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File #: 167910

June 13, 2018

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Application of PPL Electric Utilities Corporation for Approval of Intercompany
Restructuring
Docket No. A-2017-2629534**

Dear Secretary Chiavetta:

Enclosed for filing please find the Stipulation For Admission of Evidence in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service. The Confidential and Highly Confidential evidence will be filed under seal by hand delivery to your office.

Respectfully submitted,

Lindsay A. Berkstresser
Lindsay A. Berkstresser

LAB/skr
Enclosure

cc: Honorable Joel H. Cheskis
Honorable Benjamin J. Myers
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Application of PPL Electric Utilities :
Corporation for Approval of Intercompany : Docket No. A-2017-2629534
Restructuring :

STIPULATION FOR ADMISSION OF EVIDENCE

TO ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS AND BENJAMIN A. MYERS:

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") and the Office of Small Business Advocate ("OSBA") hereby file this Stipulation for Admission of Evidence (the "Evidence Stipulation") to admit certain evidence into the record in this proceeding. In support of the Evidence Stipulation, PPL Electric represents as follows:

1. On October 16, 2017, PPL Electric filed an Application for Approval of Intercompany Restructuring ("Application") requesting Pennsylvania Public Utility Commission ("Commission") approval of the proposed restructuring.

2. Notice of the Application was published in the Pennsylvania Bulletin and the Morning Call on October 28, 2017, indicating a deadline of November 13, 2017 for filing petitions to intervene.

3. Notices of Intervention and Public Statements were filed by the OSBA and the Office of Consumer Advocate. The Commission's Bureau of Investigation and Enforcement entered a notice of appearance.

4. A Prehearing Conference was held on January 22, 2018 before Administrative Law Judges Benjamin A. Myers and Joel H. Cheskis (the "ALJs").

5. PPL Electric submitted Direct Testimony on March 23, 2018.

6. The OSBA submitted Direct Testimony on April 23, 2018.

7. The Company submitted Rebuttal Testimony on May 9, 2018.

8. On May 29, 2018, counsel for the Company advised the ALJs that the parties had reached an agreement to waive cross-examination of all witnesses and admit evidence into the record through stipulation. The ALJs subsequently granted the Company's request and canceled the evidentiary hearing.

9. Through this Evidence Stipulation, PPL Electric respectfully requests that the following evidence be admitted into the record in this proceeding: (1) PPL EU Statement No. 1, the Direct Testimony of Alexander J. Torok; (2) PPL Electric Exhibit No. 1, the Application of PPL Electric Utilities Corporation for Approval of Intercompany Restructuring; (3) OSBA Statement No. 1, the Confidential Direct Testimony of Robert D. Knecht; (4) OSBA Exhibit IEc-1; (5) OSBA Exhibit IEc-2; (6) PPL EU Statement No. 1-R the Highly Confidential Rebuttal Testimony of Alexander J. Torok; and (7) PPL Electric Exhibit No. 1-A, the interrogatory responses of PPL Electric to OSBA Set II. This evidence is being provided herewith as Appendix A to the Evidence Stipulation.

10. Admitting the evidence provided in Confidential Appendix A will provide a more complete and accurate record for the ALJ and the Commission as they review the Company's Application.

11. Upon approval of this Evidence Stipulation, PPL Electric will provide to the court reporter: (1) two copies of the evidence provided in Appendix A hereto; and (2) original verifications attesting the veracity of the Company's and the OSBA's evidence.

WHEREFORE, PPL Electric Utilities Corporation and the Office of Small Business Advocate respectfully requests that Administrative Law Judges Benjamin A. Myers and Joel H. Cheskis admit the evidence identified in Paragraph 9 above and attached hereto as Confidential Appendix A into the record in this proceeding.

Respectfully submitted,



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Attorneys for PPL Electric Utilities Corporation

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Date: June 13, 2018

**PUBLIC
VERSION**

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Appendix A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Application of PPL Electric Utilities Corporation
for Approval of Intercompany Restructuring**

Docket No. A-2017-2629534

DIRECT TESTIMONY OF

Alexander J. Torok

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Date: March 23, 2018

1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Alexander J. Torok. My business address is Two North Ninth Street,
4 Allentown, Pennsylvania 18101.

5 **Q. What is your current position?**

6 A. I am employed by PPL Services Corporation. My current title is Tax Vice President.

7 **Q. Please describe your primary responsibilities in that position.**

8 A. In my current position, I am responsible for managing and overseeing all aspects of
9 income tax compliance, planning and accounting. I have responsibility for various non-
10 income tax compliance and accounting functions as well as managing tax controversies
11 with the various income and non-income taxing authorities. Additionally, the Tax
12 Department is responsible for supporting external financial reporting and regulatory
13 proceedings with respect to tax matters of PPL Corporation, including PPL Electric
14 Utilities Corporation ("PPL EU").

15 **Q. Please describe your educational and professional experience.**

16 A. I have a Bachelor of Science degree with a major in biology, a Master of Business
17 Administration with a concentration in accounting and a Master of Science in Taxation,
18 all from the University of Cincinnati. I am a CPA licensed in the state of Ohio. I was
19 employed in public accounting in the tax practices of Arthur Andersen & Co. and, later,
20 Deloitte & Touche LLP for a total of 18 years. I left public accounting in 2003 to join
21 Cinergy Corp. as the Vice President of Tax and held that position until 2006 when I left
22 to assume my current position with PPL Corporation.

23

24

1 **Q. On whose behalf are you testifying?**

2 A. I am testifying on behalf of PPL EU in support of the Application for Approval of
3 Intercompany Restructuring at Docket No. A-2017-2629534.

4 **Q. Have you previously testified before the Pennsylvania Public Utility Commission or**
5 **any other regulatory commission?**

6 A. Yes, I provided written and oral testimony in proceedings with the Kentucky Public
7 Service Commission on behalf of the Union Light, Heat and Power Company, a
8 subsidiary of Cinergy Corp., while employed as the Vice President of Tax for Cinergy
9 Corp. In the Matter of: An Adjustment of the Gas Rates of the Union Light, Heat and
10 Power Company, Case No. 2005-00042 (December 22, 2005). I provided direct
11 testimony on behalf of PPL EU in Federal Energy Regulatory Commission proceedings
12 at Docket Nos. ER09 1148-000, ER09-1148-001 and ER09-1148-002. I have also
13 provided direct testimony on behalf of PPL EU in its most recent Pennsylvania Public
14 Utility Commission Base Rate proceeding at Docket No. R-2015-2469275.

15 **Q. What is the purpose of your testimony?**

16 A. I will describe the intercompany restructuring that is being proposed in PPL EU's
17 Application, explain why the proposed restructuring is necessary, and explain why the
18 restructuring does not affect PPL EU or its customers.

19 **Q. Are you sponsoring any exhibits?**

20 A. Yes. I am sponsoring PPL EU Exhibit No. 1, which is a copy of PPL EU's Application
21 filed in this proceeding.

1 **II. Background**

2 **Q. Please describe the primary entities involved in the proposed restructuring.**

3 A. PPL Corporation (“PPL Corp.”) was formed in 1994 as a utility holding company.¹ PPL
4 EU is a Pennsylvania business corporation formed in 1920.² PPL EU is a public utility as
5 defined in Section 102 of the Public Utility Code, 66 Pa.C.S. § 102. PPL EU provides
6 electric service to approximately 1.4 million customers in eastern and central
7 Pennsylvania. PPL Energy Funding Corporation (“PPL EF”) is a holding company
8 within the PPL Corp. affiliated group, and owns, indirectly, 100% of the interests in PPL
9 Corp.’s electric distribution businesses in the United Kingdom (“UK”).

10 **Q. Please describe the existing corporate structure.**

11 A. Under the existing corporate structure, PPL EU and PPL EF are direct, wholly owned
12 subsidiaries of PPL Corp. The existing corporate structure is attached as “Exhibit A” to
13 PPL EU’s Application.

14 **Q. Please describe the events leading up to the proposed restructuring.**

15 A. In addition to owning PPL Corp.’s electric distribution companies in the UK, PPL EF
16 previously owned all of PPL Corp.’s non-regulated generating companies. In 2015, PPL
17 Corp. completed a spinoff of its competitive generation business. PPL Corp.’s non-
18 regulated generation companies were combined with the generation companies owned by
19 Riverstone Holdings to form a new independent power producer, Talen Energy
20 Corporation (“Talen Energy”). Subsequent to the spinoff of its competitive generation
21 business to Talen Energy, PPL EF primarily owns the UK companies. PPL EF is

¹ Originally formed under the name PP&L Resources, Inc.

² Originally formed under the name Pennsylvania Power & Light Company.

1 engaged in financing activities with its affiliates but otherwise has no operating or
2 business income. PPL Corp. did not retain any interest in or control of Talen Energy.

3 **III. Description of the Proposed Restructuring**

4 **Q. What is being proposed in PPL EU's Application?**

5 A. PPL Corp. formed two new Delaware holding companies, PPL Subsidiary Holdings, LLC
6 ("Newco 1") and PPL Energy Holdings, LLC ("Newco 2"). Newco 1 is owned directly
7 by PPL Corp. and Newco 2 is owned directly by Newco 1. PPL Corp. plans to contribute
8 all of the interests it holds in certain of its direct, wholly owned subsidiaries, including its
9 shares in PPL EU and PPL EF, to Newco 1. Newco 1 will then contribute all of the
10 shares received of these companies from PPL Corp. to Newco 2. Under the proposed
11 corporate structure, PPL EU will be a direct subsidiary of Newco 2 and an indirect
12 subsidiary of Newco 1 and PPL Corp. The resulting proposed corporate structure is
13 attached as "Exhibit B" to PPL EU's Application.

14 **IV. Purpose of the Proposed Restructuring**

15 **Q. Why is PPL Corp. proposing the intercompany restructuring that you described?**

16 A. The proposed restructuring will provide cash flow flexibility for PPL Corp. In light of the
17 2015 spinoff of the competitive generation business, PPL Corp. believes the proposed
18 structure to be more effective for operating its remaining businesses. PPL Corp. will be
19 positioned as a pure holding company. Intercompany financing, including managing the
20 capital structures of the regulated utilities to comply with regulatory requirements, will be
21 facilitated through the lower tier holding companies rather than PPL Corp. PPL Corp.
22 also believes that utilizing the subsidiary holding companies provides a more effective
23 structure to facilitate any future business acquisitions it may undertake, as well as any

1 combination or merger of existing non-regulated corporate entities to gain efficiencies
2 without creating incremental tax liabilities.

3 **Q. Can you provide an example?**

4 A. Yes. Under the current corporate structure, distributions from the UK companies are
5 received by PPL EF and redistributed to PPL Corp. Distributions from PPL EF to PPL
6 Corp. may lower the tax basis of PPL EF's stock held by PPL Corp. PPL EF expects
7 distributions associated with the UK companies to continue indefinitely. In the event that
8 distributions from the UK, and, in turn, from PPL EF, exceed the tax basis of PPL EF's
9 stock, the excess could create incremental and unnecessary Pennsylvania state tax
10 liability. Assuming implementation of the proposed internal restructuring, PPL EF's
11 distributions will be to Newco 2, an entity that is not resident in Pennsylvania. PPL has
12 concluded that using this structure will not create an incremental state tax liability in the
13 event of a distribution in excess of basis, thereby providing PPL Corp. and its
14 shareholders more efficient, lower cost access to cash distributions, primarily from its UK
15 companies.

16 **V. Effect of the Proposed Restructuring on PPL EU**

17 **Q. What is the Commission's role in evaluating PPL EU's Application?**

18 A. I am advised by counsel that in the context of an internal restructuring, the Commission
19 will evaluate PPL EU's Application to determine if the proposal has a fundamental effect
20 on the management and operations of the utility.

21 **Q. Will the proposed restructuring affect PPL EU?**

22 A. Inserting the holding companies between PPL EU and PPL Corp. will have no impact on
23 the operations and management of PPL EU. There will be no changes in the financing of
24 PPL EU or PPL EU's officer, director or employee positions. The manner of service PPL

1 EU provides to its customers will also remain unchanged. PPL EU will remain legally,
2 technically and financially fit after the proposed restructuring, and the proposed
3 restructuring will have no impact on PPL EU's ability to provide service. Accordingly,
4 service to PPL EU's customers will be completely unaffected by the proposed
5 restructuring.

6 **Q. Will PPL Corp. retain control of PPL EU?**

7 A. Yes. Under the proposed corporate structure, PPL EU will be indirectly owned by PPL
8 Corp. Control becomes indirect through the insertion of the two new holding companies
9 between PPL Corp. and its subsidiaries, including PPL EU. Thus, the proposed
10 restructuring will not change the ultimate ownership of PPL EU. I am advised by counsel
11 that, for purposes of the Public Utility Code, the proposed restructuring is a technical
12 change in control of PPL EU. However, as I stated earlier, counsel has also advised me
13 that the Commission examines this type of technical change in control by determining the
14 fundamental effect on the management and operations of the utility. For the reasons I
15 have explained, the proposed restructuring will not have any effect on the management
16 and operations of PPL EU.

17 **Q. Will the proposed restructuring harm PPL EU in any way?**

18 A. No. The proposed restructuring will not result in any cost to PPL EU. PPL EU will
19 continue to raise debt and capital in financial markets directly. In fact, the efficient flow
20 of cash to PPL Corp. without creating new tax liabilities will strengthen PPL Corp., the
21 ultimate source of equity capital for PPL EU.

22 **Q. Does that conclude your testimony?**

23 A. Yes.



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October 16, 2017

VIA HAND DELIVERY

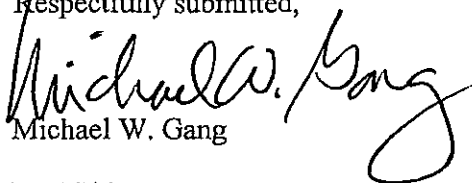
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Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Application of PPL Electric Utilities Corporation for Approval of Intercompany
Restructuring
Docket No. A-2017-**

Dear Secretary Chiavetta:

Enclosed for filing, please find the Application of PPL Electric Utilities Corporation for Approval of Intercompany Restructuring. Also enclosed is a check in the amount of \$350.00, made payable to the Commonwealth of Pennsylvania for the filing fee. Copies of this Application will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Michael W. Gang

MWG/skr
Enclosure

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA FIRST CLASS MAIL

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Small Business Advocate
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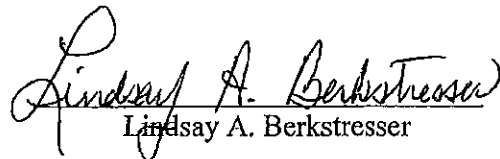
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Date: October 16, 2017


Lindsay A. Berkstresser

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of PPL Electric Utilities :
Corporation for Approval of Intercompany : Docket No. A-2017-
Restructuring :

**APPLICATION OF PPL ELECTRIC UTILITIES CORPORATION
FOR APPROVAL OF INTERCOMPANY RESTRUCTURING**

I. INTRODUCTION

1. By this Application, PPL Electric Utilities Corporation ("PPL EU"), by and through its legal counsel, requests all approvals required under the Pennsylvania Public Utility Code for a proposed corporate restructuring. The corporate restructuring would interject two new Delaware holding companies, PPL Subsidiary Holdings, LLC ("Newco 1") and PPL Energy Holdings, LLC ("Newco 2," between PPL EU and its current parent, PPL Corporation.

2. The complete name and address of the Applicant are as follows:

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

3. The attorneys for Applicant are:

David B. MacGregor (ID # 28804)
Michael W. Gang (ID # 25670)
Lindsay A. Berkstresser (ID # 318370)
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Amy E. Hirakis (ID #310094)
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II. DESCRIPTION OF THE RELEVANT ENTITIES

PPL Corporation

4. PPL Corporation was formed in 1994 as a utility holding company. PPL Corporation is the parent company of PPL EU and PPL Energy Funding Corporation ("PPL EF"), as well as other subsidiaries (together the "PPL Group"). PPL Corporation's current simplified legal entity structure is attached as "Exhibit A."

PPL EU

5. PPL EU is a Pennsylvania business corporation formed in 1920.

6. PPL EU is a public utility as defined in Section 102 of the Public Utility Code, 66 Pa.C.S. § 102. PPL EU provides electric service to approximately 1.4 million customers in eastern and central Pennsylvania.

PPL EF

7. PPL EF is a holding company within the PPL Corporation affiliated group. PPL EF owns, indirectly, 100% of the interest in PPL Corporation's electricity distribution businesses in the United Kingdom and, prior to the 2015 spinoff, directly and indirectly owned 100% of PPL Corporation's competitive generation business.

III. THE PROPOSED RESTRUCTURING

8. PPL Corporation proposes to undertake a corporate restructuring (the "Proposed Restructuring"). In the first step, PPL Corporation will form two new Delaware holding companies, "Newco 1" and "Newco 2". Newco 1 will be owned directly by PPL Corporation and Newco 2 will be owned directly by Newco 1. In the second step, PPL Corporation plans to

contribute all of the interests it holds in certain of its direct, wholly owned subsidiaries, including its shares in PPL EU and PPL EF, to Newco 1. Newco 1 will then contribute all of the shares received from PPL Corporation in the second step to Newco 2. Under the proposed corporate structure, PPL EU will be a direct subsidiary of Newco 2 and an indirect subsidiary of Newco 1 and PPL Corporation. The resulting proposed corporate structure is attached as "Exhibit B."

9. The Proposed Restructuring is straightforward and involves no change in the ultimate control of PPL EU or any of the other entities involved. All of these entities will be 100% owned by PPL Corporation both before and after the restructuring, albeit such ownership will be indirect following the restructuring. There will be no changes in the management or operations of PPL EU. Accordingly, there is no change in control.

10. PPL EU respectfully requests a decision on the proposed legal entity structure by February 1, 2018.

IV. LEGAL STANDARD FOR COMMISSION APPROVAL OF THE PROPOSED RESTRUCTURING

11. Section 1102(a)(3) of the Public Utility Code, 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 . . . to acquire from, or transfer to, any person or corporation . . . by any method or device 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.

12. To provide direction for future applicants, the Commission issued a Statement of Policy on October 22, 1994, establishing clear standards regarding the circumstances under

which a transfer of voting interest constitutes a change in *de facto* control of the utility. The Commission's Statement of Policy 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. 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.

13. There is no ultimate change in control resulting from the Proposed Restructuring, since PPL Corporation will own all of the interests in all of the involved entities both before and after the restructuring, albeit indirectly. Nevertheless, the Commission has concluded that internal reorganizations are subject to review and approval under Section 1102(a)(3) of the Public Utility Code, *Policy Statement Regarding Interpretation of 66 Pa.C.S. § 1102(a)(3)*, Docket No. M-930490, 1994 Pa. PUC LEXIS 56 (Order entered September 13, 1994). Specifically, the Commission stated:

Internal transactions usually involve corporate reorganizations which can have fundamental effect on the management and operations of a utility. Accordingly, we believe that the legislature intended that these transactions be subject to regulatory review under Section 1102(a)(3) to the extent they constitute a transfer of de facto control as defined by the policy statement heretofore issued. (emphasis added)

Policy Statement, 1994 Pa. PUC LEXIS 56 at *11.

14. Section 1103 of the Pennsylvania Public Utility Code sets forth the procedure to obtain certificates of public convenience. Under Sections 1102 and 1103 of the Public Utility Code, 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. Publ. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958).

15. 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 transaction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. P.U.C.*, 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. P.U.C.*, 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 617-618, 937 A.2d at 1061.

16. In construing the above standards, the Commission should consider that the express purpose of reviewing an internal reorganization is to determine whether this Proposed Restructuring has a fundamental effect on the management and operations of a utility. For reasons explained in the following section of this Application, the Proposed Restructuring has no effect on the operations and management of PPL EU.

V. PURPOSE OF THE PROPOSED RESTRUCTURING

17. The Proposed Restructuring will allow PPL Corporation to effectively manage the movement of cash within the group of entities in the corporate structure as shown in "Exhibit B." In the context of the existing structure as shown in "Exhibit A," PPL Corporation is faced with potential future limitations on its ability to distribute cash from certain of its subsidiaries without creating negative Federal or State income tax consequences due to limited tax basis in those subsidiaries. In order to fund capital expenditures as well as dividends to shareholders of PPL Corporation, subsidiaries of PPL Corporation must regularly distribute cash to PPL Corporation. To the extent that such distributions exceed accumulated earnings and profits, the distributions will be characterized as returns of basis to the extent thereof and then as capital gains. While returns of basis are "tax neutral" from both a Federal and State income tax perspective, capital gains may trigger a tax cost. This cost poses a clear impediment on the PPL Group's options for efficiently mobilizing cash to serve its needs. The Proposed Restructuring significantly mitigates this potential cost by consolidating the tax basis of the relevant subsidiaries within both Newco 1 and Newco 2. In turn, this proposed structure will allow for more flexibility in making future distributions without triggering a negative tax impact.

18. PPL Corporation's existing corporate structure was created over a period of years in the context of operating numerous regulated and non-regulated electric generation,

transmission and distribution businesses within the United States and internationally. In June 2015, PPL Corporation completed a spinoff of its competitive generation business, which was immediately combined with the generation assets owned by Riverstone Holdings to form a new independent power producer called Talen Energy Corporation ("Talen Energy"). The spinoff was the final step of PPL Corporation's transition to a company solely focused on high-performing regulated utilities in both the United States and internationally. PPL Corporation's former power plants located in Pennsylvania and Montana were transferred to Talen Energy as part of the spinoff. Other PPL Corporation subsidiaries, including PPL EU, were not affected by the spinoff transaction and remain part of PPL Corporation. In light of the 2015 spinoff of the competitive generation business, PPL Corporation believes the proposed structure to be more effective for operating its remaining regulated businesses. PPL Corporation will be positioned as a pure holding company. Intercompany financing, including managing the capital structures of the regulated utilities to comply with regulatory requirements, will be facilitated through the lower tier holding companies rather than PPL Corporation. Additionally, PPL Corporation believes that utilizing the subsidiary holding companies provides a more effective structure to facilitate any future business acquisitions it may undertake, as well as any combination or merger of existing non-regulated corporate entities to gain efficiencies.

VI. EFFECTS OF THE PROPOSED RESTRUCTURING

19. PPL EU will remain legally, technically and financially fit after the Proposed Restructuring. The Proposed Restructuring will have no impact on PPL EU's ability to provide service. PPL EU will continue to be indirectly owned and managed by PPL Corporation. PPL EU will maintain the same employees that it has now and will provide the same services to

customers. In addition, PPL EU will maintain a separate investment grade rating from credit rating agencies. There will be no changes in the management or operations of PPL EU.

20. The Proposed Restructuring promotes the public interest. The Proposed Restructuring will enable PPL Corporation to more effectively distribute cash from its subsidiaries for purposes of funding capital expenditures, including PPL EU's capital projects. The creation of subsidiary holding companies will also promote efficiency by providing a more effective structure for future business acquisitions and/or mergers of non-regulated corporate entities.

VII. CONCLUSION

The Proposed Restructuring, as described in this Application, is necessary and proper for the service, accommodation and convenience of the public.

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve this Application by February 1, 2018, and grant all necessary or appropriate relief authorizing the Proposed Restructuring.

Respectfully submitted,



David B. MacGregor (ID # 28804)
Michael W. Gang (ID # 25670)
Lindsay A. Berkstresser (ID # 318370)
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E-mail: aehirakis@pplweb.com

Date: October 16, 2017

Attorneys for PPL Electric Utilities Corporation

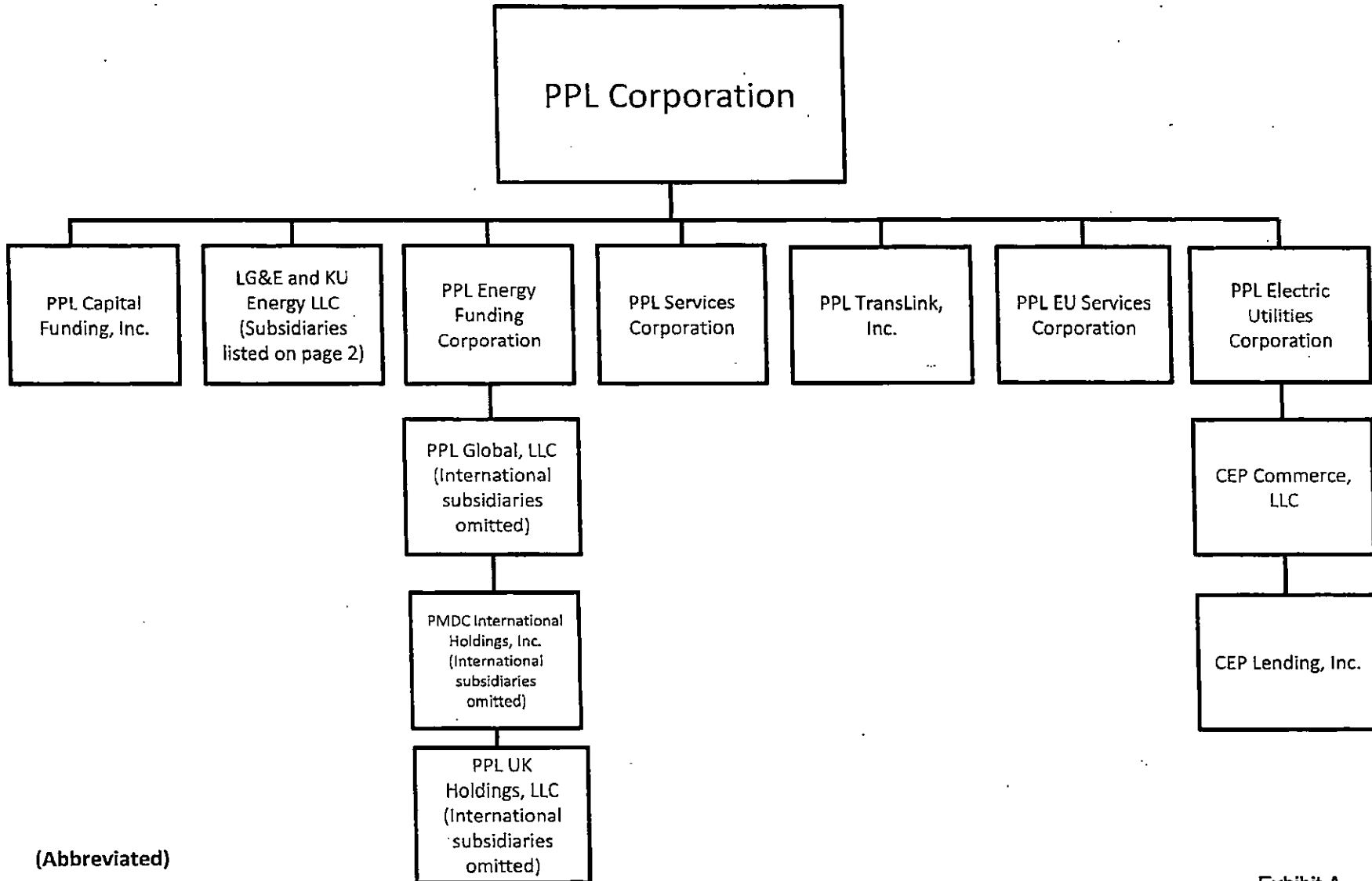
Exhibit A

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JUN 13 2018

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

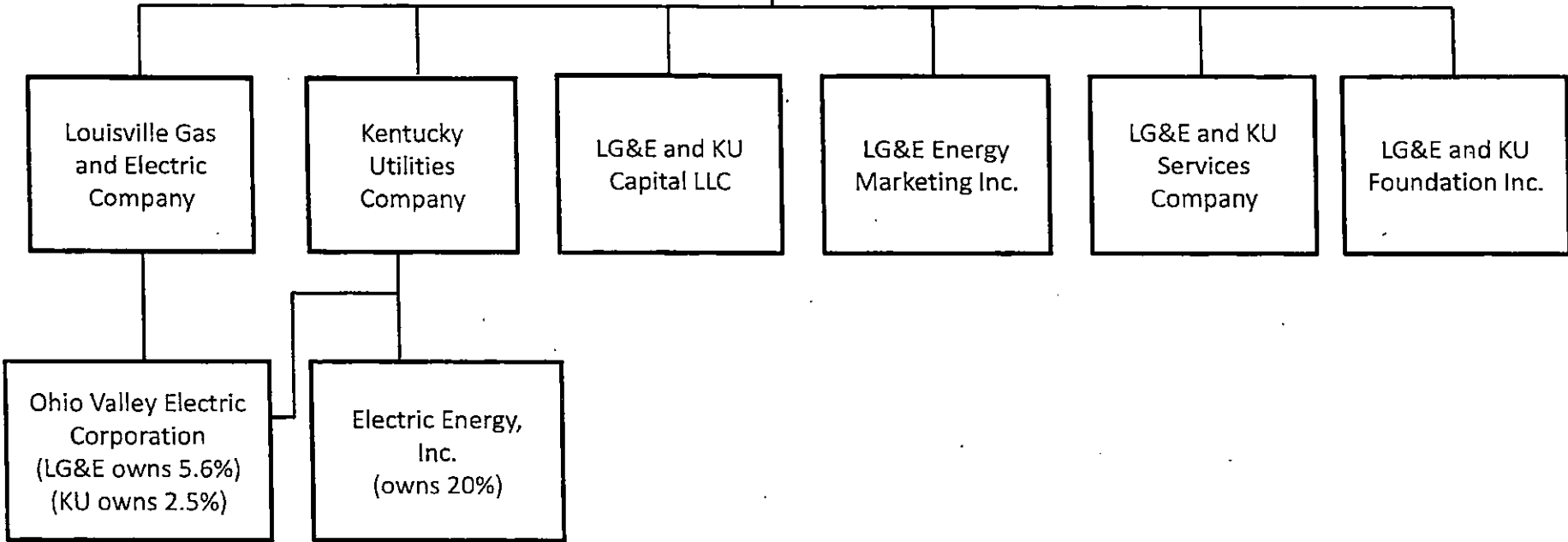
Current Corporate Organizational Structure October 2017



(Abbreviated)

Exhibit A

LG&E and KU
Energy LLC



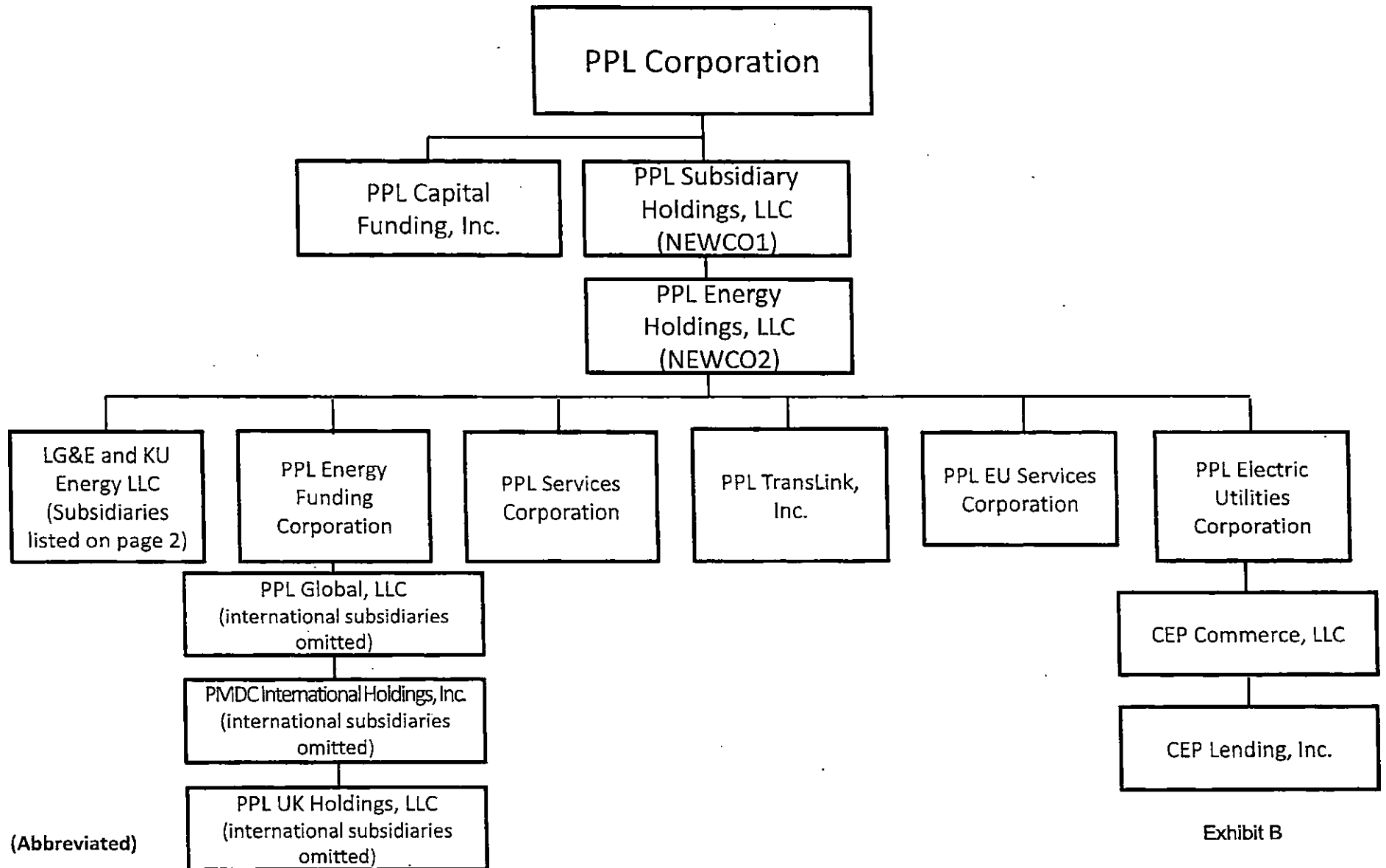
(Abbreviated)

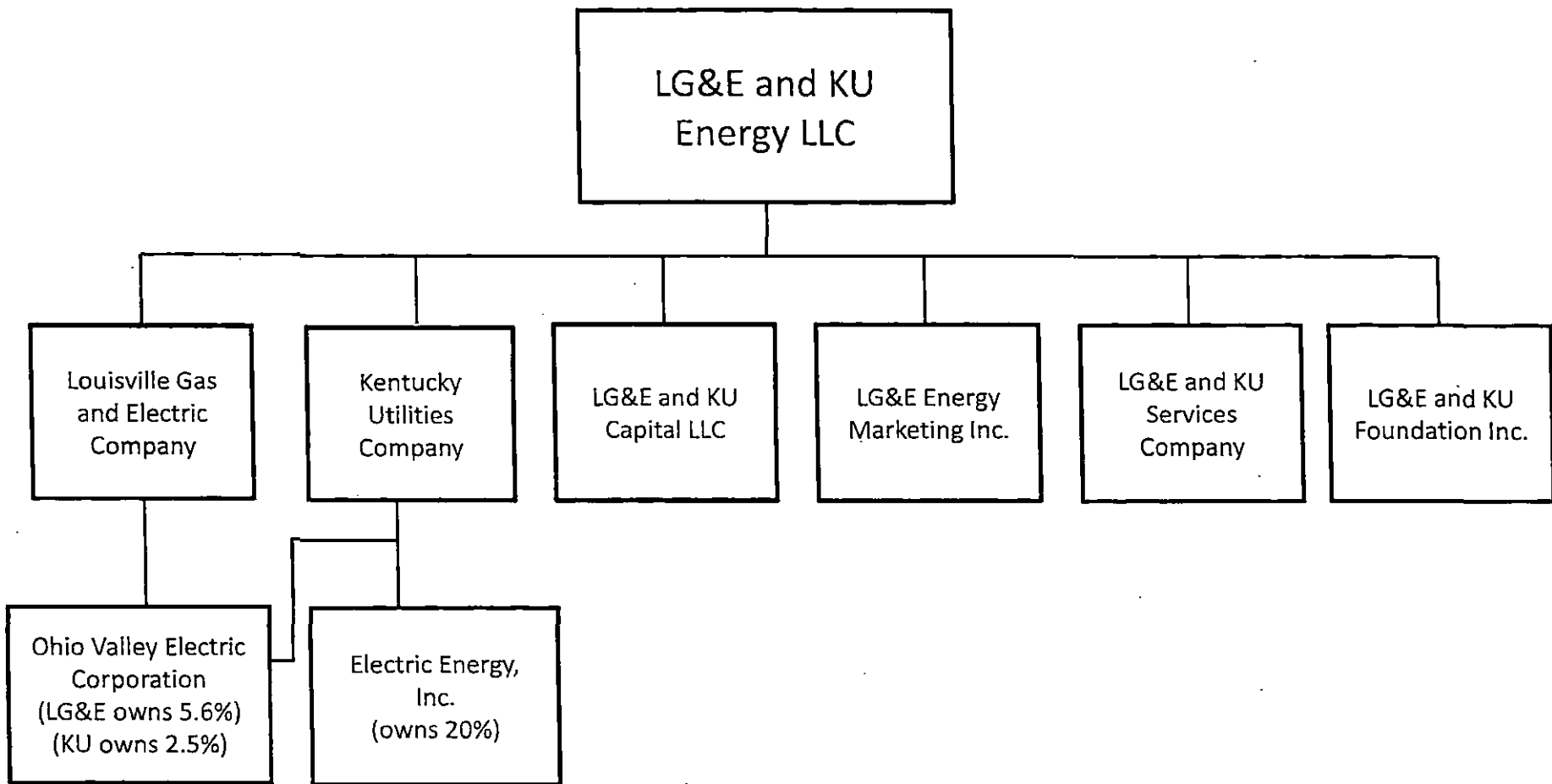
Exhibit A

Exhibit B

Proposed Corporate Organizational Structure

October 2017





(Abbreviated)

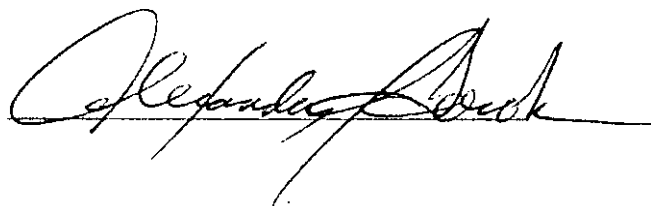
Exhibit B

**CONFIDENTIAL AND
HIGHLY CONFIDENTIAL
EVIDENCE WILL BE
FILED UNDER SEAL**

VERIFICATION

I, ALEXANDER J. TOROK, being the Assistant Treasurer of 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: 6/12/2018

A handwritten signature in cursive script, appearing to read "Alexander J. Torok", written over a horizontal line.

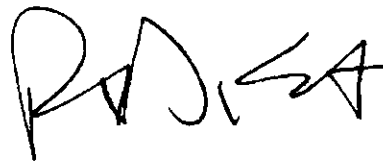
VERIFICATION

Reference: OSBA Statement No. 1 with Exhibits IEc-1 and IEc-2
CONFIDENTIAL and NON-CONFIDENTIAL VERSIONS
Direct Testimony and Exhibits of Robert D. Knecht

PPL Electric Utilities Corporation

Application for Approval of Intercompany Restructuring
Docket No. A-2017-2629534

I, Robert D. Knecht, hereby state that the facts set forth herein above are true and correct to the best of my knowledge, information and belief and that I expect 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: June 11, 2018

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA HAND DELIVERY

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

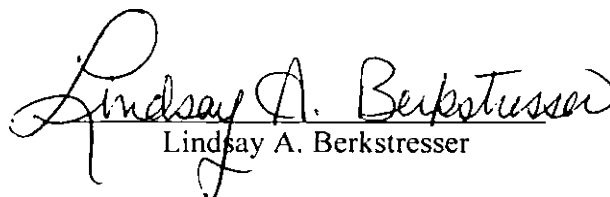
Christy M. Appleby, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Gina L. Miller, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

VIA FIRST CLASS MAIL

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
Consultant for OSBA

Date: June 13, 2018


Lindsay A. Berkstesser

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