

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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|---|---|----------------------------|
| Joint Application of PPL Interstate | : | |
| Energy Company and PPL Electric | : | |
| Utilities Corporation for All of the | : | Docket Nos. A-2014-2435752 |
| Necessary Authority, Approvals, and | : | A-2014-2435833 |
| 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 APPLICANTS' STATEMENT No. 3

Direct Testimony of Drew D. Cummings

August 27, 2014

1 **Q. Please state your full name and business address.**

2 A. My name is Drew D. Cummings. My business address is Two North Ninth Street,
3 Allentown Pennsylvania 18101.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by PPL Interstate Energy Company ("PPL IEC"), as General Manager.

7
8 **Q. What are your duties as General Manager for PPL IEC?**

9 A. I am responsible for the management of the administration, operations, engineering, and
10 maintenance functions for PPL IEC's pipelines.

11
12 **Q. What is your educational background?**

13 A. I have a Bachelor's of Science in Civil Engineering from the University of Maryland.

14
15 **Q. Please describe your professional experience.**

16 A. I have worked in the pipeline industry for over 39 years. My experience in the pipeline
17 industry began in 1975 with Shell Pipeline Company in Houston and California. In 1980,
18 I began employment with PPL IEC and have been with PPL IEC since that time.
19 Throughout my professional experience in the pipeline industry, I have been responsible
20 for pipeline engineering, pipeline construction, pipeline operations and maintenance,
21 pipeline management, installation and operation of pipeline control systems, and
22 petroleum tank farm operations and management. I also have significant experience in
23 managing and being responsible for both pipeline safety and environmental functions.

1 Q. Have you previously testified as a witness before the Pennsylvania Public Utility
2 Commission (“PUC” or “Commission”)?

3 A. Yes. I previously appeared and testified before the Commission in 2004 related to PPL
4 IEC’s proposal to expand its pipeline control room at Martins Creek in order to comply
5 with security requirements.

6
7 Q. What is the subject matter of your direct testimony?

8 A. I will provide a description of PPL IEC and its operations. I will explain how the
9 Proposed Transaction will affect PPL IEC, its current intercompany agreements, and its
10 employees. I also will explain why PPL IEC believes that Talen Energy Corporation
11 (“Talen Energy”) will have the managerial and technical experience to operate PPL IEC’s
12 pipeline assets on the closing of the Proposed Transaction.

13
14 Q. Are you sponsoring any exhibits?

15 A. Yes. On behalf of PPL IEC, I am sponsoring all or a portion of the following Appendices
16 attached to the Joint Application:

- 17 • Appendix A – Separation Agreement [**HIGHLY CONFIDENTIAL treatment is**
18 **required for the Separation Agreement Schedules (ALL FILED UNDER SEAL)]**
- 19 • Appendix B – Transaction Agreement [**HIGHLY CONFIDENTIAL treatment is**
20 **required for the Parent Disclosure Letter and RJS Disclosure Letter (ALL**
21 **FILED UNDER SEAL)]**
- 22 • Appendix C – Employee Matters Agreement
- 23 • Appendix M – List of certain of the intercompany affiliate agreements with PPL EU
24 and PPL IEC that will remain in place unchanged after closing of the Proposed
25 Transaction

1 **Q. Please describe the current corporate ownership of PPL IEC.**

2 A. On April 13, 2000, the Commission entered an order approving the transfer of PPL IEC
3 from PP&L, Inc. (now known as PPL Electric Utilities Corporation) to PPL Generation,
4 LLC (“PPL Generation”). As a result, PPL IEC currently is a wholly owned direct
5 subsidiary of PPL Generation, which in turn is a wholly owned direct subsidiary of PPL
6 Energy Supply, LLC (“PPL Energy Supply”). PPL Energy Supply is a wholly owned
7 direct subsidiary of PPL Energy Funding Corporation, which in turn is a wholly owned
8 direct subsidiary of PPL Corporation (“PPL Corp.”).

9
10 **Q. Does PPL IEC hold a certificate of public convenience from the Commission?**

11 A. Yes. PPL IEC provides oil and natural gas transportation service to electric generating
12 stations pursuant to certificates of public convenience granted by the Commission.
13 *Application of Interstate Energy Company*, Docket No. 97032, 1973 Pa. PUC LEXUS
14 74, 46 Pa. PUC 524 (Feb. 6, 1973); *Re: Interstate Energy Company*, Docket No. 97032,
15 1979 Pa. PUC LEXUS 61, 53 Pa. PUC 314 (June 7, 1979); and *Application of Interstate*
16 *Energy Company*, Docket No. A-00140200, *affirmed by UGI Utilities v. Pa. PUC*, 684
17 A.2d 225 (Oct. 28, 1996). PPL IEC currently is limited by the terms of its certificate of
18 public convenience to providing service to electric generating stations and currently
19 serves only the Lower Mount Bethel and Martins Creek generating plants owned and
20 operated by wholly owned, indirect subsidiaries of PPL Energy Supply.

1 **Q. Please describe PPL IEC's operations?**

2 A. PPL IEC owns and operates two pipelines that deliver fuel to two generating plants
3 owned and operated by subsidiaries of PPL Energy Supply in Lower Mount Bethel
4 Township, Northampton County, Pennsylvania. The first pipeline is an 18-inch oil and
5 natural gas pipeline that extends approximately 84 miles from Marcus Hook,
6 Pennsylvania and supplies oil and natural gas to PPL Energy Supply's Martins Creek
7 electric generating plant and supplies natural gas to PPL Energy Supply's Lower Mount
8 Bethel electric generating plant. In 1996, the last 35 miles of the 18-inch pipeline was
9 authorized for dual-use¹ after two generating units at the Martins Creek power plant were
10 converted to burn oil or natural gas. The 18-inch pipeline is interconnected with two
11 natural gas transmission pipelines. One interconnect is with Texas Eastern Transmission
12 Corporation located in West Rockhill Township, Bucks County, where the dual-use
13 capability of the 18-inch pipeline begins. The second natural gas interconnect is with
14 Columbia Gas Transmission Corporation located in Lower Saucon Township,
15 Northampton County.

16 The second pipeline is a 20-inch natural gas pipeline that parallels the 18-inch
17 pipeline for approximately 4.5 miles south of Martins Creek and supplies natural gas to
18 PPL Energy Supply's Martins Creek and Lower Mount Bethel electric generating plants.
19 The 20-inch pipeline is interconnected with Transcontinental Gas Pipe Line Company in
20 Lower Mount Bethel Township, Pennsylvania.

¹ Dual-use means the pipeline transports both oil and natural gas in the same pipeline, but not at the same time.

1 PPL IEC also operates and maintains four intra-plant pipelines that deliver oil or
2 natural gas from the Martins Creek Tank Farm to both the Lower Mount Bethel and
3 Martins Creek generating plants. Each line is about 1.5 miles long.

4
5 **Q. Please explain who is responsible for the daily operation and management of PPL**
6 **IEC.**

7 A. The senior management team of PPL IEC currently is responsible for the day-to-day
8 operation and management of PPL IEC. The senior management currently includes: me
9 as General Manager; Curtis Rounds as the Manager of Operations, Safety and
10 Environmental Affairs; and Don Samala is a Manager of Engineering & Maintenance.

11
12 **Q. How many employees are currently employed with PPL IEC?**

13 A. There currently are twenty-eight (28) full time employees with PPL IEC.

14
15 **Q. Will PPL IEC be transferred as part of the Proposed Transaction?**

16 A. Yes. As part of the Proposed Transaction, PPL Corp. will spin off its deregulated electric
17 generation and retail electric and gas supply business lines, which are held under PPL
18 Energy Supply, including PPL EnergyPlus, LLC ("PPL EnergyPlus"), PPL Generation,
19 and their respective subsidiaries. Presently, all of the common stock of PPL IEC is
20 owned by PPL Generation, a direct wholly owned subsidiary of PPL Energy Supply,
21 which, in turn, is currently an indirect wholly owned subsidiary of PPL Corp. As a result
22 of the Proposed Transaction, indirect ownership of PPL IEC will be transferred from PPL

1 Corp. to Talen Energy. As a result, PPL IEC will become a wholly owned, indirect
2 subsidiary of Talen Energy.

3
4 **Q. What impact will the Proposed Transaction have on the employees of PPL IEC?**

5 A. The Proposed Transaction is expected to have no substantial adverse impact to the
6 employees of PPL IEC. All of the operating and management employees of PPL IEC
7 immediately prior to closing of the Proposed Transaction will remain employees of PPL
8 IEC following the closing of the Proposed Transaction as required to meet the continuing
9 operations and management needs of the business.

10
11 **Q. Will the Proposed Transaction result in any changes to PPL IEC's existing tariffs?**

12 A. It is not anticipated that there will be any substantive changes to PPL IEC's existing
13 tariffs. PPL IEC does, however, plan to file appropriate tariff supplements, upon or after
14 closing, to reflect a change in the corporate name for PPL IEC. I have been advised by
15 counsel that, other than approval of the tariff supplements, no Commission approval is
16 required to change the corporate name for PPL IEC. Nevertheless, to the extent that
17 Commission approval is required to change PPL IEC's corporate name, PPL IEC seeks
18 such approval in this proceeding.

19
20 **Q. Please describe the agreements between PPL IEC and other PPL Energy Supply**
21 **subsidiaries that will remain in place after closing.**

22 A. Currently, PPL IEC has certain gas transportation agreements with PPL Martins Creek,
23 LLC and Lower Mount Bethel Energy, LLC. PPL IEC also has a Reimbursement,

1 Construction and Ownership Agreement with PPL Martins Creek, LLC and Lower
2 Mount Bethel Energy, LLC, and a Tank Farm Operating Agreement with PPL Martins
3 Creek, LLC. Finally, PPL IEC has a Base Contract for Retail Sale and Purchase of
4 Natural Gas or Electricity with PPL EnergyPlus, as well as active confirmations
5 thereunder. A list of these intercompany affiliate agreements between PPL IEC and other
6 PPL Energy Supply subsidiaries is provided in Appendix M to the Joint Application.

7
8 **Q. What impact will the Proposed Transaction have on these intercompany agreements**
9 **between PPL IEC and the other subsidiaries of PPL Energy Supply?**

10 A. The existing intercompany agreements between PPL IEC and the other subsidiaries of
11 PPL Energy Supply will remain in place unchanged following closing of the Proposed
12 Transaction.

13
14 **Q. Are the Applicants seeking Commission approval of the intercompany agreements**
15 **between PPL IEC and other PPL Energy Supply subsidiaries that will remain in**
16 **place after closing?**

17 A. No. Currently, PPL IEC is a wholly owned indirect subsidiary of PPL Energy Supply
18 and, therefore, currently is an affiliate of both PPL Energy Supply and its other
19 subsidiaries. Upon closing, ownership of PPL Energy Supply and its subsidiaries,
20 including PPL IEC, will be transferred to Talen Energy. As a result, PPL IEC will
21 continue to be affiliated with PPL Energy Supply and its other subsidiaries post-closing.
22 I am advised by counsel that because there will be no modification to these agreements,
23 no further Commission approval is required. To the extent that the Commission

1 concludes that approval is required, PPL IEC requests Commission approval pursuant to
2 Chapter 21 of the Public Utility Code.

3 Further, to the extent there are any post-closing agreements between PPL IEC and
4 Talen Energy and/or its affiliates, PPL IEC commits to timely seek Commission approval
5 of any such affiliated interest agreements to the extent required.
6

7 **Q. Do you believe that Talen Energy has the managerial and technical fitness to own**
8 **and operate PPL IEC?**

9 A. Yes. Currently, PPL IEC is solely in the business of transporting oil and natural gas to
10 electric generating stations. As explained previously, all of the operating and
11 management employees of PPL IEC will remain employees of PPL IEC following
12 closing. The current operating and management employees of PPL IEC have continually
13 operated and maintained the utility facilities in a safe and reliable manner.

14 PPL IEC has a proven track record of pipeline safety. Indeed, PPL IEC has an
15 unblemished history of safety performance for both the pipeline operations and its
16 employees since beginning operations in 1976. Over the years, PPL IEC's procedures,
17 records, and practices for the operations and maintenance of its pipelines have been
18 audited on numerous occasions by United States Department of Transportation and the
19 Commission. PPL IEC has no history of any violations issued as a result of these audits.
20 PPL IEC also has been recognized numerous times by the American Petroleum Institute
21 for its excellent liquid pipeline safety and environmental performance. Additionally, in
22 2001, PPL IEC was awarded the Voluntary Protection Program ("VPP") Star status by
23 the Occupational Safety and Health Administration ("OSHA") for meeting or exceeding

1 OSHA's requirements for its management's commitment to safety, employee
2 involvement, safety record, continuous improvement in safety, and meeting other safety
3 elements required to receive the VPP Star recognition. PPL IEC was recently recertified
4 by OSHA as a Star VPP work site in 2014.

5 Since the operational and management experience of PPL Energy Supply in
6 operating electric generating stations will be transferred to Talen Energy as part of the
7 Proposed Transaction and combined with similar expertise from the generating facilities
8 to be contributed to Talen Energy, the combined skill of Talen Energy in managing and
9 operating electric generation stations and acquiring fuel to power such stations will
10 provide the necessary expertise to manage and operate PPL IEC in its function of
11 providing oil and natural gas to electric generating stations post-closing.

12
13 **Q. In your opinion, will the transfer of PPL IEC as part of the Proposed Transaction**
14 **provide a public benefit?**

15 A. Yes. As explained above, PPL IEC is a natural gas distribution company certificated by
16 the Commission to provide service to electric generating stations and currently serves
17 only the Lower Mount Bethel and Martins Creek generating plants owned and operated
18 by indirect subsidiaries of PPL Energy Supply. The PPL IEC assets are closely aligned
19 with the generation portion of the business and are not aligned in any material way with
20 the regulated electric transmission and distribution businesses of PPL EU. I therefore,
21 believe that it is clearly in the public interest for the ownership of PPL IEC to be
22 indirectly transferred as part of the Proposed Transaction.

1 **Q. Does this conclude your direct testimony?**

2 A. Yes, it does. However, I reserve the right to supplement my testimony as additional
3 issues arise during the course of this proceeding.

4