

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of PPL Interstate Energy :  
Company and PPL Electric Utilities :  
Corporation for All of the Necessary : Docket Nos.  
Authority, Approvals, and Certificates of :  
Public Convenience (1) for the Transfer of :  
PPL Corporation's Ownership Interests in :  
PPL Interstate Energy Company to Talen :  
Energy Corporation, and Certain Post :  
Closing Transactions Associated therewith; :  
(2) for the Transfer of Certain Property :  
Interests Between PPL Electric Utilities :  
Corporation and PPL Energy Supply, LLC :  
and its Subsidiaries in Conjunction with the :  
Transfer of All of the Interests of PPL :  
Energy Supply, LLC and its Subsidiaries to :  
Talen Energy Corporation; (3) for any :  
Modification or Amendment of Associated :  
Affiliated Interest Agreements; and (4) for :  
any Other Approvals Necessary to :  
Complete the Contemplated Transactions :

---

**JOINT APPLICATION OF  
PPL INTERSTATE ENERGY COMPANY AND  
PPL ELECTRIC UTILITIES CORPORATION**

---

Paul E. Russell (ID # 21643)  
Associate General Counsel  
PPL Services Corporation  
Office of General Counsel  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: [perussell@pplweb.com](mailto:perussell@pplweb.com)

Of Counsel:  
Post & Schell, P.C.

David B. MacGregor (ID # 28804)  
Michael W. Gang (ID # 25670)  
Christopher T. Wright (ID # 203412)  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)  
E-mail: [mgang@postschell.com](mailto:mgang@postschell.com)  
E-mail: [cwright@postschell.com](mailto:cwright@postschell.com)

Date: July 30, 2014

Attorneys for PPL Interstate Energy Company  
and PPL Electric Utilities Corporation

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of PPL Interstate Energy :  
Company and PPL Electric Utilities :  
Corporation for All of the Necessary : Docket Nos.  
Authority, Approvals, and Certificates of :  
Public Convenience (1) for the Transfer of :  
PPL Corporation’s Ownership Interests in :  
PPL Interstate Energy Company to Talen :  
Energy Corporation, and Certain Post- :  
Closing Transactions Associated therewith; :  
(2) for the Transfer of Certain Property :  
Interests Between PPL Electric Utilities :  
Corporation and PPL Energy Supply, LLC :  
and its Subsidiaries in Conjunction with the :  
Transfer of All of the Interests of PPL :  
Energy Supply, LLC and its Subsidiaries to :  
Talen Energy Corporation; (3) for any :  
Modification or Amendment of Associated :  
Affiliated Interest Agreements; and (4) for :  
any Other Approvals Necessary to :  
Complete the Contemplated Transactions :

---

**JOINT APPLICATION OF  
PPL INTERSTATE ENERGY COMPANY AND  
PPL ELECTRIC UTILITIES CORPORATION**

---

**I. INTRODUCTION**

1. By this Application, PPL Interstate Energy Company (“PPL IEC”) and PPL Electric Utilities Corporation (“PPL EU”) hereby request all necessary authority, approvals and certificates of public convenience from the Pennsylvania Public Utility Commission (the “Commission”) pursuant to Sections 1102(a)(3), 2101(a), 2210(a), and 2811(e) of the Public Utility Code, 66 Pa.C.S. §§ 1102(a)(3), 2102(a), 2210(a), and 2811(e), authorizing: (1) the transfer, through a series of intermediate steps fully described below, of all of PPL Corporation’s (“PPL Corp.”) ownership interests in PPL IEC to Talen Energy Corporation (“Talen Energy”),

and certain post-closing transactions associated therewith; (2) the transfer of certain property interests between PPL EU and subsidiaries of PPL Energy Supply, LLC (“PPL Energy Supply”) in order to fully separate and define certain property rights among PPL EU and the PPL Energy Supply subsidiaries; and (3) to the extent required, any modifications or amendments to affiliated interest agreements among and between PPL EU, PPL Energy Supply and its subsidiaries, including PPL IEC. The Applicants further seek all other approvals and certificates appropriate, customary, or necessary under the Public Utility Code to carry out the transactions contemplated in this Application in a lawful manner.

2. The complete names and addresses of the Applicants are as follows:

PPL Interstate Energy Company  
Two North Ninth Street  
Allentown, PA 18101

PPL Electric Utilities Corporation  
Two North Ninth Street  
Allentown, PA 18101

3. The attorneys for Applicants PPL EU and PPL IEC are:

Paul E. Russell (ID # 21643)  
Associate General Counsel  
PPL Services Corporation  
Office of General Counsel  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: [perussell@pplweb.com](mailto:perussell@pplweb.com)

David B. MacGregor (ID # 28804)  
Michael W. Gang (ID # 25670)  
Christopher T. Wright (ID # 203412)  
Post & Schell, P.C.  
17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)  
E-mail: [mgang@postschell.com](mailto:mgang@postschell.com)  
E-mail: [cwright@postschell.com](mailto:cwright@postschell.com)

The Applicants’ attorneys are authorized to receive all notices and communications regarding this Application.

4. This Application seeks certain limited approvals from the Commission associated with PPL Corp.'s proposed separation of its deregulated electric generation and retail electric and gas supply business lines from its regulated electric utility business lines. This "spinoff" of the deregulated generation and retail electric and gas supply businesses does not require Commission approval, but certain ancillary parts of the transaction require or may require Commission approval.

5. The proposed transaction will be effectuated pursuant to a Separation Agreement, Transaction Agreement, and Employee Matters Agreement, as well as certain ancillary agreements that will be negotiated after the signing of the transaction documents. The Separation Agreement, attached hereto as Appendix "A" [**HIGHLY CONFIDENTIAL treatment is required for the Separation Agreement Schedules (ALL FILED UNDER SEAL)**], separates PPL Corp.'s regulated electric utility business from its unregulated electric generation and retail electric and gas supply businesses and provides for the spinoff of the deregulated generation and retail electric and gas supply businesses to PPL Corp.'s shareowners. The Transaction Agreement, attached hereto as Appendix "B" [**HIGHLY CONFIDENTIAL treatment is required for the Parent Disclosure Letter and RJS Disclosure Letter (ALL FILED UNDER SEAL)**], provides for the combination of PPL Corp.'s competitive electric generation and retail electric and natural gas supply businesses with generation assets owned by subsidiaries of Raven Power Holdings LLC ("Raven"), C/R Energy Jade LLC ("Jade"), and Sapphire Power Holdings LLC ("Sapphire") (hereinafter, collectively referred to as the "RJS Entities"), which are ultimately controlled by Riverstone Holdings LLC ("Riverstone"), to form Talen Energy. The Employee Matters Agreement, attached hereto as Appendix "C," sets forth agreements between PPL Corp., Talen Energy, and the RJS Entities as to certain employment,

compensation, and benefits matters. The contemplated transactions are hereinafter collectively referred to as the “Proposed Transaction.”

6. The Application is organized as follows:

- Section II provides a description of the Applicants and other entities involved in the Proposed Transaction;
- Section III provides an overview of the Proposed Transaction;
- Section IV sets forth the legal standards applicable to the approvals requested in the Application;
- Section V demonstrates that Talen Energy and PPL IEC will have the requisite technical, legal and financial fitness to own and operate PPL IEC;
- Section VI addressed the transfers and clarifications of property interests between PPL EU and PPL Energy Supply and its subsidiaries;
- Section VII addresses certain of PPL IEC’s and PPL EU’s affiliated interest agreements;
- Section VIII address impacts on retail competition and employees;
- Section IX demonstrates that the approvals requested in this Application will promote the public interest;
- Section X explains the regulatory approvals required or may be required from the Commission;
- Section XI provides additional supporting data; and
- Section XII sets forth the conclusion and provides the requested approvals.

7. The Applicants submit, as explained in more detail herein, that all criteria necessary for granting of the required approvals pursuant to the Public Utility Code have been met and, therefore, the Application should be approved without conditions to or modification of the Proposed Transaction.

## II. THE PARTIES AND RELATED ENTITIES

### A. PARTIES

#### 1. PPL Interstate Energy Company

8. PPL IEC is a corporation organized and existing under the laws of the State of Delaware. PPL IEC is a wholly owned direct subsidiary of PPL Generation, LLC (“PPL Generation”), which in turn is a wholly owned direct subsidiary of PPL Energy Supply.<sup>1</sup> PPL Energy Supply is a wholly owned direct subsidiary of PPL Energy Funding Corporation, which in turn is a wholly owned direct subsidiary of PPL Corp.

9. PPL IEC is a public utility under the Public Utility Code providing transportation of oil and natural gas to electric generating stations pursuant to certificates of public convenience granted by the Commission. *Application of Interstate Energy Company*, Docket No. 97032, 1973 Pa. PUC LEXUS 74, 46 Pa. PUC 524 (Feb. 6, 1973); *Re: Interstate Energy Company*, Docket No. 97032, 1979 Pa. PUC LEXUS 61, 53 Pa. PUC 314 (June 7, 1979); and *Application of Interstate Energy Company*, Docket No. A-00140200, *affirmed by UGI Utilities v. Pa. PUC*, 684 A.2d 225 (Oct. 28, 1996).

10. PPL IEC owns and operates two pipelines that deliver fuel to two generating plants owned and operated by subsidiaries of PPL Energy Supply in Lower Mount Bethel Township, Northampton County, Pennsylvania. The first pipeline is an 18-inch oil and natural gas pipeline that extends approximately 84 miles from Marcus Hook, Pennsylvania and supplies oil and natural gas to PPL Energy Supply’s Martins Creek electric generating plant and supplies

---

<sup>1</sup> On April 13, 2000, the Commission entered an order approving the transfer of PPL IEC from PPL Corp. to PPL Generation. See *Joint Application of PP&L, Inc. (PPL), now known as PPL Electric Utilities Corporation d/b/a PPL Utilities Corporation, and PPL Generation, LLC for approval of the transfer by PPL of all the outstanding stock of Interstate Energy Company now known as PPL Interstate Energy Company to PPL Generation, LLC*, Docket Nos. A-110500 F0295 and A-140200 F5000 (Order entered Apr. 13, 2000).

natural gas to PPL Energy Supply's Lower Mount Bethel electric generating plant.<sup>2</sup> The second pipeline is a 20-inch natural gas pipeline that parallels the 18-inch pipeline for approximately 4.5 miles south of Martins Creek and supplies natural gas to PPL Energy Supply's Martins Creek and Lower Mount Bethel electric generating plants.<sup>3</sup> PPL IEC currently is limited by the terms of its certificate of public convenience to providing service to electric generating stations and currently serves only the Lower Mount Bethel and Martins Creek generating plants owned and operated by indirect subsidiaries of PPL Energy Supply.<sup>4</sup>

## **2. PPL Electric Utilities Corporation**

11. PPL EU is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. PPL EU is a wholly owned direct subsidiary of PPL Corp.

12. PPL EU furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

13. PPL EU is a "public utility," an "electric distribution company" and a "default service provider" as defined in Sections 102 and 2803 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2803.

---

<sup>2</sup> In 1996, the last 35 miles of the 18-inch pipeline was authorized for dual-use after two generating units at the Martins Creek power plant were converted to burn oil or natural gas. Dual-use means the pipeline transports both oil and natural gas in the same pipeline, but not at the same time. The 18-inch pipeline is interconnected with two natural gas transmission pipelines. One interconnect is with Texas Eastern Transmission Corporation located in West Rockhill Township, Bucks County where the dual-use capability of the 18-inch pipeline begins. The second natural gas interconnect is with Columbia Gas Transmission Corporation located in Lower Saucon Township, Northampton County.

<sup>3</sup> The 20-inch pipeline is interconnected with Transcontinental Gas Pipe Line Company in Lower Mount Bethel Township, Pennsylvania.

<sup>4</sup> PPL IEC also operates and maintains four intra-plant pipelines that deliver oil or natural gas from the Martins Creek Terminal to both the Lower Mount Bethel and Martins Creek generating plants. Each line is about 1.5 miles long.

## **B. PPL RELATED ENTITIES**

### **1. PPL Corporation**

14. PPL Corp. is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. Headquartered in Allentown, Pennsylvania, PPL Corp. is an energy and utility holding company that, through its subsidiaries, currently: (i) controls or owns about 18,000 MW of generating capacity in the United States; (ii) markets and sells wholesale and retail energy in key United States markets; and (iii) delivers electricity and natural gas to about 10 million customers in the United States and the United Kingdom.

15. PPL Corp.'s direct domestic subsidiaries include the following: PPL EU, PPL Services Corporation, PPL Energy Funding Corporation, and LG&E and KU Energy LLC.

16. Attached as Appendix "D" is an organizational chart showing PPL Corp. and its relevant domestic subsidiaries prior to the closing of the Proposed Transaction (as of June 1, 2014).

### **2. PPL Energy Supply and Subsidiaries**

17. PPL Energy Supply is a limited liability company organized and existing under the laws of the State of Delaware. PPL Energy Supply is a wholly owned direct subsidiary of PPL Energy Funding Corporation, which in turn is a wholly owned direct subsidiary of PPL Corp.

18. PPL Energy Supply is the direct parent of and wholly owns PPL EnergyPlus, LLC ("PPL EnergyPlus") and PPL Generation.

19. PPL EnergyPlus is a limited liability company organized and existing under the laws of the Commonwealth of Pennsylvania. PPL EnergyPlus is a wholly owned direct subsidiary of PPL Energy Supply that currently is licensed by the Commission to provide retail

electric and natural gas supplies in the Commonwealth of Pennsylvania.<sup>5</sup> PPL EnergyPlus is a marketer and supplier of competitively priced electricity and gas services in the Commonwealth of Pennsylvania. PPL EnergyPlus also sells wholesale and retail electricity and gas in the mid-Atlantic region and other United States markets. PPL EnergyPlus is the direct parent of and wholly owns PPL Energy Services Group, LLC.

20. PPL Energy Services Group, LLC is a limited liability company organized and existing under the laws of Delaware. PPL Energy Services Group, LLC is a wholly owned direct subsidiary of PPL EnergyPlus. Through its subsidiaries, PPL Energy Services Group, LLC provides comprehensive energy solutions for clients throughout the Northeast and Mid-Atlantic, renewable energy facilities to meet customers' energy needs, and engineering and mechanical contracting services for commercial, industrial, and institutional customers.

21. PPL Generation is a limited liability company organized and existing under the laws of Delaware. PPL Generation is a wholly owned direct subsidiary of PPL Energy Supply. PPL Generation, through its subsidiaries, controls or owns about 10,000 MW of competitive generating capacity in the northeastern and western United States.<sup>6</sup>

## **C. RIVERSTONE RELATED ENTITIES**

### **1. Riverstone Holdings LLC**

22. Riverstone is a limited liability company organized and existing under the laws of the State of Delaware. Riverstone is an energy and power-focused private investment firm founded in 2000. Riverstone conducts buyout and growth capital investments in the exploration & production, midstream, oilfield services, power, and renewable sectors of the energy industry.

---

<sup>5</sup> See Docket Nos. A-125153 and A-110098.

<sup>6</sup> PPL Montana, LLC, a wholly owned indirect subsidiary of PPL Generation, owns 11 hydroelectric power plants and one storage reservoir. These facilities are being sold to NorthWestern Energy pursuant to a purchase and sale agreement dated September 26, 2013, and are not part of the Proposed Transaction.

As of June 30, 2014, Riverstone has committed approximately \$26.0 billion to 108 investments in North America, Latin America, Europe, Africa, and Asia.

23. Riverstone ultimately controls the RJS Entities as explained below. Attached as Appendix “E” is an organizational chart showing Riverstone, the RJS Entities, and relevant affiliates prior to the closing of the Proposed Transaction.

## **2. Raven Power Holdings LLC**

24. Riverstone is the direct parent of and wholly owns Riverstone Energy GP V Corp., which in turn is the direct parent of and wholly owns Riverstone Energy GP V, LLC.

25. Riverstone Energy GP V, LLC is a limited liability company organized and existing under the laws of the State of Delaware. Riverstone Energy GP V, LLC is the general partner of Riverstone Energy Partners V, L.P., which in turn is the general partner of Riverstone V Raven Holdings, L.P.

26. Riverstone V Raven Holdings, L.P. is a limited partnership organized and existing under the laws of the State of Delaware. Riverstone V Raven Holdings, L.P. owns approximately 99% of the voting interests in Raven. A group of individuals providing services to or employed by Raven own profits interests (without voting rights) in Raven. There is no “managing member” of Raven; instead, a Board of Directors is appointed by Riverstone V Raven Holdings, L.P. as the managerial authority.

27. Raven is a limited liability company organized and existing under the laws of the State of Delaware. Raven owns a 2,648 MW coal generation portfolio located in the greater Baltimore area.

### **3. C/R Energy Jade LLC**

28. Riverstone is the direct parent of and wholly owns Riverstone Investment Group LLC, which is a limited liability company organized and existing under the laws of the State of Delaware.

29. Riverstone and Riverstone Investment Group LLC, on the one hand, and TC Group Cayman Investment Holdings, L.P. and TC Group-Energy L.L.C. (The Carlyle Group (“Carlyle”) entities), on the other hand, own all of the membership interests of C/R Energy GP III, LLC, which is the general partner and controlling entity of Carlyle/Riverstone Energy Partners III, L.P. (“Fund III GP”).

30. Fund III GP is a limited partnership organized and existing under the laws of the State of Delaware. Fund III GP is the general partner and controlling entity of certain investment vehicle affiliates of Carlyle/Riverstone Global Energy and Power Fund III, L.P., which in turn own over 90% of the voting interests in Jade. Although both Riverstone and Carlyle have indirect interests in Jade, all of the board members of Jade are appointed by individuals designated by Riverstone to make such appointments.

31. Jade is a limited liability company organized and existing under the laws of the State of Delaware. Jade is a Texas-based independent power producer that owns a 1,928 MW power generation portfolio.

### **4. Sapphire Power Holdings LLC**

32. Riverstone is the direct parent of and wholly owns R/C Renewable Energy GP II, LLC, which is a limited liability company organized and existing under the laws of the State of Delaware.

33. R/C Renewable Energy GP II, LLC is the general partner and controlling entity of Riverstone/Carlyle Renewable Energy Partners II, L.P. (“R/C L.P.”).

34. R/C L.P. is a limited partnership organized and existing under the laws of the State of Delaware. R/C L.P. is the general partner and controlling entity of certain investment vehicle affiliates of Riverstone/Carlyle Renewable and Alternative Energy Fund II-C, L.P., which in turn own over 90% of R/C Sapphire Power IP, L.P. (“R/C Sapphire IP”). R/C Sapphire IP owns 100% of the voting interests in Sapphire.

35. Sapphire is a limited liability company organized and existing under the laws of Delaware. Sapphire owns a 737 MW generation portfolio that includes seven combined-cycle gas-fired plants and one dual-fuel (natural gas/ultra low sulfur diesel) fired peaking unit located in competitive markets in the northeast United States.

### **III. DESCRIPTION OF THE PROPOSED TRANSACTION**

36. PPL Corp. and the RJS Entities have agreed to combine their competitive power generation business lines into a new stand-alone, publicly traded Independent Power Producer, Talen Energy. Under the terms of the agreement, at closing, PPL Corp. will spinoff its deregulated electric generation and retail electric and gas supply business lines (including PPL Energy Supply, PPL EnergyPlus, and PPL Generation, which owns PPL IEC) to the shareowners of PPL Corp. and then immediately combine that business with the RJS Entities’ competitive power generation business to form Talen Energy. Upon closing, PPL Corp’s shareowners will own 65% of Talen Energy and the RJS Entities will directly or indirectly own 35% of Talen Energy.<sup>7</sup>

37. The contemplated steps in the Proposed Transaction are summarized below:

- a. PPL Corp. creates a new subsidiary, Talen Energy Holdings, Inc. (“Talen Holdings”), Talen Holdings creates a new subsidiary, Talen Energy, and

---

<sup>7</sup> PPL Corp. will have no continuing ownership interest in Talen Energy. As described below, the 35% interest in Talen Energy will either be held by the RJS entities or by a special purpose entity wholly owned by the RJS Entities and controlled by Raven.

Talen Energy creates a new subsidiary, Talen Energy Merger Sub, Inc. (“Merger Sub”).<sup>8</sup>

- b. PPL Energy Funding, which is a direct subsidiary of PPL Corp. and the direct parent of PPL Energy Supply, distributes 100% of the outstanding equity securities of PPL Energy Supply to PPL Corp.
- c. PPL Corp. contributes 100% of the outstanding equity securities of PPL Energy Supply to Talen Holdings, resulting in PPL Energy Supply becoming a subsidiary of Talen Holdings.
- d. PPL Corp. distributes the Talen Holdings<sup>9</sup> common stock pro rata to its shareowners who are shareowners as of the record date for the spinoff.<sup>10</sup>
- e. Talen Holdings merges with Merger Sub, with Talen Holdings surviving as a wholly owned subsidiary of Talen Energy and Talen Holdings common stock converted into common stock of Talen Energy.
- f. The RJS Entities contribute 100% of the interests in a special purpose entity that indirectly owns the competitive power generation business of the RJS Entities (“RJS HoldCo”) to Talen Energy. In exchange, the RJS Entities, or a special purpose entity (“SPE”) wholly owned by the RJS Entities and controlled by Raven, receive(s) 35% of the Talen Energy common stock, in the aggregate.
- g. Talen Energy contributes the equity securities of RJS HoldCo to Talen Holdings and Talen Holdings, in turn, either (i) contributes the equity securities of RJS HoldCo to PPL Energy Supply, and/or (ii) causes RJS HoldCo to be merged with and into PPL Energy Supply, with PPL Energy Supply as the surviving entity in the merger.

38. The Separation Agreement also provides, among other things: (i) that PPL Corp. and PPL Energy Supply and their subsidiaries will effect certain transfers of assets and assume certain liabilities so that each of PPL EU and PPL Energy Supply retain both the assets and liabilities primarily associated with their respective businesses; and (ii) for termination of all

---

<sup>8</sup> These steps have already been implemented.

<sup>9</sup> The shareowners do not ultimately receive shares of Talen Holdings, but rather the shares of Talen Holdings are converted into shares of Talen Energy as a result of the reorganizational merger transaction described in Paragraph 39(e) contemporaneously with, but immediately following, the spinoff.

<sup>10</sup> PPL Corp.’s shareowners will receive a pro-rata distribution of Talen Energy shares at closing based on the number of PPL Corp. shares owned as of the spinoff record date. The spinoff will have no effect on their ownership of PPL Corp. common stock and there will be no change in the number of shares of PPL Corp. common stock outstanding as a result of the Proposed Transaction.

intercompany agreements and accounts between PPL EU and PPL Energy Supply, except for certain specified agreements and accounts that will remain in effect following the closing of the Proposed Transaction.

39. Upon closing, the RJS Entities, collectively, or a SPE wholly owned by the RJS Entities, will own 35% of the Talen Energy common stock. If the shares in Talen Energy are held by the SPE, that SPE will own 35% of Talen Energy. None of the RJS Entities will individually hold, directly or indirectly, an interest of 20% or more in Talen Energy.

40. Following closing, the RJS Entities, over time, plan to sell down a portion of the interests in Talen Energy held by the RJS Entities or the SPE. No new entity, other than an entity ultimately controlled by Riverstone, will directly or indirectly hold 20% or more of the voting interest in Talen Energy or PPL IEC as a result of the planned sell down.

41. Following closing, certain internal reorganizations may occur within the corporate structures of each of the RJS Entities or the SPE. None of these internal reorganizations will result in a change to the ultimate control of the RJS Entities or the SPE. If the internal reorganization results in the Talen Energy common stock being transferred to an affiliate of the RJS Entities or the SPE, such affiliate will ultimately be controlled by Riverstone

42. Attached as Appendix “F” is an organizational chart showing PPL Corp. and its first-tier domestic subsidiaries following the closing of the Proposed Transaction.

43. Attached as Appendix “G” is an organizational chart showing Riverstone, the RJS Entities and relevant affiliates following the closing of the Proposed Transaction.

#### IV. LEGAL STANDARDS AND APPROVALS REQUESTED

##### A. SECTION 1102(A)(3)

44. Public Utility Code Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3), provides, in pertinent part, that the Commission's prior approval, evidenced by a certificate of public convenience, is required;

For any public utility or an affiliated interest of a public utility . . . to acquire from, or to transfer to, any person or corporation . . . by any method or devise whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

45. To provide direction for future applicants, the Commission issued a Statement of Policy on October 22, 1994, to establish clear standards regarding the circumstances under which a transfer of voting interest constitutes a change in *de facto* control of the utility, which provides, in pertinent part, as follows:

- (1) A transaction or series of transactions resulting in a new controlling interest is jurisdictional when the transaction or transactions result in a different entity becoming the beneficial holder of the largest voting interest in the utility or parent, regardless of the tier. A transaction or series of transactions resulting in the elimination of a controlling interest is jurisdictional when the transaction or transactions result in the dissipation of the largest voting interest in the utility or parent, regardless of the tier.
- (2) For purposes of this section, a controlling interest is an interest, held by a person or group acting in concert, which enables the beneficial holders to control at least 20% of the voting interest in the utility or its parent, regardless of the remoteness of the transaction. In determining whether a controlling interest is present, voting power arising from a contingent right shall be disregarded.

52 Pa. Code § 69.901. Thus, Commission approval is required for any transaction that creates or eliminates a controlling interest and results in a different entity becoming the largest voting interest in a public utility company. The determination of the interests involved in a transaction

considers all tiers of interest in the utility or parent of the utility and, thus, both direct and indirect ownership interests in a utility are considered under the Commission's Policy Statement. *Policy Statement Regarding Interpretation of 66 Pa.C.S. § 1102(a)(3)*, Docket No. M-930490, 1994 Pa. PUC LEXIS 56 (September 13, 1994).

46. Presently, all of the common stock of PPL IEC is owned by PPL Generation, a direct wholly owned subsidiary of PPL Energy Supply. PPL Energy Supply is currently an indirect wholly owned subsidiary of PPL Corp. As a result of the Proposed Transaction, ownership of PPL IEC will be transferred from PPL Corp. to Talen Energy. Upon closing, PPL Corp's shareowners will own 65% of Talen Energy and the RJS Entities or the SPE will own or control 35% of Talen Energy. Talen Energy will, in turn, indirectly own 100% of PPL IEC. The Proposed Transaction is subject to the provision of Section 1102(a)(3) because it transfers PPL Corp.'s ownership interests in PPL IEC to Talen Energy, and because it creates a new controlling interest in PPL IEC.<sup>11</sup>

47. As explained above, Riverstone ultimately controls the RJS Entities. Upon closing, the RJS Entities, collectively, or the SPE, will own or control 35% of the Talen Energy common stock. The Proposed Transaction may be subject to the provision of Section 1102(a)(3) because Riverstone will indirectly, through the RJS Entities or the SPE, acquire a controlling interest in PPL IEC. Therefore, the Applicants, to the extent required, request Commission approval under Section 1102(a)(3) for the acquisition of Riverstone's indirect controlling interest in PPL IEC.

---

<sup>11</sup> Upon closing, PPL IEC will file a new tariff with Commission to reflect a change in the corporate name for PPL IEC. In the Applicants' view, no Commission approval is required to change the corporate name for PPL IEC. To the extent that Commission approval is required to change the corporate name on PPL IEC's tariff, the Applicants herein seek such approval.

48. Upon closing, none of the RJS Entities will individually hold, directly or indirectly, an interest of 20% or more in Talen Energy. Following closing, the RJS Entities or the SPE plan to sell down a portion of the interests in Talen Energy. No new entity, other than an entity ultimately controlled by Riverstone, will directly or indirectly hold 20% or more of the voting interest in Talen Energy or PPL IEC as a result of the planned sell down. Because Riverstone will indirectly own or control, through the RJS Entities or the SPE, a 35% interest in PPL IEC upon closing, the planned sell down may be subject to the provision of Section 1102(a)(3) because it would result in the “dissipation of the largest voting interest in the utility or parent, regardless of the tier.” *See* 52 Pa. Code § 69.901(1). Therefore, PPL IEC, to the extent required, requests Commission approval under Section 1102(a)(3) for the planned sell down of the interests in Talen Energy held by the RJS Entities or the SPE.

49. Following closing, certain internal reorganizations may occur within the corporate structures of the RJS Entities or the SPE. None of these reorganizations will result in a change to the ultimate control of the RJS Entities or the SPE. Because none of the RJS Entities will individually hold, directly or indirectly, an interest of 20% or more in Talen Energy, the Applicants do not believe that any Commission approval under Section 1102(a)(3) is required for the internal reorganizations of the RJS Entities. Nevertheless, to the extent required, PPL IEC requests advance Commission approval under Section 1102(a)(3) for the internal reorganization of the RJS Entities or the SPE.

50. Section 1102(a)(3) of the Public Utility Code also applies to transfer of interests in property used or useful in providing intrastate public utility service by or to PPL EU and PPL IEC unless such transfers fall within one of the exceptions stated in that section. Section VI of this Application explains the transfer of property interests necessary to facilitate the separation of

PPL Corp.'s electric utility and competitive generation businesses and requests approvals for such transfers to the extent required.

51. Section 1103 of the Public Utility Code sets forth the procedure to obtain certificates of public convenience. Under Sections 1102 and 1103, the Applicants must demonstrate that the party to whom the assets and service obligations are being transferred is legally, technically, and financially fit. *Seaboard Tank Lines*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958).

52. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa.C.S. § 1103(a). This standard requires the Commission to find that the elements of the Proposed Transaction within its jurisdiction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits, and such burden can be met by showing a likelihood or probability of public benefits that need not be quantified or guaranteed. *Popowsky v. Pa. Pub. Util. Comm'n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007). Further, the substantial public benefit test does not require that every customer receive a benefit from the Proposed Transaction. *Popowsky*, at 617-18, 937 A.2d at 1061.

## **B. CHAPTER 21**

53. Under Public Utility Code Section 2102, Commission approval is required for any affiliated interest contract before it can become effective. 66 Pa.C.S. § 2102(a). Public Utility Code Section 2101(a) defines an “affiliated interest” to include the following: “(1) Every

corporation and person owning or holding directly or indirectly 5% or more of the voting securities of such public utility; and (2) Every corporation and person in any chain of successive ownership of 5% or more of voting securities.” 66 Pa.C.S. § 2101(a)(1)(2).

54. Under Public Utility Code Section 2103, the Commission has continuing supervision and jurisdiction over affiliated interest contracts, including the “modification or amendment” of such contracts or agreements. 66 Pa.C.S. § 2103.

55. Public Utility Code Sections 2102(b) and (c) provide the standard for Commission review of an affiliate interest agreement:

(b) Filing and Action on Contract.... The commission shall approve such contract or arrangement made or entered into after the effective date of this section only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the public interest. If at the end of 30 days after the filing of a contract or arrangement, no order of rejection has been entered, such contract or arrangement, whether written or unwritten, shall be deemed, in fact and law, to have been approved. The commission may, by written order, giving reasons therefor, extend the 30-day consideration period. No such contract or arrangement shall receive the commission’s approval unless satisfactory proof is submitted to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service described herein to the public utility....

(c) Disallowances of Excessive Amounts.... If the commission shall determine that the amounts paid or payable under a contract or arrangement filed in accordance with this section are in excess of the reasonable price for furnishing the services provided for in the contract, or that such services are not reasonably necessary and proper, it shall disallow such amounts, insofar as found excessive, in any proceeding involving the rates or practices of the public utility. In any proceeding involving such amounts, the burden of proof to show that such amounts are not in excess of the reasonable price for furnishing such services, and that such services are reasonable and proper, shall be on the public utility.

66 Pa.C.S. § 2012(b) and (c).

56. PPL Energy Supply and its subsidiaries currently participate in various intercompany agreements to which PPL EU or PPL IEC are parties. These agreements fall into four general categories: (1) agreements that will remain in place after closing, but PPL Energy Supply and its subsidiaries will no longer be affiliates of PPL EU; (2) agreements that will remain in place after closing, but PPL Energy Supply and its subsidiaries will no longer be parties to the agreements; (3) agreements between PPL IEC and PPL Energy Supply and its subsidiaries that will remain in place after closing; and (4) agreements that will terminate and be replaced at closing.

57. As to categories (1), (2) and (3), there will be no amendment or modification to these agreements and, therefore, the Applicants do not believe that any Commission approval is required.<sup>12</sup> Nevertheless, to the extent that the Commission's approval is required, PPL EU requests such approval.

58. As to category (4), the only agreements that will terminate are certain FERC-jurisdictional interconnection agreements between PPL EU and certain subsidiaries of PPL Energy Supply. As part of the Proposed Transaction, certain interconnection agreements will remain in place unchanged after closing of the Proposed Transaction, and certain interconnection agreements will be replaced with FERC-jurisdictional *pro forma* interconnection agreements. These agreements govern the interconnection of certain generating facilities owned by subsidiaries of PPL Energy Supply with the transmission facilities of PPL EU and, thus, are subject to FERC jurisdiction. Therefore, in the Applicants' view, Chapter 21 does not apply to these interconnection agreements. For the above reasons, the Applicants do not believe that any Chapter 21 approvals are required for the Proposed Transaction. Nevertheless, as explained in

---

<sup>12</sup> To the extent there are any post-closing agreements between PPL IEC and Talen Energy and/or its affiliates, PPL IEC will timely seek Commission approval of any such affiliated interest agreements to the extent required.

Section VII, PPL EU requests approval under Section 2102 of the Public Utility Code, 66 Pa.C.S. § 2102, to the extent deemed necessary by the Commission.

**C. SECTIONS 2210(a) AND 2811(e)**

59. Section 2210(a) of the Public Utility Code provides as follows:

(a) General rule. --In the exercise of authority the commission otherwise may have to approve mergers or consolidations involving natural gas distribution companies or natural gas suppliers or the acquisition or disposition of assets or securities of natural gas distribution companies or natural gas suppliers, the commission shall consider:

(1) Whether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market.

(2) The effect of the proposed merger, consolidation, acquisition or disposition on the employees of the natural gas distribution company and on any authorized collective bargaining agent representing those employees.

66 Pa.C.S. § 2210(a).

60. This section appears to apply to the Proposed Transaction because the Commission has jurisdiction to approve the change of control of PPL IEC. The Applicants do not believe that this section applies to the change in control of PPL EnergyPlus in its role as a natural gas supplier because no Commission approval of this part of the Proposed Transaction is required. The requirements of Section 2210(a) are addressed in Section VIII of this Application.

61. Section 2811(e)(1) of the Public Utility Code provides as follows:

In the exercise of authority the commission otherwise may have to approve the mergers or consolidations by electric utilities or electricity suppliers, or the acquisition or disposition of assets or securities of other public utilities or electricity suppliers, the

commission shall consider whether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail electricity customers in this Commonwealth from obtaining the benefits of a properly functioning and workable competitive retail electricity market.

62. In the Applicant's view, this provision does not apply because the Proposed Transaction does not involve the merger, consolidation, or the disposition of assets of PPL EU and because no approval of the Commission is required for the proposed change in control of PPL EnergyPlus. Nevertheless, the requirements of Section 2811(e) are addressed in Section VIII of this Application.

**V. TALEN ENERGY AND PPL IEC WILL HAVE THE REQUISITE TECHNICAL, LEGAL AND FINANCIAL FITNESS TO OWN AND OPERATE PPL IEC**

**A. TECHNICAL FITNESS**

63. PPL IEC and Talen Energy will have the required managerial and technical experience to operate PPL IEC's pipeline assets on the closing of the Proposed Transaction.

64. As explained previously, PPL IEC is the only entity affected by the Proposed Transaction that currently operates oil and gas pipelines. All of the operating and management employees of PPL IEC immediately prior to closing of the Proposed Transaction will remain employees of PPL IEC following the closing of the Proposed Transaction as required to meet the continuing operations and management needs of the business. Currently, PPL IEC is solely in the business of transporting oil and natural gas to electric generating stations. Since the operational and management experience of PPL Energy Supply in operating electric generating stations will be transferred to Talen Energy as part of the Proposed Transaction and combined with similar expertise from the generating facilities to be contributed to Talen Energy, the combined skill of Talen Energy in managing and operating electric generation stations and

acquiring fuel to power such stations will provide the necessary expertise to manage and operate PPL IEC in its function of providing oil and natural gas to electric generating stations post-closing.

**B. LEGAL FITNESS**

65. Talen Energy is legally fit to own and operate PPL IEC. Talen Energy will consist of a combination of PPL Corp.'s and the RJS Entities' competitive electric generation and related businesses. The RJS Entities are in compliance in all material respects with federal law and state law in the jurisdictions in which they operate. None of the entities have been prosecuted, indicted, or investigated for criminal activity.

**C. FINANCIAL FITNESS**

66. Talen Energy will have the financial fitness to own and operate PPL IEC.

67. Talen Energy will have substantial financial resources available to PPL IEC. Talen Energy's balance sheet quality, measured by the ratio of debt-to-EBITDA,<sup>13</sup> is projected to be as strong or stronger than its peers at approximately 3.5 times. Based on the valuations of peer companies (as of the date of this Application), the market value of total equity is expected to be approximately \$6 billion and the enterprise value (the market value of equity plus total debt outstanding) is expected to be approximately \$9.5 billion. At this financial scale, Talen Energy will have ready access to debt and equity capital as needed to fulfill its funding requirements to own and operate PPL IEC.<sup>14</sup>

---

<sup>13</sup> EBITDA is a company's earnings before interest, taxes, depreciation, and amortization and is used to analyze and compare a company's financial performance.

<sup>14</sup> Talen Energy also is making arrangements to have a revolving credit facility of approximately \$1.85 billion available to it upon closing of the Transaction. The credit facility is in syndication and is expected to close in escrow by the end of August. The facility would be fully committed and available to Talen Energy upon the closing of the Proposed Transaction.

**VI. THE TRANSFERS AND CLARIFICATIONS OF PROPERTY INTERESTS BETWEEN PPL EU AND PPL ENERGY SUPPLY AND ITS SUBSIDIARIES ARE IN THE PUBLIC INTEREST AND SHOULD BE APPROVED**

68. As discussed above, a number of generating stations and certain other properties owned by subsidiaries of PPL Energy Supply are interconnected with PPL EU's electric substation, transmission, and distribution facilities. With the separation of PPL EU and PPL Energy Supply from common corporate ownership, it is appropriate to clarify and fully document the property interests associated with these interconnections.

69. There are several categories of property rights that will be clarified as part of the Proposed Transaction. The proposed manner of clarifying those rights depends on the nature of the real property right and the facilities located on the property. The proposed transfers/clarifications fall into five broad categories: (1) properties owned by PPL Energy Supply and/or its subsidiaries that currently are encumbered by PPL EU transmission rights-of-way, attached hereto as Appendix "H"; (2) properties owned by PPL Energy Supply and/or its subsidiaries that currently are encumbered by PPL EU distribution rights-of-way, attached hereto as Appendix "I"; (3) properties owned by PPL Energy Supply and/or its subsidiaries at which PPL EU substation facilities currently are located, attached hereto as Appendix "J"; (4) miscellaneous properties and interests owned by PPL Energy Supply and/or its subsidiaries that currently are used by PPL EU, attached hereto as Appendix "K"; and (5) miscellaneous properties and interests owned by PPL EU that currently are used by PPL Energy Supply and/or its subsidiaries, attached hereto as Appendix "L."

70. Approval of the above-referenced transfers/clarifications will provide clear rights among the parties to the Proposed Transaction and will provide ongoing rights to PPL EU to use the properties to provide service to its customers. Accordingly, the transfer and clarifications are

in the public interest and should be approved to the extent required under Section 1102(a)(3) of the Public Utility Code, 66 Pa.C.S. § 1102(a)(3).<sup>15</sup>

## **VII. AFFILIATED INTEREST AGREEMENTS**

71. PPL Energy Supply and its subsidiaries currently participate in various intercompany agreements to which PPL EU is either a direct or indirect party.

72. Certain of the intercompany agreements will remain in place unchanged after closing of the Proposed Transaction. A list of the intercompany affiliate agreements with PPL EU and PPL IEC that will remain in place unchanged after closing of the Proposed Transaction are identified in Appendix “M” to this Application. Because there will be no modification to these agreements and PPL Energy Supply and its subsidiaries will no longer be affiliates of PPL EU after closing, PPL EU submits that Chapter 21 will not apply to these continuing intercompany agreements.

73. The terms and conditions of certain of the intercompany agreements will remain in place unchanged after closing, but PPL Energy Supply and its subsidiaries will no longer be parties to certain of these agreements. The relevant agreements are identified in Appendix “N” to this Application. PPL EU submits that Chapter 21 will not apply to these agreements because the removal of PPL Energy Supply and its subsidiaries as parties to these agreements is not a modification or amendment of such agreements. Nevertheless, PPL EU requests approval of the changes to these agreements under Section 2103 of the Public Utility Code, 66 Pa.C.S. § 2103, to the extent they are deemed to be modifications or amendments of such agreements.

---

<sup>15</sup> It is anticipated that the documents needed to complete the transfers/clarifications will be executed upon or after the closing of the Proposed Transaction. At such point, PPL EU and PPL Energy Supply will no longer be affiliates as defined in Section 2101 of the Public Utility Code, 66 Pa.C.S. § 2101. Nevertheless, if the Commission concludes that approval is required under Section 2102 of the Public Utility Code, 66 Pa.C.S. § 2102, such approval is requested.

74. In addition, certain of PPL Energy Supply's subsidiaries and PPL EU have agreements to interconnect generating stations with facilities of PPL EU. The relevant interconnection agreements are identified in Appendix "O" to this Application. As part of the Proposed Transaction, certain of these interconnection agreements will remain in place unchanged after closing of the Proposed Transaction, and certain interconnection agreements will be replaced with FERC-jurisdictional *pro forma* interconnection agreements. These agreements are for the interconnection of generating facilities with the transmission facilities of PPL EU and, thus, are subject to FERC jurisdiction. PPL EU submits Chapter 21 of the Public Utility Code does not apply to these agreements pursuant to Sections 104 and 2107 of the Public Utility Code, 66 Pa.C.S. §§ 104, 2107. Nevertheless, PPL EU requests approval under Section 2102 of the Public Utility Code, 66 Pa.C.S. § 2102, to the extent deemed necessary.

### **VIII. RETAIL COMPETITION AND EMPLOYEES**

75. Under Section 2210(a)(1) of the Public Utility Code, the Commission is required to consider whether a proposed merger or consolidation of a natural gas distribution company or natural gas supplier is likely to result in anticompetitive or discriminatory conduct. 66 Pa.C.S. § 2210(a).

76. As explained above, PPL IEC is a natural gas distribution company certificated by the Commission and PPL EnergyPlus is a natural gas supplier licensed by the Commission. As part of the Proposed Transaction, PPL Corp. proposes to transfer its indirect ownership of PPL IEC and PPL EnergyPlus to Talen Energy. The PPL IEC and PPL EnergyPlus assets are closely aligned with the generation portion of the business and are not aligned in any material way with the regulated electric transmission and distribution businesses of PPL EU. The transfer of PPL Corp's indirect ownership of PPL IEC and PPL EnergyPlus will not result in any harm to retail competition.

77. Under Section 2210(a)(2) of the Public Utility Code, the Commission is required to consider the impact that a proposed merger or consolidation of a natural gas distribution company may have on the employees of the natural gas distribution company. 66 Pa.C.S. § 2210(a)(2).

78. As explained above, PPL IEC is a natural gas distribution company certificated by the Commission. All of the operating and management employees of PPL IEC immediately prior to closing of the Proposed Transaction will remain employees of PPL IEC following the closing of the Proposed Transaction as required to meet the continuing operations and management needs of the business. Thus, the Proposed Transaction will have no substantial adverse impact to the employees of PPL IEC.

79. Under Section 2811(e)(1) of the Public Utility Code, the Commission, to the extent it otherwise has jurisdiction over a transaction, is required to consider whether a proposed merger or consolidation of an electric distribution company or an electric generation supplier is likely to result in anticompetitive or discriminatory conduct. 66 Pa.C.S. § 2811(e)(1).

80. As explained above, PPL EnergyPlus is an electric generation supplier licensed by the Commission. As part of the Proposed Transaction, PPL Corp. proposes to transfer its indirect ownership of PPL EnergyPlus to Talen Holdings. In the Applicants' view, this provision does not apply because the Proposed Transaction does not involve the merger, consolidation, or the disposition of assets of PPL EU and because no approval of the Commission is required for the proposed change in control of PPL EnergyPlus. In any event, the PPL EnergyPlus assets are closely aligned with the generation portion of the business and are not aligned in any material way with the regulated electric transmission and distribution businesses of PPL EU. Further, none of the RJS Entities are engaged in the retail electric business. Therefore, the transfer of

PPL Corp.'s indirect ownership of PPL EnergyPlus will not result in any harm to retail competition.

**IX. THE PROPOSED TRANSACTION WILL PROMOTE THE PUBLIC INTEREST**

81. The Proposed Transaction will separate the public utility business from the deregulated generation and retail supply businesses currently operated by PPL Corp. By doing so, it will provide separate and distinct business profiles to capital markets and business partners.

82. As to the specific portions of the transaction that are within the Commission's jurisdiction, the PPL IEC assets support the generation portion of the business and are not aligned in any material way with the regulated electric transmission and distribution businesses of PPL EU. It is clearly in the public interest for the ownership of PPL IEC to be indirectly transferred as part of the Proposed Transaction.

83. Similarly, the separation of generating assets requires a clarification and further delineation of real estate rights. This clarification and delineation will permit PPL EU and Talen Energy to operate their respective assets more efficiently upon closing, which is in the public interest.

**X. THE REQUIRED APPROVALS SHOULD BE GRANTED**

84. The Proposed Transaction primarily concerns the spinoff of PPL Corp.'s competitive generation and retail electric and natural gas supply businesses to its shareowners and the combination of these businesses with the electric generation businesses of the RJS Entities to form Talen Energy. This fundamental transaction does not require Commission approval. *See*, Electricity Generation Customer Choice and Competition Act, P.L. 802, No. 138, effective January 1, 1997, 66 Pa.C.S. §§ 2801-2812; *see also Application Of Pennsylvania Power & Light Company For Approval Of Restructuring Plan Under Section 2806 Of The*

*Public Utility Code*, Docket No. R-00973954, 1998 Pa. PUC LEXIS 131 (June 15, 1998).

85. However, certain ancillary transfers necessary and appropriate to this fundamental transaction either require or may require Commission approval, including: (1) the transfer of PPL IEC, which holds a certificate of public convenience to transport oil and natural gas only to generating facilities; (2) the acquisition by Riverstone, through the RJS Entities, of an indirect controlling interest in PPL IEC; (3) the future sell down of the interests in Talen Energy held by the RJS Entities or a SPE, which will result in the dissipation of Riverstone's indirect controlling interest in PPL IEC; (4) the future internal corporate reorganizations of the RJS Entities or the SPE; (5) the transfer/clarification of property rights between PPL Energy Supply and/or its subsidiaries and PPL EU; (6) the termination or revision of intercompany agreements between PPL Energy Supply and/or its subsidiaries and PPL EU or PPL IEC; and (7) any other approvals necessary to complete the Proposed Transaction.

86. For the reasons explained in this Application, the Proposed Transaction is in the public interest and all required approvals of the Commission should be granted.

#### **XI. ADDITIONAL SUPPORTING DATA**

87. The following Appendices, containing additional information in support of this Application, are attached hereto:

- Appendix A – Separation Agreement [**HIGHLY CONFIDENTIAL treatment is required for the Separation Agreement Schedules (ALL FILED UNDER SEAL)**]
- Appendix B – Transaction Agreement [**HIGHLY CONFIDENTIAL treatment is required for the Parent Disclosure Letter and RJS Disclosure Letter (ALL FILED UNDER SEAL)**]
- Appendix C – Employee Matters Agreement
- Appendix D – Organizational chart showing PPL Corp. and its relevant domestic subsidiaries prior to the closing of the Proposed Transaction (June 1, 2014)

- Appendix E – Organizational chart showing Riverstone, the RJS Entities and its relevant affiliates prior to the closing of the Proposed Transaction
- Appendix F – Organizational chart showing PPL Corp. and its first-tier domestic subsidiaries following the closing of the Proposed Transaction
- Appendix G – Organizational chart showing Riverstone, the RJS Entities and relevant affiliates following the closing of the Proposed Transaction
- Appendix H – List of properties owned by PPL Energy Supply and/or its subsidiaries that currently are encumbered by PPL EU transmission rights-of-way
- Appendix I – List of properties owned by PPL Energy Supply and/or its subsidiaries that currently are encumbered by PPL EU distribution rights-of-way
- Appendix J – List of properties owned by PPL Energy Supply and/or its subsidiaries at which PPL EU substation facilities are located
- Appendix K – List of miscellaneous properties and interests owned by PPL Energy Supply and/or its subsidiaries that currently are used by PPL EU
- Appendix L – List of miscellaneous properties and interests owned by PPL EU that currently are used by PPL Energy Supply and/or its subsidiaries
- Appendix M – List of certain of the intercompany affiliate agreements with PPL EU and PPL IEC that will remain in place unchanged after closing of the Proposed Transaction
- Appendix N – List of intercompany affiliate agreements that will remain in place unchanged after closing, but PPL Energy Supply and its subsidiaries will no longer be parties
- Appendix O – List of interconnection agreements between PPL Energy Supply and its subsidiaries and PPL EU

## **XII. CONCLUSION**

WHEREFORE, for all the foregoing reasons, the Applicants respectfully request that the Pennsylvania Public Utility Commission grant all necessary and customary approvals and issue the necessary certificates of public convenience under the Public Utility Code to:

1. Transfer the ownership interests of PPL IEC to Talen Energy, as described in this Application;


2. The acquisition by Riverstone, through the RJS Entities, of an indirect controlling interest in PPL IEC;
3. The future sell down of the interests in Talen Energy held by the RJS Entities or the SPE, which will result in the dissipation of Riverstone's indirect controlling interest in PPL IEC;
4. The future internal corporate reorganizations of the RJS Entities or the SPE;
5. Permit the transfers/clarifications of property interests between PPL EU and PPL Energy Supply and/or its subsidiaries, as described in this Application;
6. Permit the changes in affiliate agreements identified in this Application; and
7. Grant any and all approvals necessary to complete the Proposed Transaction.

Respectfully submitted,

Paul E. Russell (ID # 21643)  
Associate General Counsel  
PPL Services Corporation  
Office of General Counsel  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: [perussell@pplweb.com](mailto:perussell@pplweb.com)

Of Counsel:  
Post & Schell, P.C.

Date: July 30, 2014

  
David B. MacGregor (ID # 28804)  
Michael W. Gang (ID # 25670)  
Christopher T. Wright (ID # 203412)  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)  
E-mail: [mgang@postschell.com](mailto:mgang@postschell.com)  
E-mail: [cwright@postschell.com](mailto:cwright@postschell.com)

Attorneys for PPL Interstate Energy Company  
and PPL Electric Utilities Corporation

## VERIFICATION

I, Dennis A. Urban, Jr., being the Finance and Regulatory Affairs, Vice President at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 7/10/2014

Dennis A. Urban, Jr.

**VERIFICATION**

I, Drew D. Cummings , being the General Manager at, PPL Interstate Energy, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Interstate Energy to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 7/10/2014

Drew D. Cummings