outstanding bonds. Noncurrent unrestricted liabilities increased \$2.4 million. The derivative instrument commodity swaps entered into at the request of Members to hedge cash flows increased \$2.4 million.

Noncurrent restricted liabilities decreased \$137.1 million. Long-term debt relating to the 2006, 2018, 2021, and 2023 projects decreased \$199.7 million, \$4.8 million, \$17.2 million, and \$6.1 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 increased \$90.7 million.

Summary of Balance Sheets

	2024	2023
Assets		
Current Assets-Unrestricted	\$ 25,178,641	\$ 23,441,606
Current Assets-Restricted	381,885,320	388,531,648
Noncurrent Assets-Unrestricted	932,472	952,471
Noncurrent Assets-Restricted	2,179,777,157	2,365,499,227
Deferred Outflows		
Accumulated change in fair value of hedging derivatives	361,208,651	268,081,452
Total Assets and Deferred Outflows	<u>2,948,982,241</u>	<u>3,046,506,404</u>
Liabilities		
Current Liabilities-Unrestricted	5,270,432	5,312,958
Current Liabilities-Restricted	246,354,171	210,866,623
Noncurrent Liabilities-Unrestricted	6,832,350	4,451,284
Noncurrent Liabilities-Restricted	2,669,684,607	2,806,794,420
Total Liabilities	<u>2,928,141,560</u>	<u>3,027,425,285</u>
Net Position		
Investment in Capital Assets	932,472	952,471
Unrestricted	19,908,209	18,128,648
Total Net Position	<u>20,840,681</u>	<u>19,081,119</u>
Total Liabilities and Net Position	<u>\$ 2,948,982,241</u>	<u>\$ 3,046,506,404</u>

Gas Revenues and Expenses

During fiscal years 2024 and 2023, 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 and 2018 projects with J. Aron & Co.; 2021 project with Aron Energy Project 3; and 2023 project with Aron Energy Project 18; 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 2024 and 2023:

Summary of Gas Supplies and Sales

	2024	2023
Gas Supplies	(bcf)	(bcf)
2006A&B Supplies	21.2	15.7
2006C Supplies	14.9	14.9
2023A Supplies	7	7
2018 Supplies	5.6	6.2
2021A Supplies	6	6
Black Belt Energy Supplies	1.7	1.7
Short-term Supplies	9.6	9.8
Total Gas Supplies	66	61.3
Gas Sales	(bcf)	(bcf)
Members	21.2	20.5
2006 Project Participants	29.8	25.2
2023A Project Participants	6.3	6.3
2018 Project Participants	2.7	3.3
2021A Project Participants	6	6
Total Gas Sales	66	61.3

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 September 2049 with the proceeds from the 2018 Bonds, through March 2052 with the proceeds from the 2021A Bonds, and through March 2053 with the proceeds from the Series 2023A 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, 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 2024, the Corporation received payments from the swap counterparties of \$197.3 million. 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.

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 \$24.6 million during fiscal year 2024. This is due to 4.2 million bcf increased scheduled prepaid deliveries from the 2006 project. Revenues from paygo gas supply, which is part of the 2006 project, but has no associated fixed price commodity swap, decreased during fiscal 2024 despite the increase in paygo deliveries from 2.5 bcf to 3.8 bcf because this increase was offset by decreased market prices. Deliveries from the 2021 and 2023 projects were 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 2024 decreased 49% from 2023 due to a 2% decrease in sales volumes of BBE and short-term supplies and 62% decrease 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 2024 decreased 51% from 2023, due to the 2% decrease in sales volumes of BBE and short-term supplies and 62% decrease in Index prices during the year. Paygo Gas operations expense in fiscal year 2024 decreased 52% from 2023 despite the 49% increase in deliveries, which was offset by the 62% decrease in Index prices.

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

Summary of Revenues, Expenses, and Net Position

	2024	2023
Operating Revenues		
Revenues-Prepaid Gas Supply Transactions	\$ 265,629,565	\$ 241,073,508
Revenues-Paygo Gas Supply	6,701,008	14,074,533
Other Operating Revenues	41,092,390	80,515,269
Total Operating Revenues	313,422,963	335,663,310
Nonoperating Revenues		
Investment Income	17,553,551	14,711,691
Gain on refunding		3,292,338
Total nonoperating revenues	17,553,551	18,004,029
Total Revenues	330,976,514	353,667,339
Operating Expenses		
Gas Operations	37,978,989	77,633,904
Gas Operations-Paygo Gas Supply	6,701,008	14,074,533
Depletion of prepaid gas supplies	187,207,753	170,489,945
General and administrative	2,834,833	3,034,295
Total operating expenses	234,722,583	265,232,677
Nonoperating Expense		
Interest and amortization	94,494,369	87,321,355
Total nonoperating expense	94,494,369	87,321,355
Total Expenses	329,216,952	352,554,032
Change in Net Position	\$ 1,759,562	\$ 1,113,307

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 2023-2024 winter heating season as a whole was warmer than normal. Sales to Members increased from 20.5 billion cubic feet to 21.2 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

		2023 - 2024			2022 - 2023		
	Average Heating Degree Days	2023 - 2024 Heating Degree Days	Deviation From Average*	Index Pricing	2022 - 2023 Heating Degree Days	Deviation From Average*	Index Pricing
November	502	426	-15.10%	\$2.90	467	-7.00%	\$5.02
December	782	649	-17.00%	\$2.57	741	-5.20%	\$6.54
January	889	937	5.40%	\$2.54	604	-32.10%	\$4.60
February	683	478	-30.00%	\$2.41	445	-34.80%	\$2.97
March	505	359	-28.90%	\$1.53	459	-9.10%	\$2.29
Totals	3,361	2,849	-15.20%		2,716	-19.20%	
Average				\$2.39			\$4.28

*(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 2024 and 2023, the management fee was three cents per MMBtu and two cents per MMBtu, respectively. Total management fee revenues for fiscal years 2024 and 2023 totaled \$597,000 and \$376,000, respectively. At its March 27, 2024 meeting, the Board set the management fee for fiscal year 2024 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, 2024 and 2023, the remaining 2006 project volumes were 53 million and 85 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 \$198 million and \$290 million, respectively, relating to the commodity swaps unsettled as of those dates. At March 31, 2024 and 2023, the remaining 2023 project volumes were 291 million and 299 million MMBtu, respectively and 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 \$211 million and \$196 million, respectively, relating to the commodity swaps unsettled as of those dates. At March 31, 2024 and 2023, the remaining 2018 project volumes were 199 million and 205 million MMBtu, respectively, and the market price of gas was higher than the fixed price at which the 2018 fixed-receiver gas price swaps were executed, resulting in derivative instrument liabilities of \$151 million and \$180 million, respectively, relating to the commodity swaps unsettled as of those dates. At March 31, 2024 and 2023, the remaining 2021 project volumes were 168 million and 174 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 \$190 million and \$178 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, 2024 and 2023, the remaining volumes relating to fixed-payer swaps entered into on behalf of the Corporation’s Members was 14 million and 20 million MMBtu, respectively. At March 31, 2024 and 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 \$6.8 million and \$4.5 million, respectively.

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 April 30, 2024, 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 2024 and 2023:

Project Participants	Project	ADQ FYE 2024	ADQ FYE 2023
Bedford County Utility District	2006	14	14
City of Bolivar	2006,2023	764	763
Bridgeport Utilities	2006	333	245
City of Cartersville	2006	3,664	3,660
Town of Centerville	2006	389	389
Clarke-Mobile Counties Gas District	2023	900	900
City of Clarksville	2018	5,661	5,655
City of Clifton	2023	20	20
Elk River Public Utility District	2018	896	894
Florida Gas Utility	2021	5,000	5,000
Greater Dickson Gas Authority	2006,2023	4,395	3,158
Harriman Utility Board	2006,2018	400	400
Natural Gas Utility Dist of Hawkins County	2006,2018	891	890
City of Henderson	2023	200	200
City of Hohenwald	2006,2023	223	159
Humphreys County Utility District	2018,2021	1,474	1,473
Huntsville Utility Board	2006,2018,2021	7,950	7,929
Public Ut Dist of Jefferson and Cocke Cnties	2018	1,283	1,317
City of LaGrange	2018	2,445	2,442
City of Lexington	2006,2023	1,274	1,272
Town of Linden	2006,2023	125	91
The Lower Alabama Gas District	2006	10,782	6,847
Marion Natural Gas System	2006,2018	325	324
Memphis Light, Gas & Water	2006	30,030	30,017
Metropolitan Utilities District of Omaha	2023	2,920	2,913
City of Munford	2023	250	250
Municipal Gas Authority of Georgia	2006,2023	12,584	10,453
Oak Ridge Utility District	2006,2018	2,748	2,745
Patriots Energy Group	2006,2023	8,558	7,197
Poplar Grove Utility District	2023	100	100
Powell-Clinch Utility District	2018	991	990
Public Energy Authority of Kentucky, Inc.	2006	10,380	6,729
City of Ridgetop	2006	42	42
Rockwood Water and Gas System	2006,2018	408	407
City of Savannah	2006,2023	524	523
Scottsboro Water Works, Sewer & Gas Bd	2006	500	500
Town of Selmer	2006,2023	250	180
Sevier County Utility District	2018	208	207
The Southeast Alabama Gas District	2006,2023	5,774	5,772
Springfield Gas System	2006,2023	1,769	1,767
Stevenson Utilities	2006	28	28
City of Tallahassee	2006,2018,2021,2023	15,900	16,545
TEAC System Supply	2018	2,000	2,000
City of Waynesboro	2006	88	65
West Tennessee Public Utility District	2006,2023	4,244	3,043

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, and Aron Energy Prepay 18 has 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, 2024

Assets and Deferred Outflows

Current Assets

Current assets, unrestricted	
Cash and cash equivalents	\$ 21,463,589
Accounts receivable	3,713,297
Other current assets	1,755
Total current assets, unrestricted	<u>25,178,641</u>
Current assets, restricted	
Cash and cash equivalents	199,861,195
Accounts receivable	
Customers	6,103,707
Other	24,094,461
Prepaid gas supplies	151,825,957
Total current assets, restricted	<u>381,885,320</u>
Total current assets	<u>407,063,961</u>

Noncurrent Assets

Noncurrent assets, unrestricted	
Capital assets, net	932,472
Total noncurrent assets, unrestricted	<u>932,472</u>
Noncurrent assets, restricted	
Investments	187,805,000
Prepaid gas supplies	1,786,438,278
Costs recoverable from future billings	194,099,871
Regulatory asset	11,434,008
Total noncurrent assets, restricted	<u>2,179,777,157</u>
Total noncurrent assets	<u>2,180,709,629</u>

Deferred Outflows

Accumulated change in fair value of hedging derivatives	361,208,651
Total assets and deferred outflows	<u><u>\$ 2,948,982,241</u></u>

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

Liabilities and Net Position

Current Liabilities

Current liabilities, unrestricted	
Accounts payable	\$ 4,608,883
Other accrued expenses	661,549
Total current liabilities, unrestricted	<u>5,270,432</u>
Current liabilities, restricted	
Accounts payable	9,068,035
Current maturities on bonds payable	199,115,000
Accrued interest payable	38,171,136
Total current liabilities, restricted	<u>246,354,171</u>
Total current liabilities	<u>251,624,603</u>

Noncurrent Liabilities

Noncurrent liabilities, unrestricted	
Derivative instrument - commodity swaps	6,832,350
Total noncurrent liabilities, unrestricted	<u>6,832,350</u>
Noncurrent liabilities, restricted	
Bonds payable, net of current maturities	2,164,040,000
Bond premium	151,268,306
Derivative instrument - commodity swaps	354,376,301
Total noncurrent liabilities, restricted	<u>2,669,684,607</u>
Total noncurrent liabilities	<u>2,676,516,957</u>
Total liabilities	<u>2,928,141,560</u>

Net Position

Investment in capital assets	932,472
Unrestricted	19,908,209
Total net position	<u>20,840,681</u>
Total liabilities and net position	<u>\$ 2,948,982,241</u>

The Tennessee Energy Acquisition Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended March 31, 2024

Operating Revenues	<u>\$ 313,422,963</u>	<u>100.00%</u>
Operating Expenses		
Gas operations	44,679,997	14.26%
Depletion of prepaid gas supplies	187,207,753	59.73%
General and administrative	<u>2,834,833</u>	<u>0.90%</u>
Total operating expenses	<u>234,722,583</u>	<u>74.89%</u>
Operating Income	<u>78,700,380</u>	<u>25.11%</u>
Nonoperating Revenues (Expenses)		
Interest expense	(91,162,878)	(29.09%)
Amortization expense	(3,331,491)	(1.06%)
Investment income	<u>17,553,551</u>	<u>5.60%</u>
Total nonoperating expenses, net	<u>(76,940,818)</u>	<u>(24.55%)</u>
Change in Net Position	<u>1,759,562</u>	<u>0.56%</u>
Net Position at Beginning of Year	<u>19,081,119</u>	
Net Position at End of Year	<u>\$ 20,840,681</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, 2024
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From (Used For) Operating Activities

Receipts from customers	\$ 150,773,661
Receipts from derivatives counterparties, net	193,156,873
Payments to suppliers	(45,782,649)
Payments to employees	(1,557,178)
Net cash from operating activities	<u>296,590,707</u>

Cash Flows Used For Noncapital Related Financing Activities

Principal paid on bonds	(172,620,000)
Interest paid	(111,111,834)
Net cash used for noncapital related financing activities	<u>(283,731,834)</u>

Cash Flows Used For Capital Activities

Purchases of capital assets	(10,822)
Net cash used for capital activities	<u>(10,822)</u>

Cash Flows From Investing Activities

Interest received	17,565,646
Net cash from investing activities	<u>17,565,646</u>

Net Increase in Cash and Cash Equivalents

30,413,697

Cash and Cash Equivalents at Beginning of Year

190,911,087

Cash and Cash Equivalents at End of Year

\$ 221,324,784

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, 2024
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	\$ 78,700,380
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	36,116
Depletion of prepaid gas supplies	187,207,753
Deferred member billings	30,564,622
Changes in assets and liabilities	
Accounts receivable - customers	4,234,996
Accounts receivable - other	(4,304,142)
Other assets	(7,050)
Accounts payable	288,543
Other accrued expenses	(130,511)
Net cash from operating activities	<u><u>\$ 296,590,707</u></u>

Reconciliation of Cash and Cash Equivalents

Unrestricted	\$ 21,463,589
Restricted	<u>199,861,195</u>
	<u><u>\$ 221,324,784</u></u>

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

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

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, 2024, 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 Corporation's investments consist of guaranteed investment contracts and repurchase agreements. The carrying amount of the investments is cost which approximates fair value.

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.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

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 \$19,105,569, \$137,607,137, and \$43,148,489 at March 31, 2024 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 Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

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, 2024, 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.

Note 3 - Capital Assets

Capital assets in service at March 31, 2024 are summarized as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated				
Land and improvements	\$ 272,450			\$ 272,450
Total capital assets not being depreciated	<u>272,450</u>			<u>272,450</u>
Capital Assets Being Depreciated				
Building and improvements	693,748			693,748
Vehicles	40,758	\$ 1,241	\$ (20,429)	21,570
Office equipment	112,972	15,024	(2,765)	125,231
Total capital assets being depreciated	<u>847,478</u>	<u>16,265</u>	<u>(23,194)</u>	<u>840,549</u>
Total accumulated depreciation	<u>167,457</u>	<u>36,116</u>	<u>(23,046)</u>	<u>180,527</u>
Total capital assets being depreciated, net	<u>680,021</u>	<u>(19,851)</u>	<u>(148)</u>	<u>660,022</u>
Total capital assets, net	<u><u>\$ 952,471</u></u>	<u><u>\$ (19,851)</u></u>	<u><u>\$ (148)</u></u>	<u><u>\$ 932,472</u></u>

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

Note 4 - Bonds Payable

Bonds payable at March 31, 2024 consist of the following:

Gas project revenue bonds, Series 2006A	\$ 278,386,475
Gas project revenue bonds, Series 2006B	111,705,000
Gas project revenue bonds, Series 2006C	218,652,572
Gas project revenue bonds, Series 2018	516,429,128
Gas project revenue bonds, Series 2021A	576,635,146
Gas project revenue bonds, Series 2023A-1	793,159,985
Gas project revenue bonds, Series 2023A-2	19,455,000
	<u>2,514,423,306</u>
Less unamortized premium	151,268,306
Less current portion	199,115,000
Totals	<u><u>\$ 2,164,040,000</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, 2024, all required deposits to the debt service accounts had been made.

Changes in bonds payable for the year ended March 31, 2024, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Gas Project				
Revenue Bonds				
Series 2006A	\$ 374,610,000		\$ 98,545,000	\$ 276,065,000
Series 2006B	111,705,000			111,705,000
Series 2006C	286,540,000		70,900,000	215,640,000
Series 2018	510,380,000		740,000	509,640,000
Series 2021A	465,050,000		2,435,000	462,615,000
Series 2023A-1	768,035,000			768,035,000
Series 2023A-2	19,455,000			19,455,000
Totals	<u><u>\$ 2,535,775,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 172,620,000</u></u>	<u><u>\$ 2,363,155,000</u></u>

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

Note 4 - Bonds Payable (continued)

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

	Series 2006A Principal	Series 2006B Principal	Series 2006C Principal	Series 2018 Principal	Series 2021A Principal	Series 2023A-1 Principal	Series 2023A-2 Principal	Interest	Total Debt Service
2025	\$ 144,580,000		\$ 51,445,000	\$ 460,000	\$ 2,630,000			\$ 110,906,156	\$ 310,021,156
2026	59,050,000		63,030,000	509,180,000	2,690,000			102,834,119	736,784,119
2027	72,435,000	\$ 111,705,000	101,165,000		2,825,000			72,486,535	360,616,535
2028					2,965,000		\$ 11,825,000	61,903,944	76,693,944
2029					3,185,000	\$ 768,035,000	7,630,000	41,995,488	820,845,488
2030 - 2032					448,320,000			66,748,500	515,068,500
Totals	\$ 276,065,000	\$ 111,705,000	\$ 215,640,000	\$ 509,640,000	\$ 462,615,000	\$ 768,035,000	\$ 19,455,000	\$ 456,874,742	\$ 2,820,029,742

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

The Series 2006A and 2006B Bonds mature on September 1, 2026 and the Series 2006C Bonds mature on February 1, 2027.

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, 2024

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, 2023 are available from the Corporation.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

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, 2024

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 2024, the Corporation purchased 3,820,120 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>
2025	5,385,078
2026	4,517,094
2027	3,218,088
Total	<u>13,120,260</u>

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.

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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, 2024, short-term purchases of gas accounted for 14.01% 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, 2024

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, 2024, 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 \$24,082,366 as of March 31, 2024.

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
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Note 6 - Gas Price Swap Agreements (continued)

At March 31, 2024, the fair value of the fixed receiver commodity swap agreements was a liability and a deferred outflow of \$354,376,301. The fair value of the fixed payer commodity swap agreements was a liability and a deferred outflow of \$6,832,350 at March 31, 2024. 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
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March 31, 2024

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, 2024
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	\$ 238,749
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	117,435
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	79,530
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	124,388
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	224,425
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	97,852
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	153,245
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	363,143
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	(238,510)
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	(1,407,844)
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	(3,128,209)
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	(814,974)
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	(365,161)
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	(420,473)
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	(647,319)
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	(632,278)
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	(143,363)

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Notes to Financial Statements
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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, 2024
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 \$3.93/MMBtu; receives NYMEX-HH	A2/BBB+/A	\$ (167,380)
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	(213,272)
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	(12,732)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	110,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$3.532/MMBtu; receives NYMEX-HH	A2/BBB+/A	(68,143)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	240,000 MMBtu	1/1/2025	12/31/2025	TEAC pays \$3.975/MMBtu; receives NYMEX-HH	A2/BBB+/A	(95,048)
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$2.589/MMBtu; receives NYMEX-HH	A2/BBB+/A	8,465
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	380,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$2.575/MMBtu; receives NYMEX-HH	A2/BBB+/A	29,084
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	120,000 MMBtu	1/1/2024	12/31/2024	TEAC pays \$2.575/MMBtu; receives NYMEX-HH	A2/BBB+/A	9,695
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	240,000 MMBtu	1/1/2025	12/31/2025	TEAC pays \$3.465/MMBtu; receives NYMEX-HH	A2/BBB+/A	19,775
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	40,000 MMBtu	12/1/2024	12/31/2024	TEAC pays \$3.51/MMBtu; receives NYMEX-HH	A2/BBB+/A	10,740
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	780,000 MMBtu	1/1/2025	12/31/2025	TEAC pays \$3.515/MMBtu; receives NYMEX-HH	A2/BBB+/A	46,247
Fixed Payer Nat Gas Swap	Hedge variability of cash flows in Fixed Price Agreement with a member utility	288,000 MMBtu	1/1/2026	12/31/2026	TEAC pays \$3.83/MMBtu; receives NYMEX-HH	A2/BBB+/A	(417)
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	106,322,390
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	91,264,441
Fixed Receiver Nat Gas Swap	Hedge fair value of Prepaid Natural Gas Contract - Series 2023 Gas Project Revenue Bonds	299,698,400 MMBtu	1/20/2023	3/31/2053	TEAC receives \$4.94/MMBtu; pays basket of indices	A1/AA-/AA	(210,880,071)
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	(150,841,455)
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	(95,120,803)
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	(95,120,803)
Total							<u>\$ (361,208,651)</u>

The Tennessee Energy Acquisition Corporation
Notes to Financial Statements
March 31, 2024

Note 6 - Gas Price Swap Agreements (continued)

The effect of marking the commodity swap agreements to market during fiscal year 2024 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 2024, the Corporation made payments of \$10,892,890 to 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 2024, the Corporation received payments of \$197,336,310 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, 2024:

Derivative instrument - commodity swaps	\$ 361,208,651
Deferred outflow - accumulated change in fair value of hedging derivatives	361,208,651

The derivative instrument - commodity swaps increased by \$93,127,199 during fiscal year 2024.

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.

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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, 2024:

Fair value of asset position swaps	\$ 199,109,604
Fair value of liability position swaps	<u>(560,318,255)</u>
Net commodity swap agreements	<u>\$ (361,208,651)</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, 2024, 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 \$68,650 at March 31, 2024.

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March 31, 2024

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 \$96,890 during the year ending March 31, 2024. There were no forfeitures for the year ended March 31, 2024.

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, 2024. 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 book value. 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, 2024. 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, 2024

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level at March 31, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Gas price swap agreements	\$ (361,208,651)		\$ 214,020,343	\$ (575,228,994)

Note 9 - 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 10 - Subsequent Events

The Corporation has evaluated subsequent events through June 28, 2024, 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, 2024, and our report thereon dated June 28, 2024, 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.

Jackson Thornton & Co. PC

Auburn, Alabama
June 28, 2024

The Tennessee Energy Acquisition Corporation
Schedule of Debt Service Requirements
As of March 31, 2024

	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
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service
Ending															
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		\$ 38,401,750		\$ 1,118,663	\$ 310,021,156
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		38,401,750		1,118,663	736,784,119
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		38,401,750		1,118,663	360,616,535
2028									2,965,000	22,723,500		38,401,750	\$ 11,825,000	778,694	76,693,944
2029									3,185,000	22,575,250	\$ 768,035,000	19,200,875	7,630,000	219,363	820,845,488
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>\$ 276,065,000</u>	<u>\$ 17,952,506</u>	<u>\$ 111,705,000</u>	<u>\$ 15,708,515</u>	<u>\$ 215,640,000</u>	<u>\$ 24,050,000</u>	<u>\$ 509,640,000</u>	<u>\$ 40,959,800</u>	<u>\$ 462,615,000</u>	<u>\$ 181,042,000</u>	<u>\$ 768,035,000</u>	<u>\$ 172,807,875</u>	<u>\$ 19,455,000</u>	<u>\$ 4,354,046</u>	<u>\$ 2,820,029,742</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, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding April 1, 2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding March 31, 2024
Bonds Payable									
2006 Series A	\$ 1,994,475,000	5.00 - 5.25%	7/20/2006	9/1/2026	\$ 374,610,000		\$ (98,545,000)		\$ 276,065,000
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	286,540,000		(70,900,000)		215,640,000
2018 Series	516,785,000	4.00 - 5.00%	8/24/2018	11/1/2049	510,380,000		(740,000)		509,640,000
2021 Series A	466,410,000	5.00%	6/18/2021	5/1/2052	465,050,000		(2,435,000)		462,615,000
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>\$ 2,535,775,000</u>	<u>\$ -</u>	<u>\$ (172,620,000)</u>	<u>\$ -</u>	<u>\$ 2,363,155,000</u>

See Independent Auditor's report on Supplementary Information.

**The Tennessee Energy Acquisition Corporation
Directory of Officials
As of March 31, 2024**

Board of Directors

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

Management

<u>Name</u>	<u>Position</u>
Taylor Sherwood	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, 2024, 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 June 28, 2024.

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

Auburn, Alabama
June 28, 2024

**The Tennessee Energy Acquisition Corporation
Summary Schedule of Prior Year Findings
For the Year Ended March 31, 2024**

There were no prior year findings reported.