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October 1, 2018

VIA ELECTRONIC FILING

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 please find the Exceptions of PPL Electric Utilities Corporation in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Gang

MWG/skr
Enclosure

cc: Certificate of Service
Honorable Joel H. Cheskis
Honorable Benjamin J. Myers
Office of Special Assistants (*via e-mail*)

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).

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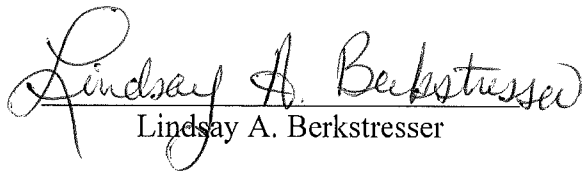

Lindsay A. Berkstresser

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

EXCEPTIONS OF PPL ELECTRIC UTILITIES CORPORATION

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Date: October 1, 2018

Attorneys for PPL Electric Utilities Corporation

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I. EXCEPTIONS

Exception No. 1: The RD erred in concluding that PPL Electric Utilities Corporation ("PPL Electric") was required to show substantial public benefit to justify an internal reorganization that does not change ultimate ownership of PPL Electric's utility property.

Exception No. 2: The RD erred in concluding that the proposed internal reorganization would not benefit PPL Electric's customers in a manner sufficient to justify the internal reorganization.

Exception No. 3: The RD erred in concluding that Section 1102(a)(3) applies to an internal reorganization that does not result in a change to ultimate ownership of PPL Electric's utility property.

II. INTRODUCTION

On October 16, 2017, PPL Electric Utilities Corporation ("PPL Electric") filed an Application for Approval of Intercompany Restructuring ("Application") requesting that the Pennsylvania Public Utility Commission ("Commission") approve its proposed internal reorganization ("Restructuring").

PPL Electric is a direct operating subsidiary of PPL Corporation. PPL Corporation currently owns all of the shares of PPL Electric directly. Under the Proposed Restructuring, two new holding companies, PPL Subsidiary Holdings, LLC and PPL Energy Holdings, LLC, would be placed between PPL Corporation and certain of its operating subsidiaries, including PPL Electric. Under the proposed corporate structure, PPL Subsidiary Holdings, LLC would be wholly owned by PPL Corporation, PPL Energy Holdings, LLC would be wholly owned by PPL Subsidiary Holdings, LLC, and PPL Electric and certain other subsidiaries currently owned by PPL Corporation directly would be owned by PPL Energy Holdings, LLC. After the Restructuring, PPL Electric and all of its other regulated and non-regulated subsidiary companies would still be owned and controlled by PPL Corporation. (PPL Electric Exhibit No. 1, pp. 2-3)

PPL Electric's existing corporate structure, as well as the updated corporate structure, are attached as "Appendix A."

The proposed Restructuring is intended to allow PPL Corporation to more effectively manage its intercompany cash flows. PPL Corporation will serve as a holding company with intercompany financing accomplished through the lower tier holding companies. It is uncontested that this new structure will allow for more efficient operation of PPL Corporation's businesses, including PPL Electric. The proposed corporate structure also will allow PPL Corporation to prudently manage its tax liabilities. (PPL Electric Statement No. 1, pp. 4-5). Each of these results will improve PPL Corporation's financial profile, which, as the Commission has recognized, will directly and substantially benefit PPL Electric and its customers. See Exception No. 2, *infra*.

The Office of Small Business Advocate ("OSBA") and Office of Consumer Advocate intervened in this proceeding. The Commission's Bureau of Investigation and Enforcement entered a notice of appearance. The Application was assigned to Administrative Law Judges Joel H. Cheskis and Benjamin A. Myers for recommended decision. A prehearing conference was held on January 22, 2018, during which a procedural schedule was established for the submission of testimony, hearing and briefs. The OSBA and PPL Electric are the only parties who submitted testimony in this proceeding, and only the OSBA opposed the Application. These parties agreed to waive cross examination and submit their respective evidence for the record through stipulation, which was submitted on June 13, 2018. On September 11, 2018, the Commission served the Recommended Decision ("RD") of Judges Myers and Cheskis on the parties. In the RD, the Judges recommend denial of the Application on the basis that PPL

Electric has not demonstrated that the proposed Application will provide substantial benefits to the public and its customers. PPL Electric files these Exceptions to the RD.

III. SUMMARY OF ARGUMENT

PPL Electric filed this Application with the Commission to obtain approval of an internal reorganization of PPL Corporation and its subsidiaries ("Restructuring") because it would change the direct parent of PPL Electric. Importantly, the ultimate owner of PPL Electric will continue to be PPL Corporation. As a result, there is no change in ultimate control of PPL Electric, and there will be no change in PPL Electric management or operations.

OSBA contends that this internal reorganization should be examined and judged as if PPL Corporation sold its interests in PPL Electric to an independent third party and the Administrative Law Judges ("ALJs") have accepted this proposition.

While PPL Electric accepts that the Commission should review this Restructuring where the direct parent of PPL Electric changes, it submits that treating the Restructuring the same as if it were an ultimate change of control is legally wrong, factually wrong, and would be extraordinarily poor public policy. It also has produced an illogical and unprecedented result. To the best of the Company's knowledge the Commission has never rejected an internal reorganization/restructuring. The RD, by adopting an erroneous standard of review, reaches an unwarranted and completely unprecedented decision, which must be rejected.

First, the RD applies the substantial benefit test and concludes that the Restructuring must be rejected because it does not provide sufficient benefit for PPL Electric's customers. Applying this test, which is required to justify a change in the ultimate owner of utility property, to an internal reorganization, is entirely unwarranted. To the contrary, the Commission has indicated in the Order adopting its Policy Statement on changes of control that its focus on reviewing

internal reorganizations is whether the management or operations of the utility will change. In this case, there is no such change and the Restructuring should be approved. As explained in Exception No. 1, the Commission should review this Application using the statutory standard set forth in Section 1103(a) of the Public Utility Code and determine whether the Restructuring is "necessary or proper for the service, accommodation, convenience, or safety of the public." Under this standard, the Commission has broad discretion to determine the circumstances under which a certificate may be granted.

Second, the RD also errs in concluding that the Restructuring will not benefit PPL Electric's customers. To the contrary, as explained in Exception No. 2, the evidence shows that the Restructuring will allow PPL Corporation to better manage its cash flows and taxes thereby improving PPL Corporation's profitability and financial profile and ability to raise capital. It is well established that regulation must provide regulated utilities with the ability to attract capital on reasonable terms to provide safe and reliable service to customers. For these reasons, the Commission has repeatedly held that the ability to raise capital in public markets is a substantial affirmative benefit for customers. On this basis, the Application should clearly be approved.

Third, the reasoning of the RD, if adopted by the Commission, would produce illogical and counter-intuitive results. By applying the test for third party mergers and acquisitions to an internal reorganizations, the RD would require that a minor internal restructuring, which creates no change of ultimate control and no change in management or operations of the utility, produce the same type of benefits as a third party merger or acquisition. This simply makes no sense. A major third party acquisition where there is a clear change in ownership and major impacts on management obviously may produce a variety of significant harms and benefits to the public. In these instances, the Commission must weigh the pros and cons and should approve such a

transaction only if there are substantial net public benefits. In contrast, an internal reorganization/restructuring is exactly the opposite, particularly where the restructuring merely involves affiliated holding and financing companies. There is no change in ultimate control or ownership and no change in management or operations. In such an instance, there would be no harm to utility customers as compared to what may occur in the context of a third party change of control. Under the analysis adopted by the RD, an internal restructuring would rarely be approved because it will rarely produce substantial benefits for utility customers. This result is not only clearly erroneous and poor public policy, but it also is completely inconsistent with all relevant precedent, as the Commission, to the best of the Company's knowledge, has never rejected an internal reorganization/restructuring.

Finally, PPL Electric explains in its Exception No. 3 that the Commission, after review of the Restructuring, may conclude that it is not required to issue a certificate of public convenience or require substantial affirmative public benefits to approve the Restructuring because it does not result in a change in the ultimate controlling interest of PPL Electric's utility property, as it has done in similar cases cited herein.[1]

For these reasons, the Commission should reject the ALJs' Recommended Decision and issue an Order approving the Restructuring.

[1] If the Commission concludes that there is sufficient benefit to issue a certificate of public convenience, it need not reach this issue.

IV. EXCEPTIONS

A. EXCEPTION NO. 1: THE RD ERRED IN CONCLUDING THAT PPL ELECTRIC WAS REQUIRED TO SHOW SUBSTANTIAL PUBLIC BENEFIT TO JUSTIFY AN INTERNAL REORGANIZATION THAT DOES NOT CHANGE ULTIMATE OWNERSHIP OF PPL ELECTRIC'S UTILITY PROPERTY.

As explained in the Introduction, PPL Electric seeks the Commission's approval of an internal restructuring of PPL Corporation's manner of holding its interest in PPL Electric. Currently, PPL Electric's stock is owned directly by PPL Corporation. On completion of the Restructuring, two holding companies would be inserted between PPL Corporation and PPL Electric and certain of PPL Corporation's other operating subsidiaries.

Critical to the issues in this case are two facts. First, the ultimate ownership and control of PPL Electric and its utility property by PPL Corporation will not change as a result of the Restructuring. (PPL Electric Statement No. 1-R, p. 1) Second, the Restructuring will not, in any way whatsoever, change the management or operations of PPL Electric. (PPL Electric Statement No. 1-R, p. 3) Despite these facts, the RD concludes that the Restructuring is a change of control, that PPL Electric must demonstrate that the Restructuring will produce substantial benefits for PPL Electric's customers to be approved, and in a completely unprecedented ruling, that the substantial public benefits test is "not easily met." RD, p. 21.

In this Exception No. 1 to the RD, PPL Electric challenges the RD's conclusion that PPL Electric must demonstrate that the proposed Restructuring will produce substantial public benefit to obtain Commission approval.[2] As explained herein, this is not the correct standard to be applied to an internal reorganization. The correct legal standard is contained in Section 1103(a)

[2] The ALJs' determination is premised on a conclusion that the proposed Restructuring requires approval of a transfer of public utility property under Section 1102(a)(3) of the Public Utility Code. Although PPL Electric also excepts to such conclusion, it is not necessary to reach that question if the Commission reverses the ALJs' conclusion of the standard to be applied and concludes that PPL Electric has demonstrated sufficient benefit to justify the Restructuring.

of the Public Utility Code, that the granting of the certificate is necessary, or proper for the service, convenience, accommodation or safety of the public. As explained herein, the Commission has broad discretion in making such a determination based on the facts of each Application.

The RD's application of the substantial public benefit test for an intercompany transaction is incorrect for several reasons.

First, the substantial public benefit test was enunciated by the Pennsylvania Supreme Court in *City of York v. Pa. PUC*, 449 Pa. 136, 141, 295 A.2d 325, 828 (1972) ("*City of York*"). Both *City of York* and *Popowsky v. Pa. PUC*, 594 Pa. 583, 937 A.2d 1040 (2007) ("*Popowsky*") cited by the RD, changed the ultimate controlling owner of the utility that was seeking the Commission's approval. As noted above, in the proposed Restructuring there is no change in the ultimate owner of PPL Electric because PPL Corporation will remain its ultimate owner.

The ALJs, in their Conclusion of Law No. 4, appear to recognize that the substantial public benefit test applies only when there is an ultimate change of control:

> 4. Where there is an actual change in the ultimate control of a utility and, therefore, a transfer of property under Section 1103(a)(3), the Commission must find that the transaction will 'affirmatively promote the service, accommodation, convenience, or safety of the public in a substantial way.'" RD, p. 22; (emphasis provided)

While this conclusion of law is correct, it is not applied correctly in this case because there will be no change in ultimate control.

The fact that there will be no change in ultimate control is demonstrated by the Commission's Policy Statement on Utility Stock Transfer under 66 Pa.C.S. § 1102(a)(3). In Section 69.901, the Commission clearly concluded that transfers of voting interests of a utility parent or grandparent – the ultimate owner – at any level is a transfer of control. 52 Pa. Code

§ 69.901(b). In this case, ultimate voting control and ownership lies with PPL Corporation both before and after the Restructuring.

The error that the ALJs made is that they applied a standard that is required to justify a change in ultimate ownership to an internal reorganization that does not change ultimate control.[3]

For these reasons, it is clear that the RD applies the wrong standard to the proposed transaction. In this regard, the Commission considered the applicability of its Policy Statement to internal restructuring when it was adopted. Although PPL Electric noted this and quoted the Commission's Order adopting the Policy Statement in its Application and briefs (Application, pp. 3-4; M.B., pp. 5-6; R.B., p. 2) the RD does not reference the Commission's Policy Statement Order.[4] In this Order, the Commission concluded as follows:

> "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)

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

It is clear from the Policy Statement Order that the Commission recognized that an internal reorganization that changed the ownership of a utility from one affiliated company to another affiliated company without a change in the ultimate owner of the utility was a dramatically different type of transaction than a merger or acquisition of the ultimate controlling owner of a public utility. For this reason, the Commission specified that the focus of the investigation of a proposed internal reorganization was whether the restructuring would affect

---

[3] If the proposed Restructuring was an "ultimate change in control" the new controlling interest would also have to demonstrate financial, technical and legal fitness. *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).

[4] The ALJs did note PPL Electric's position that the focus of review should be on PPL Electric's management and operations. RD, p. 11.

the management or operations of the utility. The evidence in this case is that the proposed Restructuring will not affect management or operations and such evidence is undisputed. (PPL Electric Statement No. 1-R, p. 3)

The RD's adoption of a substantial public benefit test, which has been applied to fundamental changes in ultimate ownership of utility property, sets an unachievable standard for a much simpler and less impactful internal reorganizations. Changes in ultimate ownership are much more likely to have significant effects on utility customers while internal reorganizations are likely to have limited effects. Requiring a showing of substantial benefits for utility customers to internal reorganizations will unreasonably restrict changes that may ultimately benefit utility customers.

For these reasons, the Commission should reject the RD's application of the substantial public benefits test to this case. Instead, it should apply the standard contained in Section 1103(a) of the Public Utility Code, which provides as follows:

> "A certificate of public convenience shall be granted by order of the commission, only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public."

In *Application of James Black Water Service Company*, 2018 Pa. PUC LEXIS 119, the Commission elaborated on the flexibility of the Section 1103(a) standard in the context of an application to provide water service. In that case, the Commission stated:

> In granting a certificate, we have an express statutory mandate to grant a certificate only if we determine 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). In carrying out this mandate, we have previously stated that the controlling and paramount factor in granting a certificate of public convenience is the public interest. Re: *Apollo Gas Co.*, 67 Pa. P.U.C. 586, 588 (1988) (citations omitted). Moreover, the appellate courts have recognized that this statutory standard is broad, and that the various and specific factors to be considered in

> determining whether to grant a certificate, beyond those expressly stated in the statute, are matters left to the administrative expertise, sound discretion, and good judgement of the Commission. *See Elite Industries, Inc. v. Pa. P.U.C.*, 832 A.2d 428, 432 (Pa. 2003); *Seaboard Tank Lines*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985). (emphasis added)

Since the Commission's authority to apply the Section 1103(a) standard is broad, the Commission should follow its Policy Statement Order and approve the proposed Restructuring on the basis of the record evidence that it will not affect, in any way whatsoever, the management or operations of PPL Electric. In this regard, the Commission has the discretion to adjust the standard to the nature of the matter under review. To the extent that the Commission also requires a showing that Restructuring will benefit customers, such benefit is explained in PPL Electric Exception No. 2.

B. EXCEPTION NO. 2: THE RD ERRED IN CONCLUDING THAT THE PROPOSED INTERNAL REORGANIZATION WOULD NOT BENEFIT PPL ELECTRIC'S CUSTOMERS IN A MANNER SUFFICIENT TO JUSTIFY THE INTERNAL REORGANIZATION.

The RD concludes that PPL Electric failed to establish the Restructuring would produce an affirmative public benefit stating as follows:

> "While PPL has argued that certain corporate tax and financial benefits may result from the proposed restructuring, it has failed to demonstrate that such theoretical or potential benefits affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way." RD, p. 20.

As noted in Exception No. 1, PPL Electric asserts that the RD improperly applies a "benefit" standard that is applicable solely to changes to the ultimate ownership of utility property and not applicable to an internal restructuring. Nevertheless, given that difference, PPL Electric submits that the benefits from the internal restructuring are clearly sufficient to justify approval even if the substantial public benefit test is applied.

As the RD indicated, there are potential benefits that will be produced by the Restructuring. Following the Restructuring, PPL Corporation will be better able to manage the cash flows and tax liabilities of its non-regulated subsidiaries. This will result in more funds available to PPL Corporation for the entire range of its activities including payments of dividends and investment in utility and non-utility projects. (PPL Electric Statement No. 1-R, p. 6) A financially stronger PPL Corporation benefits PPL Electric by improving its ability to raise capital at reasonable terms for PPL Electric and its other subsidiaries. (PPL Electric Statement No. 1-R, p. 6) The Commission has recognized that the ability of a parent company of a utility to raise capital on reasonable terms and attract investors is one kind of substantial public benefit that can meet the substantial public benefit test. *See Application of Duquesne Light Company for a Certificate of Public Convenience under Section 1102(a)(3),* 2007 Pa. PUC LEXIS 603, *36 (Initial Decision March 20, 2007; Order entered April 24, 2007); *Joint Application for Approval to Transfer the Interests and Shares in DQE Holdings LLC and to Approve Resulting Change in Control of Duquesne Light Company*, 2011 Pa. PUC LEXIS 1496, *39 (Initial Decision July 14, 2011; Order August 11, 2011); *Joint Application of North Pittsburgh Telephone Company and Penn Telecom, Inc.* 2007 Pa. PUC LEXIS 632, *26 (Initial Decision November 16, 2007; Order entered December 5, 2007); *Joint Application of Peoples Natural Gas Company, Peoples TWP LLC, and Equitable Gas Company, LLC for All of the Authority and the Necessary Certificates of Public Convenience,* 2013 Pa. PUC LEXIS 654, *128 (Initial Decision November 1, 2013; Order November 14, 2013); *Pa. PUC v. Philadelphia Electric Company*, 1982 Pa. PUC LEXIS 81, *18 (June 30, 1982) (reducing capital attraction costs benefits ratepayers).

The RD contends that PPL Electric has only proven that PPL Electric's customers will not be harmed but has not proven that customers will benefit from the Restructuring. RD, p. 21.

This is simply not true, as the RD fails to note or address PPL Electric's evidence that a financially healthy and more efficient parent company benefits PPL Electric's customers. Further, the lack of harm to customers reduces the amount of benefit required under a net benefits test.[5] *See Joint Application of North Pittsburgh Telephone Company and Penn Telecom, Inc.*, 2007 Pa. PUC LEXIS 632 (November 16, 2007).

Finally, the RD concludes that the *City of York* substantial benefit test is not easily met and claim that *Popowsky* requires more than speculative benefits. PPL Electric does not believe that managing its non-regulated tax liabilities to produce more funds for investment and dividends is speculative. Further, PPL Electric provided details of the kinds of tax liabilities that could arise from managing the repatriation of cash from its foreign investments that would create such tax liabilities. (PPL Electric Statement No. 1, pp. 4-5) The fundamental problem is that the RD uses the wrong standard to judge an internal reorganization. In doing so, the RD improperly interferes in PPL Corporation's right to manage its business in a manner that creates no harm to utility customers and likely will produce a financially stronger PPL Corporation to the benefit of all its subsidiaries. *See Pa. PUC v. West Penn Power Company*, 2015 Pa. PUC LEXIS 93, *172 (Recommended Decision March 9, 2015; Order April 9, 2015); *Re Philadelphia Electric Company*, 1975 Pa. PUC LEXIS 12 (November 12, 1975) (Commission does not sit as a superboard of directors).

For the foregoing reasons, the record in this proceeding is sufficient to meet the substantial benefit test, even if it is applied to an internal restructuring of PPL Corporation's

[5] The conclusion that benefits from the Restructuring that result from non-regulated utilities must be passed through to utility customers to obtain approval of the Restructuring would create a subsidy of utility operations by non-regulated activities. The Commission should not adopt a standard requiring such subsidies to be provided to utility customers just as it would not condone subsidies of non-regulated activities by utility customers.

subsidiaries that does not result in a change in ultimate control of PPL Electric's public utility property.

C. EXCEPTION NO. 3: THE RD ERRED IN CONCLUDING THAT SECTION 1102(A)(3) APPLIES TO AN INTERNAL REORGANIZATION THAT DOES NOT RESULT IN A CHANGE TO ULTIMATE OWNERSHIP OF PPL ELECTRIC'S UTILITY PROPERTY.

In this exception, PPL Electric challenges the RD's conclusion that PPL Electric must obtain a certificate of public convenience under Section 1102(a)(3) even though there is no change in the ultimate owner of PPL Electric's utility property, which is and will remain PPL Corporation after the Restructuring.

PPL Electric emphasizes that the Commission does not have to reach this question if it decides, within its broad discretion, that the proposed Restructuring meets the standard of Section 1103(a) of the Public Utility Code.

In its Policy Statement Order quoted previously, the Commission concluded that intercompany reorganizations should be reviewed because they could affect management or operations of a utility. This review has been undertaken in this proceeding and it has been established that no change in management or operations of PPL Electric will occur as a result of the Restructuring. (PPL Electric Statement No. 1-R, p. 3) PPL Electric contends that the Commission: (1) may therefore conclude that no certificate is required under Section 1102(a)(3) because there is no change in ultimate ownership of PPL Electric's utility property; and (2) should grant its approval of the transaction without issuing a certificate of public convenience.

The RD concludes that the Restructuring is a change in control because a new entity will own PPL Electric's stock and that technically falls within the terms of the Policy Statement. However, it is clear that the Policy Statement was focused on changes in the ultimate owner of

utility property through mergers with, or acquisitions of, a parent or grandparent of the utility. Policy Statement, 52 Pa. Code § 69.901(b)(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 owner of the largest voting interest in the utility or parent, regardless of tier.

Thus, it is not what entity owns the utility directly that is important, but a change in the entity that is the ultimate owner that triggers Section 1102(a)(3) approval. Here, the ultimate owner does not change and a certificate should not be required.

In addition, even if the Policy Statement could be construed as requiring Section 1102(a)(3) approval, it must be remembered that policy statements do not have the force of law, but are expressions of how an agency expects to act in the future. *See Petition of Philadelphia Gas Works for a Statement of Policy on the Application of Philadelphia Gas Works' Cash Flow Ratemaking Method,* 2009 Pa. PUC LEXIS 2018, *20 (December 30, 2009). In this instance, the Commission should conclude on the specific facts of this case, that no certificate is required because there is no change in the management or operation of PPL Electric.

The Commission has adopted a practical approach to reviewing internal reorganizations that do not result in an ultimate change in control of the utility or changes in the utility's management or operations. *See, e.g., Joint Application of Frontier Communications of Breezewood, Inc., et al. for Approval of Restructurings from Corporations to Limited Liability Companies,* Docket No. A-310400F004, 2003 Pa. PUC LEXIS 323 (Order entered October 17, 2003) ("*Frontier*"); *Application of Duquesne Light Company to Convert to a Limited Liability Company*, Docket No. A-2017-2599375 (Order entered August 31, 2017) ("*Duquesne Light*").

In *Frontier*, the Commission determined that *City of York* did not apply to a proposed corporate restructuring in which the existing utilities would be converted from business

corporations to Pennsylvania LLCs because there would be no change in the managerial, technical and financial resources available to the utilities, and the entities would remain under the direct or indirect control of the existing parent. The Commission stated:

> . . . since there will be no change in control of the utility services nor any change in the resources available to the incumbent and successor utilities, it will not be necessary to demonstrate an affirmative public benefit or the promise thereof pursuant to *City of York* as is normally required for acquisitions and changes in control of a utility.
>
> However, if the change in business entity is accompanied by any change in the ownership of the utility, changes in senior management, or diminution of resources, a conventional application will be required and the standards of *City of York* will apply.

Frontier at *6. The Commission approved Frontier's Application but did not issue a certificate of public convenience, suggesting that Section 1102(a)(3) approval is not required at all for internal reorganizations that do not result in an ultimate change in control.

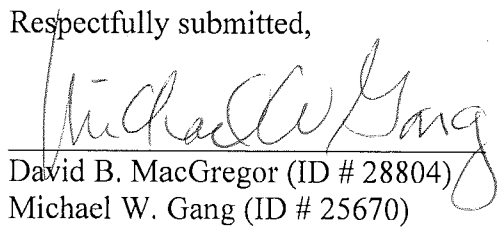
The RD dismisses *Frontier* and *Duquesne* as less complicated than the proposed Restructuring because they involved conversions from business corporations to limited liability companies. The RD misses the point. These transactions were exempt from Section 1102(a)(3) approval because they did not result in a change in the ultimate owner of the utility property. Furthermore, *Frontier* and *Duquesne* are not more complicated than the Restructuring, which simply places two intervening parents between PPL Corporation and PPL Electric.

For these reasons, the Commission, if it does not grant PPL Electric's Exceptions No. 1 and No. 2, should grant PPL Electric's Exception No. 3, conclude that no approval of the Restructuring is necessary under Section 1102(a)(3) of the Public Utility Code and issue an order approving the Restructuring.

V. CONCLUSION

For the foregoing reasons, the Pennsylvania Public Utility Commission should adopt PPL Electric Utilities Corporation's Exceptions and revise the Recommended Decision to approve the Restructuring.

Respectfully submitted,



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Date: October 1, 2018

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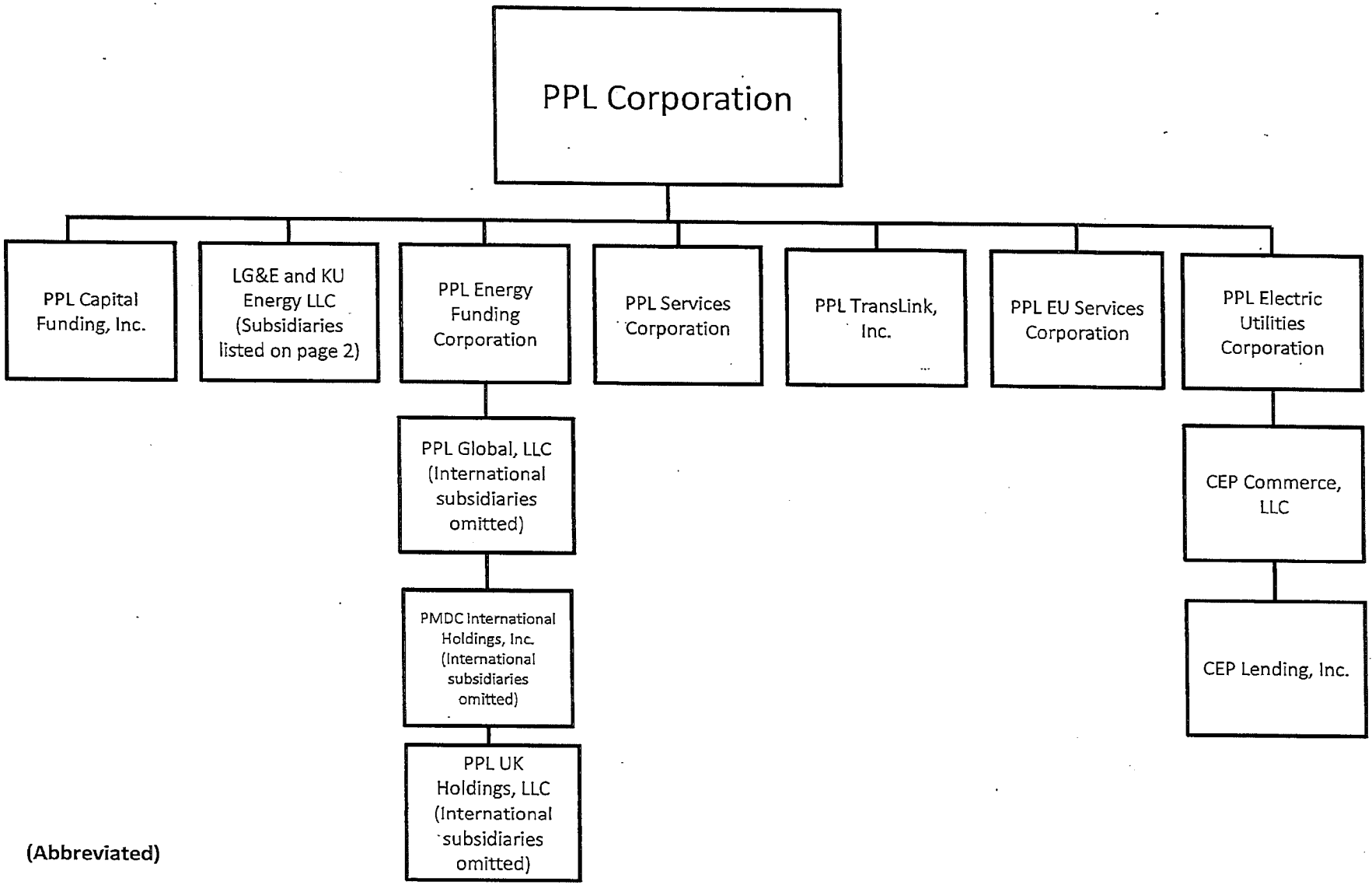
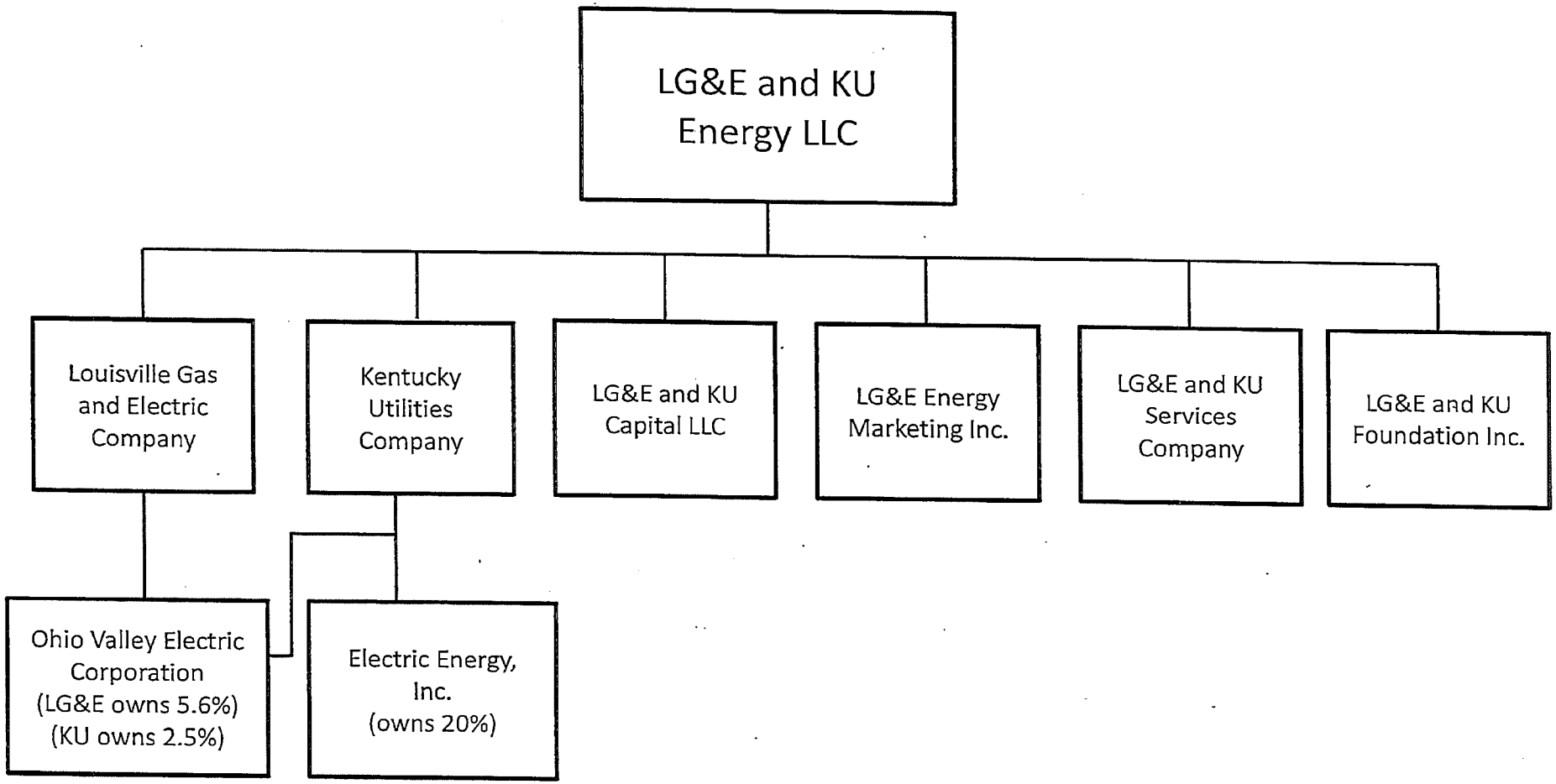
Appendix A

Current Corporate Organizational Structure
October 2017

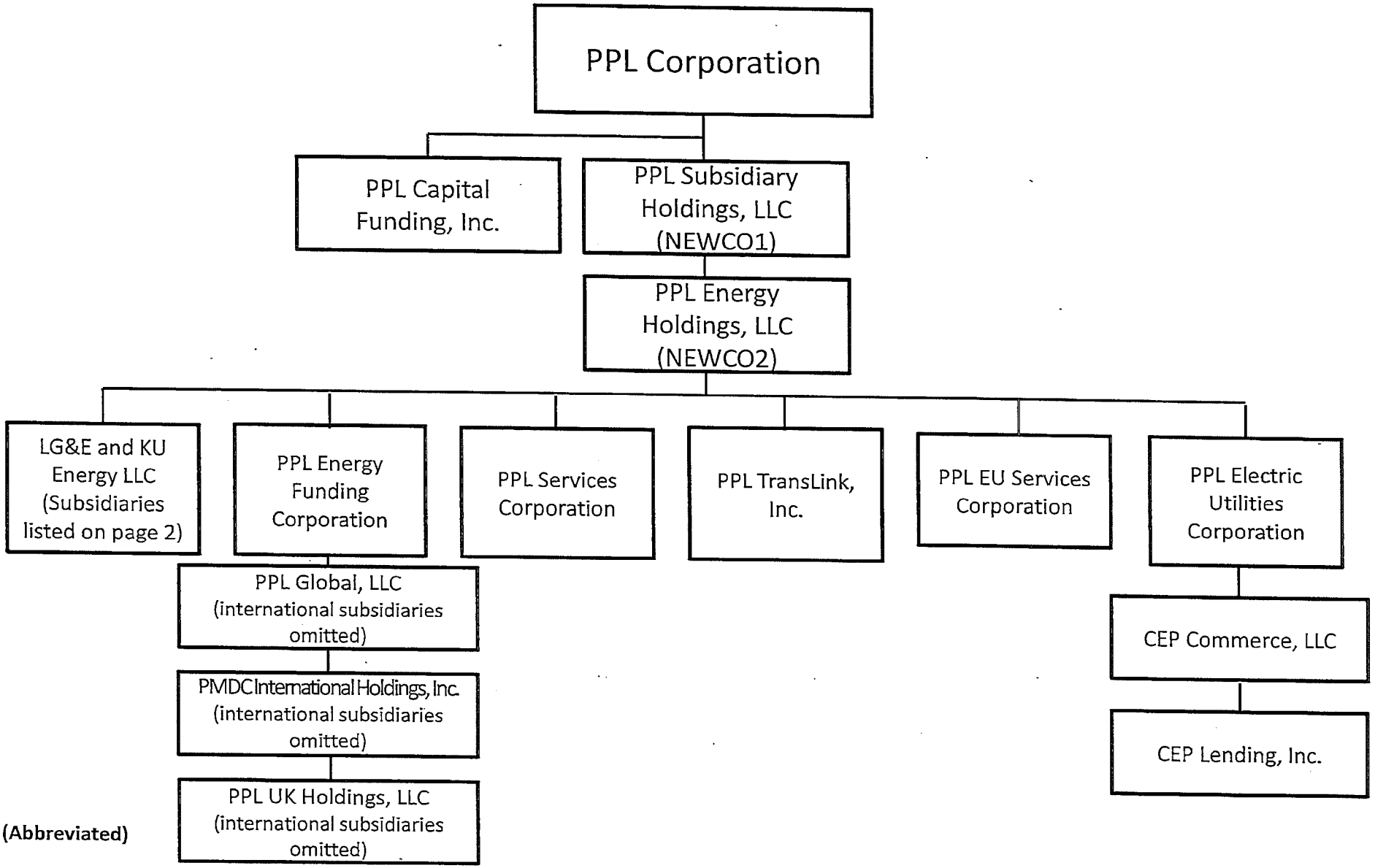


(Abbreviated)

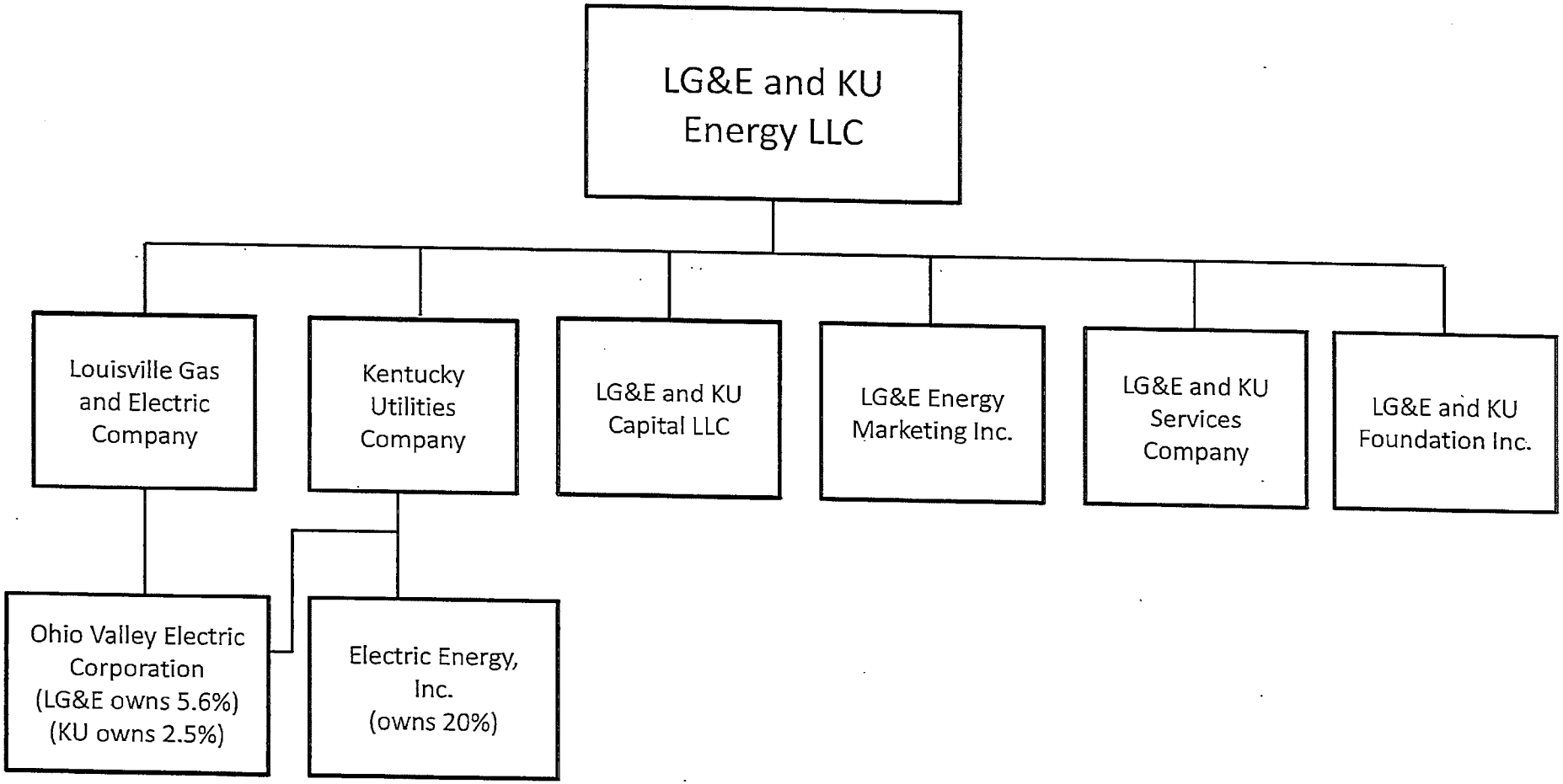


(Abbreviated)

Proposed Corporate Organizational Structure
October 2017



(Abbreviated)



(Abbreviated)