

Talen Energy Corp
Form S-1/A
October 29, 2015
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As filed with the Securities and Exchange Commission on October 29, 2015

Registration No. 333-207033

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Talen Energy Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4911
(Primary Standard Industrial
Classification Code Number)

47-1197305
(I.R.S. Employer
Identification No.)

835 Hamilton Street

Suite 150

Allentown, Pennsylvania 18101-1179

(888) 211-6011

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeremy R. McGuire

Senior Vice President, Chief Financial Officer and Chief Accounting Officer

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 29, 2015

PRELIMINARY PROSPECTUS

44,974,658 Shares

TALEN ENERGY CORPORATION

Common Stock

This prospectus relates solely to the offer and sale from time to time of up to 44,974,658 shares of Talen Energy Corporation common stock, \$0.001 par value per share, by the selling stockholders identified in this prospectus. See Selling Stockholders. The registration of the shares of common stock to which this prospectus relates does not require the selling stockholders to sell any of their shares of our common stock nor does it require us to issue any shares of common stock.

We will not receive any proceeds from the sale of the shares by the selling stockholders, but we have agreed to pay certain registration expenses, other than underwriting discounts and commissions. The selling stockholders from time to time may offer and sell the shares held by them directly or through underwriters, agents or broker-dealers on terms to be determined at the time of sale, as described in more detail in this prospectus. For more information, see Plan of Distribution.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol TLN. On October 27, 2015, the closing sales price of our common stock as reported on the NYSE was \$8.82 per share.

Because all of the shares of our common stock offered under this prospectus are being offered by the selling stockholders, we cannot currently determine the price or prices at which our shares may be sold under this prospectus.

Investing in our common stock involves risks. Before making a decision to invest in our common stock, you should carefully consider the matters described under Risk Factors beginning on page 22 of this prospectus.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation

to the contrary is a criminal offense.

The date of this prospectus is _____, 2015.

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This prospectus is part of a shelf registration statement that we have filed with the SEC using a shelf registration process. Under this shelf registration process, the selling stockholders may, from time to time, offer and sell the shares described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the shares the selling stockholders may offer. Each time the selling stockholders sell our shares using this prospectus, to the extent necessary, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including the number of shares being offered, the manner of distribution, the identity of any underwriters or other counterparties and other specific terms related to the offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent that

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any statement made in an accompanying prospectus supplement is inconsistent with statements made in this prospectus, the statements made in this prospectus will be deemed modified or superseded by those made in the accompanying prospectus supplement. You should read both this prospectus and any prospectus supplement together.

Neither we nor the selling stockholders have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we may have referred you. Neither we nor the selling stockholders take any responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the selling stockholders have authorized any other person to provide you with different or additional information, and neither of us are making an offer to sell the shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of the prospectus or any sale of the ordinary shares. Our business, financial condition, results of operations and prospects may have changed since the date on the front cover of this prospectus.

For investors outside of the United States, neither we nor the selling stockholders have done anything that would permit the offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to the offering and the distribution of this prospectus outside of the United States.

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SUMMARY

The following summary highlights information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before deciding to purchase shares of our common stock. You should read this entire prospectus including the risk factors, management's discussion and analysis of financial condition and results of operations, historical financial statements, and our unaudited pro forma condensed combined financial information and the respective notes to the financial statements and pro forma financial information, before making an investment decision to purchase shares of our common stock.

Unless otherwise indicated or the context otherwise requires, we, us, our, Talen Energy, Talen and the Company refers to Talen Energy Corporation and its subsidiaries. Capitalized terms not otherwise defined in this prospectus have the meanings assigned to them under Glossary included elsewhere in this prospectus.

Talen Energy

Talen Energy Corporation is a leading competitive energy and power generation company in North America. We produce and sell electricity, capacity and related products from our fleet of power plants totaling approximately 15,000 MW of generating capacity as of June 30, 2015. Through our subsidiaries, we own and operate a portfolio of generation assets principally located in PJM and ERCOT, which we consider to be two of the most attractive power markets in the United States. Within these markets, our portfolio benefits from technological and fuel diversity, enabling us to respond to changing market conditions and regulatory developments. We believe stockholder value creation is built on a foundation of excellence in operations and skillful commercial management of our generation fleet with a strong focus on cash returns. Our strategy is to embrace these core concepts and optimize our operations so as to support scale-enhancing growth and focus on robust cash flow generation.

Talen Energy was formed on June 1, 2015 by the spinoff of Talen Energy Supply, LLC (Talen Energy Supply, then known as PPL Energy Supply, LLC), the competitive power generation business owned by PPL Corporation, and the subsequent combination of that business with RJS Generation Holdings LLC (RJS Power), the competitive power generation business controlled by Riverstone Holdings LLC, to form an independent, publicly traded company (collectively, the Talen Transactions). For a more detailed description of the Talen Transactions, see The Talen Transactions.

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Organization Structure

The following chart illustrates our simplified organizational structure as of June 30, 2015.

Our Operations

Our generation fleet is diverse in terms of fuel, technology, dispatch characteristics and location. A majority of our generation revenue comes from our efficient low-cost baseload and intermediate generation facilities. We also expect to capture additional value by selling power during periods of peak demand from our quick-start peaking facilities. We seek to further enhance margins by selling capacity within the PJM markets, both in the three-year forward PJM base residual auction and through bilateral agreements with power purchasers, as well as by providing ancillary services to support transmission system reliability.

We believe our assets are strategically positioned in what we view as the two most attractive power markets in the United States, each of which is characterized by strong and improving fundamentals and a regulatory framework supportive of competitive generators. Our generation facilities are predominantly located in PJM, an RTO, and ERCOT, an ISO, which are regional organizations formed, in part, to provide reliable wholesale power marketplaces. PJM is the largest wholesale energy market in the United States and ERCOT is the oldest ISO in the country. PJM is characterized by improving fundamentals due to limited import capacity, significant anticipated capacity retirements, an improving demand outlook and a forward capacity market that provides future cash flow visibility for generation asset owners. Specific efforts are being undertaken by PJM to support and potentially increase capacity prices for existing generation to ensure the availability of adequate resources. ERCOT is an attractive wholesale electricity market with historically above-average demand growth, increasing price caps and an increasing reliance on flexible and quickly-dispatchable natural gas-fired assets. Additionally, the ERCOT sub region in which we operate, ERCOT-South, has historically experienced premium energy pricing relative to the average price for the broader ISO. We consider PJM and ERCOT to be two of the most well-developed power markets in the United States, providing significant price transparency, market liquidity and support to competitive generators, including recent proposed reforms that we believe will enhance the value of our portfolio.

The competitive dispatch costs and operating flexibility of our generation fleet position us favorably to generate attractive cash margins in a wide variety of market conditions. In an effort to support our operations and stabilize future cash flows, we enter into forward physical and financial transactions to hedge energy, capacity

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and related products and to hedge fuel and fuel transportation. We sell the output of our generation facilities to a diverse group of wholesale customers, including RTOs and ISOs, utilities, cooperatives, municipalities, power marketers, and financial counterparties. We also sell the output of our generation facilities to commercial, industrial and residential retail customers.

Our wholly owned indirect subsidiary, Talen Energy Supply, through its subsidiaries, Talen Generation, LLC (Talen Generation), Raven Power Generation Holdings LLC (Raven), Jade Power Generation Holdings LLC (Jade) and Sapphire Power Generation Holdings LLC (Sapphire), owns and operates generating facilities. Talen Energy Supply's wholly owned subsidiary, Talen Energy Marketing, LLC (Talen Energy Marketing), sells electricity produced by many of our facilities, participates in wholesale market load-following auctions, and markets various energy products and commodities such as: capacity, transmission, financial transmission rights, coal, natural gas, oil, uranium, emission allowances, renewable energy credits and other commodities in competitive wholesale and competitive retail markets, primarily in the northeastern and northwestern United States. Talen Energy Marketing also focuses on entering into energy and energy-related physical and financial contracts to hedge the variability of expected cash flows associated with our facilities and marketing activities, as well as for trading purposes.

Our Fleet

Asset	Location	Fuel Type	Ownership	Owned Capacity (MW) (1)	Commercial Operation Date	Region/ISO
Ironwood (2)	PA	Natural Gas	100%	660	2001	PJM
Lower Mt. Bethel	PA	Natural Gas	100%	538	2004	PJM
York	PA	Natural Gas	100%	47	1989	PJM
Martins Creek 3 & 4	PA	Natural Gas / Oil	100%	1,700	1975 1977	PJM
Peakers	PA	Natural Gas / Oil	100%	354	1967 1973	PJM
Bayonne	NJ	Natural Gas / Oil	100%	164	1988	PJM
Camden	NJ	Natural Gas / Oil	100%	145	1993	PJM
Pedricktown (3)	NJ	Natural Gas / Oil	100%	118	1992	PJM
Newark Bay	NJ	Natural Gas / Oil	100%	123	1993	PJM
Elmwood Park	NJ	Natural Gas / Oil	100%	71	1989	PJM
Susquehanna	PA	Nuclear	90%	2,245	1983 1985	PJM
Montour	PA	Coal	100%	1,504	1972 1973	PJM
Brunner Island	PA	Coal	100%	1,411	1961 1969	PJM
Brandon Shores	MD	Coal	100%	1,284	1984 1991	PJM
C.P. Crane (4)	MD	Coal	100%	404	1961 1967	PJM
Conemaugh	PA	Coal	16%	278	1970 1971	PJM
Keystone	PA	Coal	12%	211	1967 1968	PJM
H.A. Wagner	MD	Coal / Natural Gas / Oil	100%	982	1956 1972	PJM
Eastern Hydro (5)	PA	Hydro	100%	293	1910 1926	PJM
Colstrip 1 & 2	MT	Coal	50%	307	1975 1976	WECC
Colstrip 3	MT	Coal	30%	222	1984	WECC
Dartmouth	MA	Natural Gas / Oil	100%	83	1996	ISO-NE
Nueces Bay 7	TX	Natural Gas	100%	648	2010	ERCOT
Barney Davis 2	TX	Natural Gas	100%	646	2010	ERCOT
Barney Davis 1	TX	Natural Gas	100%	318	1974	ERCOT

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Laredo 4	TX	Natural Gas	100%	92	2008	ERCOT
Laredo 5	TX	Natural Gas	100%	89	2008	ERCOT
Renewables (6)	NH, NJ, PA, VT	Renewables	100%	25	Various	Various
Total				14,962		

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- (1) Summer Rating at June 30, 2015. The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances. Does not reflect the sale or other disposition of between 1,300 and 1,400 MW of generating capacity that is required to obtain regulatory approval for the Talen Transactions. See The Talen Transactions Mitigation Plans.
- (2) We have agreed to sell our Ironwood plant. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Ironwood plant in the first quarter of 2016. See Recent Developments Ironwood Sale.
- (3) Pedricktown capacity includes capacity dedicated to serving landlord load (which has historically averaged 9 MW).
- (4) We have agreed to sell our C.P. Crane (Crane) plant. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Crane plant in the first quarter of 2016. See The Talen Transactions Crane Sale.
- (5) Reflects Holtwood and Lake Wallenpaupack. We have agreed to sell our Holtwood and Lake Wallenpaupack facilities. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Holtwood and Lake Wallenpaupack facilities in the first quarter of 2016. See Recent Developments Holtwood and Lake Wallenpaupack Sale.
- (6) We have agreed to sell our renewables plants representing approximately 19 MW of capacity as shown herein. Subject to customary closing conditions, we expect to close the sale of these plants by the end of 2015. See Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Other Financial and Operational Developments Anticipated Disposition of Renewable Energy Business.

The following map illustrates the locations of our generation facilities as of June 30, 2015:

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The charts below illustrate the composition and diversity of our portfolio by market and fuel type as of June 30, 2015:

The map and charts above do not reflect (1) the sale or other disposition of between 1,300 and 1,400 MW of generation capacity that is required to satisfy regulatory approvals obtained in connection with the Talen Transactions (in which the announced sales of our Holtwood, Lake Wallenpaupack, Ironwood and Crane facilities would be included), (2) completion of our acquisition of MACH Gen, LLC or (3) the renewables plants we have agreed to sell. As a result, our generation portfolio will not include all of the plants that currently comprise our fleet. See The Talen Transactions Mitigation Plans, Recent Developments and Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Other Financial and Operational Developments Anticipated Disposition of Renewable Energy Business.

Our Competitive Strengths

We believe that we are well-positioned to execute our business strategy and create superior value for our stakeholders based on the following competitive strengths:

Well-positioned in attractive, liquid and transparent energy markets. We believe that the composition and locations of our facilities give us a strategic advantage and offer attractive upside opportunities. The majority of our facilities are located in PJM and ERCOT, which are among the most liquid, well-developed power markets in the United States, each with attractive fundamentals. We believe these markets provide us with ample opportunity to execute our hedge strategy, which is designed to enhance price certainty and cash flow stability in future years.

We believe the PJM market presents attractive value opportunities, driven by a substantial number of announced power plant retirements and limited import capacity. Our PJM assets are highly diverse both in terms of fuel (coal, natural gas/oil dual fuel, uranium, natural gas, oil and hydro) and dispatch (baseload, intermediate/load following and peaking), which provides us with operational flexibility and enables our portfolio to provide reliable generation under a variety of market conditions. A key attribute of PJM is its base residual auction, a long-term capacity market in which power customers pay for capacity three years in advance. These known capacity revenues are expected to be an important component of our gross margins and effectively provide identifiable stable cash flows three years forward. Additionally, we expect that recently proposed market reforms may provide additional revenue opportunities for us in PJM in future capacity auctions. See Business Our Key Markets PJM for information on the recently proposed market reforms in PJM.

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We believe the ERCOT market also presents attractive value opportunities, driven by robust demand growth and limited import capacity, which we expect will result in a lower reserve margin. Our generation assets in ERCOT consist of flexible, natural gas-fired units that have the ability to start up quickly and respond to load variability, which positions them well to produce significant margin from ancillary products offered in this market in addition to physical energy sales. All of our ERCOT capacity is located in the ERCOT South Zone, which has historically experienced premium pricing due to favorable supply and demand fundamentals and strong demand driven by growth related to Eagle Ford shale development, the midstream energy sector and petrochemical industry expansion. The ERCOT regulatory framework has addressed resource adequacy concerns through rule changes that have increased generator compensation and pricing floors for ancillary products and increased the state-wide offer cap. ERCOT reserve margins are forecasted to continue to compress over time due to growing demand and limited announced new-build projects, further tightening the supply/demand balance across ERCOT and creating conditions that may generate increased price volatility and higher energy prices until additional resources are added.

Robust cash flow generation potential. We expect to be able to generate substantial free cash flow, which we define as cash from operations less maintenance capital expenditures. A number of factors are expected to contribute to our strong cash flow profile: our focus on lean operations, relatively low financial leverage, efficient baseload units with low dispatch costs, significant ancillary revenue potential of the Texas facilities, the potential for significant synergies resulting from successful execution of our transition plans, and a well-maintained fleet requiring modest maintenance and environmental expenditures. The stability of our cash flows is further supported by forward capacity sales in PJM through May 2018. We believe this cash flow potential provides a competitive advantage by making us more resilient during price fluctuations in the commodity cycles, less reliant on external sources of capital to finance operations and better situated to pursue both organic and acquisition-driven growth opportunities.

Strong balance sheet, poised for growth. We believe that our expected financial leverage provides multiple competitive advantages. First, our strong balance sheet and credit profile are expected to enhance our ability to pursue both organic and acquisition-driven growth by offering favorable access to capital markets and maximum financial flexibility. We also believe a strong balance sheet positions us well to manage through periods of commodity price volatility which may require collateral posting and credit support that could challenge a more levered competitive power company. We believe we will be able to use our strong balance sheet to grow through acquisitions, taking an opportunistic approach when others in the sector may face financial stresses during those periods. Finally, we expect our low level of financial leverage will allow us to absorb a greater degree of operating cash flow volatility, enabling our margin hedging program to have a shorter-term focus. We believe this reduces hedging transaction volume and expenses, liquidity needs and hedge book complexity, which we believe results in lower operating costs and greater financial transparency.

Competitive scale. As a leading competitive power generating company in North America, with approximately 15,000 MW of operating capacity as of June 30, 2015, we benefit from the multiple competitive advantages attendant to a large scale portfolio. We have a scale presence in our key markets, allowing us to operate integrated portfolios within each of PJM and ERCOT and offering us beneficial dispatch and operational synergies. These benefits include improved leverage of our fixed costs, enhanced procurement opportunities and diversity of cash flows. These advantages combined with a strong balance sheet and significant liquidity, enable us to operate with more financial flexibility and, as such, enable us to utilize our competitive scale to grow and further expand our already-robust generation platform.

Significant historical environmental control investments. We believe our assets are substantially compliant with current environmental regulations and are well-positioned relative to the current trend of tightening environmental legislation and regulations. Because of significant prior investments and the composition of our fleet, we expect that future environmental capital expenditures for known requirements will be a relatively modest \$160 million dollars

through 2019, representing less than 10% of total capital expenditures for the same period.

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Proven, experienced management team. Our management team has significant experience and expertise operating power generating facilities, marketing electricity and ancillary services and managing the risks of a competitive power generation business. Our management team has a strong track record of value creation through the execution of strategic initiatives, capital expenditures and exceptional asset management, which positions us optimally to enhance and expand the Talen Energy platform. We strongly believe that our proven leadership team will successfully execute our business strategy and deliver superior operating and financial performance.

Our Business Strategy

Our business strategy is to maximize value to our customers and stockholders with particular emphasis on:

Excellence in operations. We believe that value is built on a foundation of operational excellence. Safety is a core value of ours and is critical to maintaining a platform for strong, reliable plant performance. We inherit robust safety programs from our predecessor companies which have demonstrated dedication to sustaining safe cultures by achieving VPP Star status at a majority of our facilities.

We also believe value is a function of disciplined investment and continuous improvement in operating efficiency. We intend to make prudent investments to enable our plants to run at the most profitable times while ensuring safe, reliable operations. Additionally, we plan to continue our commitment to asset optimization and reducing operating costs. We believe that persistent focus on process improvement and innovative cost management is a key component to success.

Focus on cash returns. We run our business with a focus on producing strong cash flows in order to sustain our operations and fund growth opportunities. Capital allocation decisions are made on a cash return basis, as we believe this discipline is necessary to drive consistent long-term value creation for our stockholders. We believe that our proven management team, reliable, low-cost operating structure and strong commercial management of our plants enables us to invest in and grow the existing platform while enhancing overall cash flows and achieving attractive returns on investment.

Active hedging and commercial management. Hedging the fuel and output of our plants is primarily focused on providing margin and cash flow visibility on a one-year forward basis. We execute hedging and marketing strategies for the output of our facilities in both the wholesale and retail energy markets. We execute asset-based portfolio strategies to monetize inherent market volatility. We believe our hedging and commercial management strategy, in combination with a strong balance sheet, will provide a long-term advantage through cycles of higher and lower commodity prices. Finally, our lower level of financial leverage will allow us to absorb a greater degree of operating cash flow volatility, which will further allow our margin hedging program to have a shorter-term focus. We believe this will reduce hedging transaction volume and expenses, liquidity needs and hedge book complexity, which results in lower operating costs and greater financial flexibility.

Growth posture. We believe scale in the competitive power generation sector is an element of value creation. We expect to be able to leverage our management and operational systems to integrate additional assets and activities with relatively modest incremental cost. We intend to grow value through development and acquisitions that are complementary to our competitive strengths, with a focus on developed competitive markets that offer liquidity and price transparency. Additionally, as Talen Energy grows, our goal is to maintain a multi-fuel and multi-dispatch profile, as we believe this type of diversity is inherently valuable and provides an added measure of risk mitigation. We believe that our strong balance sheet and cash flow generation, combined with our current presence in attractive markets and our experienced, disciplined management team, positions Talen Energy favorably in its pursuit of value-enhancing growth opportunities.

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Our Key Markets

The substantial majority of our generation capacity is located in either PJM or ERCOT. We consider these regions to be among the most well-developed, transparent and liquid energy markets in the United States.

PJM

PJM is an RTO that coordinates the movement of wholesale electricity in all or parts of thirteen states and the District of Columbia. It is the largest competitive wholesale electricity market in the United States, dispatching more than 180,000 MW to more than 60 million people. The current mix of generating capacity within PJM is largely coal-dominated, with a significant number of nuclear and natural gas power plants rounding out the dispatch curve. As is the case in many markets in the United States, generating capacity within PJM is transitioning from a coal-dominated generation base to a mix that incorporates larger amounts of natural gas and renewable units, driven in large part by current and impending EPA regulations. The following map illustrates PJM by regions.

PJM benefits from a combination of stable demand growth, liquid trading hubs, limited energy import capacity and a wide range of available market products. Generation owners in PJM may earn energy, capacity and ancillary revenues. The PJM energy market consists of day-ahead and real-time markets. The day-ahead market is a forward market in which hourly prices are calculated for the next operating day based on offers, bids and bilateral obligations. The real-time market is a spot market in which energy is continuously bought and sold based on actual grid operating conditions.

The PJM capacity market, known as the Reliability Pricing Model (RPM), is intended to ensure that resources are available when needed to keep the power grid operating reliably for customers. Under the RPM,

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PJM conducts a series of auctions. Most capacity is procured in the base residual auctions each May for the sale of generating capacity three years in advance of the delivery year. In these auctions, prices are set based on available capacity and other factors such as transmission constraints. The capacity market construct provides generation owners the opportunity for some revenue visibility on a multi-year basis.

Recent developments have the potential to be supportive of future revenue opportunities for generation owners in PJM, including:

PJM added an enhanced Capacity Performance product to the capacity market structure to permit additional compensation for generation owners/operators to make the necessary investments to maintain system reliability in exchange for stronger performance requirements. The intent of the Capacity Performance product is to improve operational availability during periods of peak power system demand, such as extreme weather. Specifically, PJM's stated objectives of this product include fuel security through dependable fuel sources, high availability of generation resources and operational diversity. As it was approved by the FERC, Capacity Performance is expected to benefit generation owners like Talen Energy that own assets supplied by firm fuel commitments and have demonstrated reliability during peak load and extreme weather conditions;

PJM's recent changes to the Variable Resource Requirement (VRR) curve. The VRR curve is a downward-sloping demand curve used by PJM to model sufficient capacity resources for PJM and set capacity prices. The VRR curve supports PJM's objective of attracting and retaining adequate capacity resources to ensure grid reliability, providing an indication of incremental reliability and economic value of capacity at different planning reserve levels. PJM's recent changes include a shift in the VRR curve, which signifies an increase in demand and therefore price, offering potential upside to future capacity prices for PJM generators;

Recent developments that increase uncertainty associated with demand response's ability to participate in future capacity auctions, offering potential upside to future capacity prices for PJM generators; and

Potential rule changes affecting price formation including offer cap changes which may lead to higher energy market prices.

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ERCOT

ERCOT is an ISO that manages the flow of electricity from approximately 75,000 MW of installed capacity to 24 million Texas customers, representing 90% of the state's electric load and covering approximately 75% of its geography. ERCOT is an attractive wholesale electricity market with historically above-average demand growth, increasing price caps and an increasing reliance on flexible and quickly-dispatchable natural gas-fired assets. The Texas population and gross state product are currently expanding at well above the national average rate, spurred in part from significant growth in oil and gas development and associated petrochemical industry growth. ERCOT was established in September 1996 and is the oldest ISO in the United States. The following map illustrates ERCOT by regions.

As an energy-only market, ERCOT's market design is different from other competitive electricity markets in the United States. Other markets, including PJM, maintain a minimum reserve margin through regulated planning, resource adequacy requirements and/or capacity markets. In contrast, ERCOT's resource adequacy is predominately dependent on free market processes and energy market price signals. All electricity prices are subject to a system-wide offer cap, which was \$5,000/MWh in 2013. This offer cap increased to \$7,000/MWh in 2014 and to \$9,000/MWh in June 2015, providing a higher maximum marginal price. The system-wide offer cap has been reached on a number of occasions since 2011.

Transactions in ERCOT take place in two key markets: the day-ahead market and the real-time market. The day-ahead market is a voluntary forward energy market conducted the day before each operating day in which generators and purchasers of power may bid for one or more hours of energy supply or consumption. The day-ahead market also allows ERCOT and generators and purchasers of power to buy and sell ancillary services. The real-time market is a spot market in which energy may be sold in five-minute intervals.

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Generation facilities in the region include efficient combined cycle natural gas-fired facilities, a large wind fleet and a mixture of environmentally compliant and older, non-compliant coal-fired assets. The combination of these assets has historically led to lower marginal cost of production during most periods, compared to other markets. However, the region has limited excess capacity to meet high demand days and the marginal facilities have high operating costs. Therefore, the marginal price of supply rapidly increases during periods of high demand. As a result, many generators benefit from these sporadic periods of scarcity pricing in which power prices increase significantly.

In addition to energy, ancillary services, such as non-spinning reserves, responsive reserves and regulation up/down, offer another potential revenue stream for market participants in order to maintain system reliability, which is impacted by the high concentration of wind capacity in ERCOT. These ancillary services provide network support from quick-start generation capacity that is able to reach full load operation in exceptionally short periods of time in order to help manage the impact of wind variability on the electricity grid. Such ancillary services have received increased compensation and exhibited higher offer floors in part because ERCOT has one of the highest concentrations of wind capacity in the United States, with over 12,000 MW of installed capacity.

Market Opportunity

The market for competitive power generation assets has been very robust over the past five years, and we expect a continuation of this trend, providing further opportunities to enhance our competitive scale. From 2010 to 2014, roughly 344 GW of competitive power generation capacity has been sold, with approximately 121 GW and 36 GW in PJM and ERCOT, respectively. The diverse nature of these transactions, encompassing both conventional (predominantly natural gas and coal) and renewable (predominantly wind and solar) generating facilities, aligns with our goal of maintaining a multi-fuel and multi-dispatch profile. The table below illustrates the volume of transactions in dollars and GWs from 2010 through 2014.

We believe that there will continue to be significant acquisition opportunities for competitive power generation assets in the United States, enabling us to grow our fleet and enhance shareholder value. Approximately 81 GW of operating capacity are owned by companies that operate both regulated utilities and

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competitive power generation assets, while approximately 40 GW are owned by private equity funds. Given the trend of separating competitive power generation assets from regulated utility assets, and the typically defined target holding period of private equity funds, we expected that a significant number of assets will come to market over the next several years.

Recent Developments

MACH Gen Acquisition

On July 18, 2015, Talen Energy Supply entered into an agreement (the *MACH Gen Purchase Agreement*) to acquire all of the equity interests of MACH Gen, LLC (*MACH Gen*), which indirectly owns the following electric generating facilities and certain related assets: (i) the 1,054 MW combined-cycle gas fired *Harquahala* generating facility, located in Tonopah, Arizona; (ii) the 1,138 MW combined-cycle gas fired *Athens* generating facility, located in Greene County, New York; and (iii) the 335 MW combined-cycle gas fired *Millennium* generating facility, located in Worcester County, Massachusetts.

The *MACH Gen Purchase Agreement* provides for the sale to Talen Energy Supply of 100% of the issued and outstanding membership interests of *MACH Gen*. The consideration payable by Talen Energy Supply in respect of the acquisition is \$1.175 billion in cash, plus or minus the net working capital of *MACH Gen* and its subsidiaries on the closing date and minus the amount (if any) of indebtedness outstanding under *MACH Gen*'s *First Lien Credit and Guaranty Agreement* on the closing date and certain transaction expenses. The cash purchase price is subject to adjustment based on the amounts by which the actual closing date net working capital, credit agreement indebtedness (if any) and transaction expenses vary from estimates. At the closing, \$75 million of the purchase price will be paid into an escrow account for the purposes of paying any post-closing adjustments to the purchase price required to be paid by the sellers and satisfying the sellers' post-closing indemnification obligations under the *MACH Gen Purchase Agreement*. The escrow will be reduced to \$50 million after approximately three months. Talen Energy Supply and *MACH Gen*'s current owners have each made customary representations, warranties and covenants in the *MACH Gen Purchase Agreement*, which also includes customary indemnification provisions.

Talen Energy Supply has obtained a debt financing commitment (the *debt commitment*) sufficient to fund the cash purchase price. The debt commitment will be used as a backstop in the event alternative financing is not available at or prior to the closing of the acquisition.

The transaction is subject to customary closing conditions and is expected to close in 2015.

Holtwood and Lake Wallenpaupack Sale

On October 7, 2015, Holtwood, LLC (*Holtwood*), a wholly owned, indirect subsidiary of Talen Energy Supply and Talen Energy, entered into an agreement (the *Hydro Sale Agreement*) to sell the Holtwood and Lake Wallenpaupack hydroelectric projects in Pennsylvania to BIF III Holtwood LLC (the *Hydro Buyer*), an entity controlled by Brookfield Renewable Energy Partners L.P., for a purchase price of \$860 million, subject to customary purchase price adjustments. The two projects have a combined operating capacity of 292 megawatts. Holtwood and the *Hydro Buyer* have each made customary representations, warranties and covenants in the *Hydro Sale Agreement*, which also includes customary indemnification provisions. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals, including approval by the FERC under the Federal Power Act and termination of the waiting period under the provisions of the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (*HSR Act*). This transaction is part of a requirement to divest certain assets to comply with the December 2014 FERC Order. See *The Transactions*.

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Ironwood Sale

On October 7, 2015, Talen Generation, LLC ("Talen Generation") entered into an agreement (the "Ironwood Sale Agreement") to sell the Ironwood natural gas combined-cycle unit in Pennsylvania to TransCanada Facility USA, Inc. (the "Ironwood Buyer"), for a purchase price of \$654 million, subject to customary purchase price adjustments. As of June 30, 2015, the Ironwood unit had a summer rating of 660 MW. Talen Generation and the Ironwood Buyer have each made customary representations, warranties and covenants in the Ironwood Sale Agreement, which also includes customary indemnification provisions. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals, including approval by the FERC under the Federal Power Act and termination of the waiting period under the provisions of the HSR Act. This transaction is part of a requirement to divest certain assets to comply with the December 2014 FERC Order. See "The Transactions."

Crane Sale

On October 22, 2015, Raven Power Marketing LLC, a wholly owned indirect subsidiary of Talen Energy and Talen Energy Supply, entered into an agreement (the "Crane Sale Agreement") to sell the coal-fired Crane plant in Maryland to an affiliate of Avenue Capital Group (the "Crane Buyer"). As of June 30, 2015, the Crane plant had a summer rating of 404 MW. Raven Power Marketing LLC and the Crane Buyer have each made customary representations, warranties and covenants in the Crane Sale Agreement, which also includes customary indemnification provisions. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals including approval by the FERC under the Federal Power Act. The transaction is not expected to have a significant impact on Talen Energy's financial condition and results of operations. This transaction is part of a requirement to divest certain assets to comply with the December 2014 FERC Order. See "The Transactions."

Risk Factors

We face numerous risks related to, among other things, our business operations, our strategies, general economic conditions, competitive dynamics of the industry, our level of indebtedness, the legal and regulatory environment in which we operate. These risks are set forth in detail under the heading "Risk Factors." If any of these risks should materialize, they could have a material adverse effect on our business, financial condition, results of operations or cash flows. We encourage you to review these risk factors carefully. Furthermore, this prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

Market and Industry Data

Certain market, industry, regulatory, competitive position and other similar data included in this prospectus were obtained from our own research, from surveys, studies or reports conducted by third parties or from government, industry or general publications or websites (including surveys and forecasts). Some data is also based on good faith estimates by management, which are derived from their review of internal surveys or studies, as well as the independent sources described above. Statements regarding industry, regulatory, competitive position or other similar data presented in this prospectus involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

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* * * * *

Talen Energy Corporation is a Delaware corporation. Our principal executive offices are located at 835 Hamilton Street, Suite 150, Allentown, Pennsylvania 18101, and our telephone number at that address is (888) 211-6011. Our website is www.talenenergy.com. Information on, and which can be accessed through, our website is not incorporated in this prospectus.

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OFFERING SUMMARY

Issuer	Talen Energy Corporation
Selling Stockholders	Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC
Common stock offered for resale by the selling stockholders	Up to 44,974,658 shares
Voting rights	One vote per share.
Use of proceeds	We will not receive any proceeds from the sale of our common stock by the selling stockholders pursuant to this prospectus. See Use of Proceeds and Selling Stockholders.
Dividend policy	We do not currently expect to declare or pay dividends on our common stock. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. See Dividend Policy.
Listing	Our common stock is listed on the New York Stock Exchange under the symbol TLN.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should consider before deciding to invest in our common stock.

Table of Contents**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth summary historical consolidated financial data of Talen Energy Supply as of December 31, 2013 and 2014 and for each of the years ended December 31, 2012, 2013 and 2014 and summary historical unaudited consolidated interim financial data of Talen Energy as of June 30, 2015 and for the six months ended June 30, 2014 and 2015. The summary historical consolidated financial data of Talen Energy Supply as of December 31, 2013 and 2014 and for each of the years ended December 31, 2012, 2013 and 2014 have been derived from, and should be read together with, the audited consolidated financial statements of Talen Energy Supply, Talen Energy's accounting predecessor, and the accompanying notes contained elsewhere in this prospectus. The summary historical unaudited consolidated interim financial data of Talen Energy as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 have been derived from, and should be read together with, the unaudited condensed consolidated financial statements of Talen Energy and the accompanying notes contained elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual audited consolidated financial statements of Talen Energy Supply. In the opinion of management, these unaudited financial data reflect all adjustments, consisting of only normal and recurring adjustments considered necessary for a fair presentation of the operating results for those interim periods.

The summary historical consolidated financial data presented below for the periods prior to June 1, 2015 reflect the results of Talen Energy Supply, and do not reflect the results of the RJS Power business acquired as part of the Talen Transactions. Therefore, the summary historical consolidated financial data presented below for the six months ended June 30, 2015 reflects one month of combined results. The summary historical consolidated financial data presented below include certain assets and liabilities relating to facilities that may be sold as part of the mitigation plan discussed elsewhere in this prospectus. See [The Talen Transactions Mitigation Plans](#) and [Recent Developments](#). As a result, the summary historical consolidated financial data set forth below may not necessarily be indicative of Talen Energy's business in future periods or of the results of future operations.

The summary historical consolidated financial data should be read in conjunction with [Risk Factors](#), [Selected Historical Consolidated Financial Data](#), [Unaudited Pro Forma Condensed Combined Financial Information](#), [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) and the consolidated financial statements of Talen Energy and Talen Energy Supply and the accompanying notes, all of which are included elsewhere in this prospectus.

	Year Ended December 31,			Six Months	
	2012	2013	2014	Ended June 30,	2015
				(unaudited)	
Statement of Income Data:					
Operating revenues	\$ 5,346	\$ 4,514	\$ 3,736	\$ 52	\$ 2,011
Operating income (loss)	804	(293)	397	(63)	212
Income (loss) from continuing operations after income taxes	428	(262)	187	(56)	121
Net income (loss)	474	(230)	410	(53)	122
Balance Sheet Data (at period end):					
Cash and cash equivalents		\$ 239	\$ 352		\$ 352
Total assets		11,074	10,760		12,862
Total liabilities		6,276	6,853		8,036

Long-term debt, including current portion	2,525	2,218	4,059
Total equity	4,798	3,907	4,826

Statement of Cash Flows Data:

Cash provided by (used in):					
Operating activities	\$ 784	\$ 410	\$ 462	\$ 290	\$ 355
Investing activities	(469)	(631)	497	(403)	(127)
Financing activities	(281)	47	(846)	138	(228)

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SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following sets forth summary unaudited pro forma condensed combined financial data which combines the consolidated financial information of Talen Energy and Talen Energy Supply and the consolidated and combined financial information of RJS Power as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014 after giving effect to the Talen Transactions. The summary unaudited pro forma condensed combined statement of income data gives effect to the Talen Transactions as if they were completed on January 1, 2014. The summary unaudited pro forma condensed combined balance sheet data gives effect to the Talen Transactions as if they were completed on June 30, 2015. The summary unaudited pro forma condensed combined financial data are derived from the unaudited pro forma condensed combined financial information that is included elsewhere in this prospectus. The summary unaudited pro forma condensed combined financial data are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of the combined company would have been had the Talen Transactions occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

This information is only a summary and should be read in conjunction with Risk Factors, Selected Historical Consolidated Financial Data, Unaudited Pro Forma Condensed Combined Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

FERC approval of the RJS acquisition included a requirement that Talen divest one of two mitigation packages identified in the FERC Order. In September 2015, Talen requested that the FERC allow it to consider a third mitigation package which would exclude the Sapphire asset portfolio and include all of the other generating facilities from both of the approved mitigation packages. Our request for approval of this third option is pending at the FERC. This pro forma financial information reflects the impacts of divesting all of the generating facilities included in both mitigation packages discussed at The Talen Transactions Mitigation Plans, including the Sapphire asset portfolio. As of and for the six month period ended June 30, 2015, if the Sapphire asset portfolio were not divested, pro forma operating revenues would have been approximately \$50 million higher than the pro forma operating revenues reflected herein, pro forma operating income would have been approximately \$20 million lower than the pro forma operating income reflected herein, and pro forma cash would have been approximately \$376 million lower than the pro forma cash reflected herein. For the year ended December 31, 2014, if the Sapphire asset portfolio were not divested, pro forma operating revenues would have been approximately \$220 million higher than the pro forma operating revenues reflected herein and pro forma operating income would have been approximately \$10 million lower than the pro forma operating income reflected herein.

In addition, although Talen Energy expects to employ a growth strategy and proceeds from the anticipated FERC Order mitigation divestitures may be used for future acquisitions, for the purposes of the pro forma information, the proceeds from divestitures included have not been assumed to be invested in similar business operations and accordingly are reflected in cash on the pro forma balance sheet.

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(dollars in millions)	Year Ended December 31, 2014	Six Months Ended June 30, 2015
Statement of Income Data:		
Operating revenues	\$ 4,135	\$ 2,129
Operating income	358	204
Income from continuing operations after income taxes	111	111
Balance Sheet Data (at period end):		
Cash and cash equivalents		\$ 2,192
Total assets		13,124
Total liabilities		8,176
Long-term debt, including current portion		4,012
Stockholders' equity		4,948
Other Financial Data:		
Pro forma Adjusted EBITDA (1)	\$ 850	\$ 385

- (1) In addition to evaluating the financial condition and results of operations in accordance with GAAP, management also reviews and evaluates certain alternative financial measures not prepared in accordance with GAAP. Non-GAAP measures do not have definitions under GAAP and may be defined differently by, and not be comparable to, similarly titled measures used by other companies. As a result, management considers and evaluates non-GAAP measures in connection with a review of the most directly comparable measure calculated in accordance with GAAP. Management cautions investors not to place undue reliance on such non-GAAP measures, but also to consider them with the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.

In this prospectus, the pro forma financial information prepared in accordance with GAAP has been supplemented with pro forma EBITDA and pro forma Adjusted EBITDA because we believe that pro forma EBITDA and pro forma Adjusted EBITDA provide useful information to investors, lenders and rating agencies since these groups have historically used EBITDA-related measures in our industry, along with other measures, to estimate the value of companies, to make investment decisions and to evaluate a company's ability to meet its debt service requirements. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP. Pro forma EBITDA and pro forma Adjusted EBITDA reflect EBITDA and Adjusted EBITDA, respectively, after giving effect to the Talen Transactions.

A reconciliation of pro forma EBITDA and pro forma Adjusted EBITDA to pro forma income (loss) from continuing operations after income taxes determined in accordance with GAAP is provided below (See Unaudited Pro Forma Condensed Combined Financial Information for information on the Pro Forma Adjustments and Pro Forma Condensed Combined amounts):

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	Year Ended December 31, 2014			
	Historical		Pro	Pro
	Talen	RJS	Forma	Forma
	Energy	Power	Adjustments	Condensed
	Supply			Combined (a)
Income (Loss) from continuing operations after income taxes	\$ 187	\$ (55)	\$ (21)	\$ 111
Interest expense (b)	124	110	(19)	215
Income taxes	116		(52)	64
Depreciation and amortization (c)	329	90	(63)	356
EBITDA	\$ 756	\$ 145	\$ (155)	\$ 746
Unrealized loss (gain) on derivative contracts (d)	(17)	64		47
Raven acquisition adjustments (e)		20		20
Non-cash compensation expense (f)	18	15		33
Separation benefits (g)	33			33
Mechanical contracting and engineering subsidiary revenue adjustment (h)	(17)			(17)
Gain from NDT fund	(26)			(26)
Other (i)	12	2		14
Adjusted EBITDA	\$ 759	\$ 246	\$ (155)	\$ 850

- (a) Reflects the impact of divesting all of the generating facilities identified in both approved mitigation packages to satisfy the FERC Order, including the Sapphire asset portfolio. See The Talen Transactions Mitigation Plans for information on such divestitures.
- (b) RJS Power includes a \$36 million charge for the write-off of unamortized debt discount and deferred financing costs, on RJS Power's then outstanding debt, in connection with the issuance of the 2019 Senior Notes.
- (c) Talen Energy Supply includes \$32 million of ARO accretion that is recognized in Other operation and maintenance on the Pro Forma Condensed Combined Statement of Income included under Unaudited Pro Forma Condensed Combined Financial Information.
- (d) Represents non-cash change in the fair value of derivative instruments that have been included in Talen Energy Supply's and RJS Power's earnings.
- (e) Comprised of two adjustments resulting from the acquisition of the Raven portfolio from CPSG in 2012. RJS Power adjusted EBITDA as reported for pension related payments of \$3 million made to legacy CPSG employees, as such payments were no longer a recurring expense for RJS Power after December 31, 2014. RJS Power also adjusted its EBITDA as reported to reflect a capacity make whole payment of \$17 million from CPSG. Under the purchase and sale agreement with CPSG, CPSG agreed to capacity make-whole payments for uncleared capacity in the 2014/2015 PJM Capacity year. The right to receive the capacity make-whole payment from CPSG was recorded as a receivable on RJS Power's balance sheet under the purchase accounting rules. Payments received under this agreement were not reflected as revenue in RJS Power's financial statements. RJS Power made an adjustment to EBITDA to eliminate the effect of adjustments resulting from the application of purchase accounting to this payment stream.
- (f) For Talen Energy Supply, reflects a certain portion of PPL's non-cash stock-based compensation cost allocable to Talen Energy Supply. For RJS Power, reflects non-cash compensation expense related to agreements existing prior to the Contribution directly with the Riverstone Holders and TPM, which, prior to

the Contribution, provided asset management services to RJS Power and its subsidiaries. The agreements allowed TPM to participate in the profits of RJS Power if certain cash generation and distribution targets were met. Although the amounts paid under these agreements were not paid directly by RJS Power, RJS Power recognized amounts paid under these agreements as non-cash compensation

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expense included in general and administrative expenses on its consolidated and combined statement of operations.

- (g) In June, 2014, Talen Energy Supply's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, estimated bargaining unit one-time voluntary retirement benefits were recorded. In addition, in 2014, Talen Energy Supply recorded separation benefits related to the anticipated spinoff transaction.
- (h) In 2014, Talen Energy Supply recorded \$17 million to Energy-related businesses' revenues on the Statement of Income to the audited consolidated financial statements of Talen Energy Supply to correct an error related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (i) Primarily includes OCI amortization on non-active derivative positions.

	Historical			Pro Forma Adjustments	Pro Forma Condensed Combined (a) Six Months Ended June 30, 2015
	Talen Energy	RJS Power	Six Months Ended June 30, 2015		
Income (Loss) from continuing operations after income taxes	\$ 121	\$ (13)	\$ (30)	\$ 33	\$ 111
Interest expense	91	18	12	(16)	105
Income taxes	10			(8)	2
Depreciation and amortization (b)	181	23	16	(33)	187
EBITDA	\$ 403	\$ 28	\$ (2)	\$ (24)	\$ 405
Unrealized loss (gain) on derivative contracts (c)	(53)	13	(11)		(51)
Raven acquisition adjustments (d)		8	6		14
Stock-based compensation expense (e)	40			(25)	15
Separation benefits (f)	2				2
TSA cost	5				5
Corette closure costs (g)	4				4
Terminated derivative contracts (h)	(13)				(13)
(Gain) loss from NDT funds	(10)				(10)
Revenue adjustment (i)	7				7
RJS acquisition transaction costs	5			(5)	
Restructuring costs (j)	10			(10)	
Other (i)	7				7
Adjusted EBITDA	\$ 407	\$ 49	\$ (7)	\$ (64)	\$ 385

(a)

Reflects the impact of divesting all of the generating facilities identified in both approved mitigation packages to satisfy the FERC Order, including the Sapphire asset portfolio. See The Talen Transactions Mitigation Plans for information on such divestitures.

- (b) Talen Energy includes \$17 million of ARO accretion that is recognized in Other operation and maintenance on the Pro Forma Condensed Combined Statement of Income included under Unaudited Pro Forma Condensed Combined Financial Information.
- (c) Represents non-cash change in the fair value of derivative instruments that have been included in Talen Energy's and RJS Power's earnings.
- (d) Comprised of an adjustment resulting from the acquisition of the Raven portfolio from CPSG in 2012. RJS Power adjusted its EBITDA as reported to reflect a capacity make whole payment of \$14 million from CPSG. Under the purchase and sale agreement with CPSG, CPSG agreed to capacity make-whole

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payments for uncleared capacity in the 2014/2015 PJM Capacity year. The right to receive the capacity make-whole payment from CPSG was recorded as a receivable on RJS Power's balance sheet under the purchase accounting rules. Payments received under this agreement were not reflected as revenue in RJS Power's financial statements. RJS Power made an adjustment to EBITDA to eliminate the effect of adjustments resulting from the application of purchase accounting to this payment stream.

- (e) For Talen Energy, reflects a certain portion of PPL's non-cash stock-based compensation cost prior to June 1, 2015 allocable to Talen Energy Supply.
- (f) Talen Energy recorded separation benefits related to the spinoff transaction.
- (g) Operations were suspended and the Corette plant was retired in March 2015.
- (h) Represents net realized gains on certain derivative contracts that were early-terminated due to the Talen Transaction.
- (i) Relates to a prior period revenue adjustment for the receipt of revenue under a transmission operating agreement with Talen Energy Supply's former affiliate, PPL Electric. See Note 1 to the unaudited consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information.
- (j) Costs related to the spinoff transaction, including FERC-required mitigation plan expenses and legal and professional fees.
- (k) Includes OCI amortization on non-active derivative positions and an asset write-off.

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RISK FACTORS

You should carefully consider the following risk factors, together with information contained in this prospectus before deciding to invest in our common stock. The risks described below are the material risks, although not the only risks relating to Talen Energy and an investment in its common stock. If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on Talen Energy's business, financial condition, results of operations or cash flows. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Relating to the Talen Transactions

If the Distribution does not qualify as a tax-free distribution under the Code, including as a result of subsequent acquisitions of stock or equity of PPL or Talen Energy or Talen Energy Supply, then Talen Energy may be liable for substantial U.S. federal income taxes or may be required to indemnify PPL.

Among other requirements, the completion of the Talen Transactions was conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that, the contribution of Talen Energy Supply to HoldCo, together with the Distribution, will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code, that the Merger will qualify as a reorganization pursuant to Section 368(a) of the Code, and that the Merger and Combination together will qualify as a transaction described in Section 351 of the Code. Although receipt of such opinion satisfied a condition to completion of the Distribution and subsequent Merger, that legal opinion is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the Distribution and Merger that are different from the conclusions reached in such opinion. Talen Energy is not aware of any facts or circumstances that would cause the factual statements or representations on which the legal opinion was based to be materially different from the facts at the time of the Distribution. If, notwithstanding the receipt of such opinion, the IRS were to determine the Distribution to be taxable, PPL would recognize a tax liability that could be substantial. Talen Energy would be jointly and severally liable for such tax liability under applicable Treasury Regulations as a former member of the PPL consolidated federal income tax group.

In addition, the Distribution will be taxable to PPL pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership (by vote or value) of PPL, Talen Energy or Talen Energy Supply, directly or indirectly, as part of a plan or series of related transactions that include the Distribution. Because PPL's shareholders collectively owned more than 50% of Talen Energy's common stock following the Distribution and subsequent Merger and Combination, the Merger and Combination alone will not cause the Distribution to be taxable to PPL under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if acquisitions of stock of PPL before or after the Distribution, or stock or equity of Talen Energy or Talen Energy Supply after the Merger and Combination, are considered to be part of a plan or series of related transactions that include the Distribution. Talen Energy is not aware of any such plan or series of transactions that include the Distribution. Under the Separation Agreement, however, in certain circumstances and subject to certain limitations, Talen Energy would be required to indemnify PPL for certain taxes that may be imposed on the Distribution, including taxes that arise because acquisitions of Talen Energy stock or Talen Energy Supply equity result in the Distribution being taxable under Section 355(e) of the Code.

We may not realize the anticipated synergies, cost savings and growth opportunities from the Talen Transactions.

The benefits that we expect to achieve as a result of the Talen Transactions will depend, in part, on our ability to realize anticipated growth opportunities, cost savings and other synergies. Our success in realizing these growth opportunities, cost savings and synergies, and the timing of this realization, depends on the successful integration of the Talen Energy Supply and RJS Power businesses. Even if we are able to integrate the

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Talen Energy Supply and RJS Power businesses successfully, this integration may not result in the full realization of the growth opportunities, cost savings and other synergies that we currently expect from this integration, either within the anticipated time frame or at all. For example, we may be unable to eliminate duplicative costs. Moreover, we may incur substantial expenses in connection with the integration of Talen Energy Supply's and RJS Power's businesses. Such expenses are difficult to estimate accurately.

The integration of the RJS Power business with our business may present significant challenges.

There are significant challenges inherent in the process of integrating the Talen Energy Supply and RJS Power businesses. These difficulties include:

the challenge of carrying on the ongoing operations of each business as part of a combined company;

the challenge of integrating the business cultures of each business;

the challenge and cost of integrating the information technology (IT) systems of each business; and

the potential difficulty in retaining key employees of Talen Energy Supply and RJS Power.

The process of integrating operations may require us to incur substantial out-of-pocket costs. Members of our senior management may be required to devote considerable amounts of time and attention to this integration process, which will decrease the time they will have to manage us. If senior management is not able effectively to manage the integration process, or if any significant business activities are interrupted as a result of the integration process, we could suffer.

We cannot assure you that we will successfully or cost-effectively integrate the Talen Energy Supply and RJS Power businesses. The failure to do so could have a material adverse effect on our financial condition and results of operations.

We may not have access to equivalent benefits and services or financial strength and resources that historically have been provided by PPL and Riverstone, respectively.

Prior to the Talen Transactions, our business has been able to receive benefits and services from, and has been able to benefit from the financial strength of, PPL and Riverstone. We no longer benefit from resources of PPL or Riverstone, other than pursuant to the Transition Services Agreements. If we are not able to replace the resources provided by PPL or Riverstone, are unable to replace them at the same or lower cost or are delayed in replacing the resources provided by PPL or Riverstone, our business, financial condition and results of operations may be negatively impacted.

Talen Energy Supply's and RJS Power's historical and pro forma combined financial data are not necessarily representative of the results we would have achieved and may not be a reliable indicator of our future results.

Talen Energy Supply's and RJS Power's historical and pro forma financial data included in this prospectus may not reflect what Talen Energy Supply's and RJS Power's results of operations, financial condition and cash flows would have been had they been a combined company during the periods presented, or what our results of operations,

financial condition and cash flows will be in the future. Among other factors, this is because:

Prior to the Talen Transactions, PPL operated the Talen Energy Supply business as part of its broader corporate organization and PPL, or one of its affiliates, performed certain corporate functions for the Talen Energy Supply business, including tax and treasury administration and certain governance functions, including internal audit and external reporting. Our historical financial statements and pro forma financial information reflect allocations of corporate expenses from PPL for these and similar functions and may not reflect the costs that we will incur for similar services in the future.

Prior to the Talen Transactions, the assets owned by RJS Power and its subsidiaries were managed by TPM, an affiliate of Riverstone. The services provided by TPM included asset management,

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accounting, budgeting, human resources, commercial and risk management and legal. RJS Power's historical financial statements and pro forma financial information reflect the costs incurred by TPM to provide these services and other necessary functions required to operate the business and may not reflect the costs that we will incur for similar services in the future.

In order to satisfy certain conditions in the FERC Order approving the Talen Transactions, we must dispose of certain assets, including the sale of generating capacity between 1,300 and 1,400 MW. In October 2015, we agreed to sell our Holtwood, Lake Wallenpaupack, Ironwood and Crane facilities. See [The Talen Transactions Mitigation Plans](#) and [Summary Recent Developments](#).

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a combined company.

In addition, the pro forma financial data we have included in this prospectus are based in part upon a number of estimates and assumptions. These estimates and assumptions may prove not to be accurate and, accordingly, our pro forma financial data should not be assumed to be indicative of what our financial condition or results of operations actually would have been as a combined company and may not be a reliable indicator of what our financial condition or results of operations actually may be in the future.

Our accounting, management and financial reporting systems may not be adequately prepared to comply with additional public company reporting, disclosure controls and internal control over financial reporting requirements to which we are subject.

Prior to the Talen Transactions, the financial results of the Talen Energy Supply business previously were included within the consolidated results of PPL, and RJS Power was not subject to the reporting and other requirements of the Exchange Act. We are directly subject to reporting and other obligations under the Exchange Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, which now includes the RJS Power business. We are responsible for ensuring that all aspects of our business comply with Section 404 of the Sarbanes-Oxley Act. Under the Sarbanes-Oxley Act, we are also required to maintain effective disclosure controls and procedures and internal control over financial reporting. In addition, our management is required to assess the effectiveness of our internal control over financial reporting and we are required to obtain a report by an independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting on an annual basis, subject to applicable phase-in periods.

To comply with these requirements on a stand-alone basis separate from PPL and with the addition of the RJS Power business, we may need to upgrade our systems, implement additional financial and management controls, reporting systems and procedures, and hire additional accounting, legal and finance staff. We expect to incur additional annual expenses for the purpose of addressing these requirements, and those expenses may be significant. If we are unable to upgrade our financial and management controls, reporting systems, IT systems and procedures in a timely and effective fashion, our ability to satisfy our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act and the Sarbanes-Oxley Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition and results of operations.

We have incurred significant one-time costs associated with the Talen Transactions that could affect our period-to-period operating results.

We have incurred one-time charges as a result of costs associated with the Talen Transactions, including \$25 million of costs related to accelerated stock-based compensation and prorated performance-based cash incentive and stock-based compensation awards for certain employees. Some of the factors affecting the costs associated with the Talen Transactions include the resources required to integrate the Talen Energy Supply and RJS Power businesses and the length of time during which transition services are provided to Talen Energy Supply by PPL and TPM. The amount and timing of these charges could adversely affect our period-to-period

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operating results, which could result in a reduction in the market price of shares of our common stock. Moreover, delays in completing the integration may reduce or delay the synergies and other benefits expected from the Talen Transactions and such reduction may be material.

Our indebtedness, which was \$4,059 million as of June 30, 2015, could adversely affect our financial condition and impair our ability to operate our business.

As of June 30, 2015, we had \$4,059 million in total indebtedness. Our indebtedness could have important consequences to our future financial condition, operating results and business, including the following:

requiring that a substantial portion of our cash flows from operations be dedicated to payments on our indebtedness instead of other purposes, including operations, capital expenditures and future business opportunities;

limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;

increasing our cost of borrowing; and

limiting our ability to adjust to changing market and economic conditions and limiting our ability to carry out capital spending that is important to our growth.

Although the agreements governing the Revolving Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and any additional indebtedness incurred in compliance with these restrictions could be substantial. If new indebtedness is added to our current indebtedness level, the related risks we will face could intensify. See Description of Material Indebtedness.

Variable rate indebtedness subjects us to the risk of higher interest rates, which could cause our future debt service obligations to increase significantly.

Our borrowings under the Revolving Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on such variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease.

The agreements governing our indebtedness contain restrictive covenants, which restrict our operational flexibility.

The agreements governing the Revolving Facility contain restrictions and limitations, including financial and other restrictive covenants that will limit our subsidiaries' ability to:

incur additional indebtedness, or issue guarantees or certain preferred shares;

pay dividends, redeem stock or make other distributions;

repurchase, prepay or redeem subordinated indebtedness;

make investments or acquisitions;

create liens;

make negative pledges;

consolidate or merge with another company;

sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

change the nature of our business.

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The agreements governing the Revolving Facility also contain other customary restrictions.

Our ability to borrow additional amounts under the Revolving Facility depends upon satisfaction of these covenants. Events beyond our control could affect our ability to meet these covenants. Our failure to comply with obligations under the agreements governing the Revolving Facility may result in an event of default under those agreements. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have serious consequences to our financial condition, operating results and business and could cause us to become bankrupt or insolvent. See Description of Material Indebtedness.

Risks Related to Our Business

We face intense competition in the competitive power generation market, which may adversely affect our ability to operate profitably and generate positive cash flow.

Our generation business is dependent on our ability to operate successfully in a competitive environment and is not assured of any rate of return on capital investments through a regulated rate structure. Competition is affected by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively affect our ability to sell electricity and related products and services, as well as the prices that we receive for such products and services, which could adversely affect our results of operations and our ability to grow our business.

We sell our available energy and capacity into competitive wholesale markets through contracts of varying duration. Competition in the wholesale power markets occurs principally on the basis of the price of products and, to a lesser extent, reliability and availability. We believe that the commencement of commercial operation of new electricity generating facilities in the regional markets where we own or control generation capacity and the evolution of demand side management resources will continue to increase competition in the wholesale electricity market in those regions, which could have an adverse effect on electricity and capacity prices.

We also face competition in the wholesale markets for generation capacity and ancillary services. We primarily compete with other electricity suppliers based on our ability to aggregate supplies at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities, ISOs and RTOs. We also compete against other energy marketers on the basis of relative financial condition and access to credit sources, and our competitors may have greater financial resources than we have.

Competitors in the wholesale power markets in which we operate include regulated utilities, industrial companies, non-utility generators, competitive subsidiaries of regulated utilities and financial institutions.

We are exposed to operational, price and credit risks associated with selling and marketing products in the wholesale and retail electricity markets.

We purchase and sell electricity in wholesale markets under market-based rates throughout the U.S. and also enter into short-term agreements to market available electricity and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and electricity under these agreements, we could be required to pay damages. These damages would generally be based on the difference between the market price to acquire replacement capacity or electricity and the contract price of any undelivered

capacity or electricity. Depending on price volatility in the wholesale electricity markets, such damages could be significant. Extreme weather conditions, unplanned generation facility outages, environmental

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compliance costs, transmission disruptions, and other factors could affect our ability to meet our obligations, or cause significant increases in the market price of replacement capacity and electricity.

Our wholesale power agreements typically include provisions requiring us to post collateral for the benefit of our counterparties if the market price of energy varies from the contract prices in excess of certain predetermined amounts. We currently believe that we have sufficient liquidity to fulfill our potential collateral obligations under these power contracts. However, our obligation to post collateral could exceed the amount of our facilities or our ability to increase our facilities could be limited by financial markets or other factors.

We also face credit risk that counterparties with whom we contract in both the wholesale and retail markets will default in their performance, in which case we may have to sell our electricity into a lower-priced market or make purchases in a higher-priced market than existed at the inception of the contract. Whenever feasible, we attempt to mitigate these risks using various means, including agreements that require our counterparties to post collateral for our benefit if the market price of energy varies from the contract price in excess of certain predetermined amounts. However, there can be no assurance that we will avoid counterparty nonperformance risk, including bankruptcy, which could adversely impact our ability to meet our obligations to other parties, which could in turn subject us to claims for damages.

Adverse changes in commodity prices and related costs may decrease our future energy margins, which could adversely affect our earnings and cash flows.

Our energy margins, or the amount by which our revenues from the sale of power exceed our costs to supply power, are impacted by changes in market prices for electricity, fuel, fuel transportation, emission allowances, RECs, electricity capacity and related congestion charges and other costs. Unlike most commodities, the limited ability to store electricity requires that it must be consumed at the time of production. As a result, wholesale market prices for electricity may fluctuate substantially over relatively short time periods and can be unpredictable. Among the factors that influence such prices are:

demand for electricity;

supply of electricity available from current or new generation resources;

variable production costs, primarily fuel (and associated transportation costs) and emission allowance expense for the generation resources used to meet the demand for electricity;

transmission capacity and service into, or out of, markets served;

changes in the regulatory framework for wholesale power markets;

liquidity in the wholesale electricity market, as well as general creditworthiness of key participants in the market; and

weather and economic conditions affecting demand for or the price of electricity or the facilities necessary to deliver electricity.

Our risk management policy and programs relating to electricity and fuel prices, interest rates and counterparty credit and non-performance risks may not work as planned, and we may suffer economic losses despite such programs.

We actively manage the market risk inherent in our generation and energy marketing activities, as well as our debt and counterparty credit positions. We have implemented procedures to monitor compliance with our risk management policy and programs, including independent validation of transaction and market prices, verification of risk and transaction limits, portfolio stress tests, sensitivity analyses and daily portfolio reporting of various risk management metrics. Nonetheless, our risk management programs may not work as planned. For example, actual electricity and fuel prices may be significantly different or more volatile than the historical trends and

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assumptions upon which we based our risk management calculations. Additionally, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting our ability to enter into new transactions. We enter into financial contracts to hedge commodity basis risk, and as a result are exposed to the risk that the correlation between delivery points could change with actual physical delivery. Similarly, interest rates could change in significant ways that our risk management procedures were not designed to address. As a result, we cannot always predict the impact that our risk management decisions may have on us if actual events result in greater losses or costs than our risk models predict or greater volatility in our earnings and financial position.

We are also exposed to basis risk in our operations when our derivative contracts settle financially and we deliver physical electricity on different terms. For example, if we enter into an HRCO, we hedge our electricity production based on an agreed price for that electricity, but physical electricity must be delivered to delivery points in the market that we serve. We are exposed to basis risk between the hub price specified in the HRCO and the price that we receive for the sales of physical electricity. We attempt to hedge basis risk where possible, but hedging instruments are sometimes not economically feasible or available in the quantities that we require.

In addition, our trading, marketing and hedging activities are exposed to counterparty credit risk and market liquidity risk. We have adopted a credit risk management policy and program to evaluate counterparty credit risk. However, if counterparties fail to perform, we may be forced to enter into alternative arrangements at then-current market prices. In that event, our financial results could be adversely affected.

We do not always hedge against risks associated with electricity and fuel price volatility.

We attempt to mitigate risks associated with satisfying our contractual electricity sales obligations by either reserving generation capacity to deliver electricity or purchasing the necessary financial or physical products and services through competitive markets to satisfy our net firm sales contracts. We also routinely enter into contracts, such as fuel and electricity purchase and sale commitments, to hedge our exposure to fuel requirements and other electricity-related commodities. However, based on economic and other considerations, we may decide not to hedge the entire exposure of our operations from commodity price risk. To the extent we do not hedge against commodity price risk and applicable commodity prices change in ways that would be adverse to us, our results of operations and financial position may be adversely affected. To the extent we do hedge against commodity price risk, those hedges may not ultimately prove to be effective.

The accounting for our hedging activities may increase the volatility in our quarterly and annual financial results.

We engage in commodity-related marketing and price-risk management activities in order to physically and financially hedge our exposure to market risk with respect to electricity sales from our generation assets, fuel utilized by those assets and emission allowances.

We generally attempt to balance our fixed-price physical and financial purchases and sales commitments in terms of contract volumes and the timing of performance and delivery obligations through the use of financial and physical derivative contracts. These derivatives are recorded on the balance sheet at fair value with changes in the fair value resulting from fluctuations in the underlying commodity prices immediately recognized in earnings, unless the derivative qualifies for cash flow hedge accounting treatment or the NPNS exception. Whether a derivative qualifies for cash flow hedge accounting treatment depends upon it meeting specific criteria used to determine if the cash flow hedge is and will remain appropriate for the term of the derivative. Specific criteria are also required in order to elect the NPNS exception, which permits qualifying hedges to be treated under the accrual accounting method. All economic hedges may not necessarily qualify for cash flow hedge accounting treatment or the NPNS exception, or we may elect not to utilize cash flow hedge accounting or the NPNS exception. As a result, our quarterly and annual

results are subject to significant fluctuations caused by changes in market prices.

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Adverse economic conditions could adversely affect our financial condition and results of operations.

Adverse economic conditions and declines in wholesale energy prices, partially resulting from adverse economic conditions, have significantly impacted our earnings. The breadth and depth of these negative economic conditions had a wide-ranging impact on the U.S. business environment, including our businesses. In addition, adverse economic conditions also reduce the demand for energy commodities. This reduced demand continues to impact the key domestic wholesale energy markets we serve. The combination of lower demand for power and increased supply of natural gas has put downward price pressure on wholesale energy markets in general, further impacting our energy marketing results. In general, economic and commodity market conditions will continue to impact our unhedged future energy margins, liquidity, earnings growth and overall financial condition. In addition, adverse economic conditions, declines in wholesale energy prices, reduced demand for power and other factors may negatively impact the trading price of our common stock and impact forecasted cash flow, which may require us to evaluate our goodwill and other long-lived assets for impairment. Any such impairment could have a material impact on our financial statements.

Disruption in financial markets could adversely affect our financial condition and results of operations.

Our businesses are heavily dependent on credit and access to capital, among other things, for financing capital expenditures and providing collateral to support hedging in our energy marketing business. Regulations under the Dodd-Frank Act in the United States and Basel III in Europe may impose costly additional requirements on our businesses and the businesses of others with whom we contract, such as banks or other counterparties, or simply result in increased costs to conduct our business or access sources of capital and liquidity upon which the conduct of our businesses is dependent.

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy including the promotion of energy efficiency, conservation and self-generation which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could in turn adversely affect our business.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

In the ordinary course of business, we are reliant upon adequate long-term and short-term financing to fund our significant capital expenditures, debt service and operating needs. As a capital-intensive business, we are sensitive to developments in interest rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. Our senior unsecured debt is not rated investment grade by such

rating agencies. In the third quarter of 2015, S&P placed our ratings on CreditWatch with negative implications and Moody's revised our outlook from stable to negative. A ratings downgrade could negatively affect our ability to access new long-term debt at acceptable interest rates.

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Future acquisition or divestiture activities may have adverse effects on our business, financial condition and results of operations.

From time to time, we may seek to acquire additional assets or businesses. The acquisition of new assets or businesses is subject to substantial risks, including delays in completing such acquisitions, the failure to identify material problems during due diligence, the risk of over-paying for assets, the ability to retain customers or employees and the inability to arrange financing for an acquisition as may be required or desired. In addition, we may not be able to achieve the anticipated operating and financial benefits of future acquisitions. For example, we may not be able to achieve certain tax benefits related to our pending acquisition of MACH Gen, LLC to the extent we do not have adequate taxable income in future periods following completion of the acquisition. Further, the integration and consolidation of acquired businesses requires substantial human, financial and other resources and, ultimately, such integration processes may result in unexpected costs or charges and we may not be able to operate the acquired businesses or assets in the manner in which we intended. There can be no assurances that any future acquired businesses will perform as expected or that the returns from such acquisitions will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

In addition, we are required to sell certain assets pursuant to the FERC Order and we may from time to time choose to sell certain other assets or businesses that are no longer core to our operations. In connection with such dispositions, we may indemnify or guarantee counterparties against certain liabilities, which may result in future costs or liabilities payable by us. For example, we have agreed to indemnify the Hydro Buyer, the Ironwood Buyer and the Crane Buyer against certain losses pursuant to the Hydro Sale Agreement, the Ironwood Sale Agreement and the Crane Sale Agreement, respectively. In addition, we may incur additional costs as a result of disposing of certain assets or businesses, and we may experience write-downs of assets if the carrying value of the assets or business sold exceeds the price received.

Changes in technology may negatively impact the value of our power plants.

A basic premise of our generation business is that generating electricity at central power plants achieves economies of scale and produces electricity at relatively low prices. There are alternate technologies to supply electricity, most notably fuel cells, micro turbines, batteries, windmills and photovoltaic (solar) cells, the development of which has been expanded due to global climate change concerns. Research and development activities are ongoing to seek improvements in alternate technologies. It is possible that advances will reduce the cost of alternative generation to a level that is equal to or below that of certain central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage (the demand) by customers could decline, with a corresponding decline in revenues derived by generators. These alternative energy sources could result in a decline to the dispatch and capacity factors of our plants. As a result of all of these factors, the value of our generation facilities could be significantly reduced.

We are subject to liability risks relating to our competitive power generation business operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of our power plants, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/ transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Planned

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and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis if weather conditions such as heat waves, extreme cold, unseasonably mild weather or severe storms occur. The patterns of these fluctuations may change depending on the type and location of our facilities and the terms of our contracts to sell electricity.

Operating expenses could be affected by weather conditions, including storms, as well as by significant manmade or accidental disturbances, including terrorism or natural disasters.

Weather and these other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure and requiring significant repair costs. Storm outages and damage often directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

The full-requirements sales contracts that Talen Energy Marketing is awarded do not provide for specific levels of load and actual load significantly below or above our forecasts could adversely affect our energy margins.

We generally hedge our full-requirements sales contracts with our own generation or energy purchases from third parties. If the actual load is significantly lower than the expected load, we may be required to resell power at a lower price than was contracted for to supply the load obligation, resulting in a financial loss. Alternatively, a significant increase in load could adversely affect our energy margins because we are required under the terms of full-requirements sales contracts to provide the energy necessary to fulfill increased demand at the contract price, which could be lower than the cost to procure additional energy on the open market. Therefore, any significant decrease or increase in load compared with our forecasts could have a material adverse effect on our results of operations and financial position.

We may experience disruptions in our fuel supply, which could adversely affect our ability to operate our generation facilities.

We purchase fuel and other products consumed during the production of electricity (such as coal, natural gas, oil, water, uranium, lime, limestone and other chemicals) from a number of suppliers. Delivery of these fuels to our facilities is dependent upon the continuing financial viability of contractual counterparties as well as the infrastructure (including rail lines, rail cars, barge facilities, roadways, riverways and natural gas pipelines) available to serve each generation facility. As a result, we are subject to the risks of disruptions or curtailments in the production of power at our generation facilities if fuel is unavailable at any price or if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure. Disruption in the delivery of fuel, including disruptions as a result of weather, transportation difficulties, global demand and supply dynamics, labor relations, environmental regulations or the financial viability of our fuel suppliers, could adversely affect our ability to operate our facilities, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations.

We have sold forward a portion of our power in order to lock in long-term prices that we deemed to be favorable at the time we entered into the forward sale contracts. In order to hedge our obligations under these forward power sales contracts, we have entered into long-term and short-term contracts for the purchase and delivery of fuel. Many of the forward power sales contracts do not allow us to pass through changes in fuel costs or discharge the power sale obligations in the case of a disruption in fuel supply due to force majeure events or

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the default of a fuel supplier or transporter. Disruptions in our fuel supplies may therefore require us to find alternative fuel sources at higher costs, to find other sources of power to deliver to counterparties at a higher cost, or to pay damages to counterparties for failure to deliver power as contracted. Any such event could have a material adverse effect on our financial performance.

We also buy significant quantities of fuel on a short-term or spot market basis. Prices for all of our fuels fluctuate, sometimes rising or falling significantly over a relatively short period of time. The price we can obtain for the sale of energy may not rise at the same rate, or may not rise at all, to match a rise in fuel or delivery costs. This may have a material adverse effect on our financial performance. Changes in market prices for coal, oil and natural gas may result from the following:

weather conditions;

seasonality;

demand for energy commodities and general economic conditions;

disruption or other constraints or inefficiencies of electricity, gas or coal transmission or transportation;

additional generating capacity;

availability and levels of storage and inventory for fuel stocks;

natural gas, crude oil, refined products and coal production levels;

changes in market liquidity;

federal, state and foreign governmental regulation and legislation; and

the creditworthiness and liquidity of fuel suppliers and/or transporters and their willingness to do business with us.

Our plant operating characteristics and equipment, particularly at our coal-fired plants, often dictate the specific fuel quality to be combusted. The availability and price of specific fuel qualities may vary due to supplier financial or operational disruptions, transportation disruptions and force majeure. At times, coal of a specific quality may not be available at any price, or we may not be able to transport such coal to our facilities on a timely basis. In this case, we may not be able to run the coal facility even if it would be profitable. Operating a coal facility with different quality coal can lead to emission or operating problems. If we have sold forward the power from such a coal facility, we could

be required to supply or purchase power from alternate sources, perhaps at a loss. This could have a material adverse impact on the financial results of specific plants and on our results of operations.

Unforeseen changes in the price of coal and natural gas could cause us to hold excess coal inventories and incur contract termination costs.

Extraordinarily low natural gas prices could cause natural gas to be the more cost-competitive fuel compared to coal for generating electricity. Because we enter into guaranteed supply contracts to provide for the amount of coal needed to operate our base load coal-fired generating facilities, we may experience periods where we hold excess amounts of coal if fuel pricing results in our reducing or idling coal-fired generating facilities in favor of operating available alternative natural gas-fired generating facilities. In addition, we may incur costs to terminate supply contracts for coal in excess of our generating requirements.

If the services provided by the transmission facilities that deliver the wholesale power from our generation facilities are inadequate, our ability to sell and deliver wholesale power may be materially adversely affected. Furthermore, any change in the structure and operation of, or the various pricing limitations imposed by, the RTOs and ISOs that operate these transmission facilities may adversely affect the profitability of our generation facilities.

We do not own or control the transmission facilities required to sell the wholesale power from our generation facilities. If the transmission service from these facilities is unavailable or disrupted, or if the

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transmission capacity infrastructure is inadequate, our ability to sell and deliver wholesale power may be materially adversely affected. RTOs and ISOs provide transmission services, administer transparent and competitive power markets and maintain system reliability. Many of these RTOs and ISOs operate in the real-time and day ahead markets in which we sell energy. The RTOs and ISOs that oversee most of the wholesale power markets impose, and in the future may continue to impose, offer caps and other mechanisms to guard against the potential exercise of market power in these markets as well as price limitations. These types of price limitations and other regulatory mechanisms may adversely affect the profitability of our generation facilities that sell energy and capacity into the wholesale power markets. Problems or delays that may arise in the formation and operation of maturing RTOs and similar market structures, or changes in geographic scope, rules or market operations of existing RTOs, may also affect our ability to sell, the prices we receive or the cost to transmit power produced by our generating facilities. Rules governing the various regional power markets may also change from time to time, which could affect our costs or revenues. Additionally, if the transmission service from these facilities is unavailable or disrupted, or if the transmission capacity infrastructure is inadequate, our ability to sell and deliver wholesale power may be materially adversely affected. Furthermore, the rates for transmission capacity from these facilities are set by others and thus are subject to changes, some of which could be significant. As a result, our financial condition, results of operations and cash flows may be materially adversely affected.

The FERC has issued regulations that require wholesale electricity transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems will not be available or that transmission capacity will not be available in the amounts we require. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets or whether ISOs and RTOs in applicable markets will efficiently operate transmission networks and provide related services.

Because our generation facilities are part of interconnected regional grids, we face the risk of blackout due to a disruption on a neighboring interconnected system.

Major electric power blackouts are possible and have occurred, which could disrupt electrical service for extended periods of time. If a blackout were to occur, the impact could result in interruptions to our operations, increased costs to replace existing contractual obligations, the possibility of regulatory investigations and potential operational risks to our facilities. Additionally, in response to a blackout, there could be changes or developments in applicable regulations or market structures that could have longer-term impact on our business and results of operations.

The operation of our businesses is subject to cyber-based security and integrity risk.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our generation plants, including the Susquehanna nuclear plant, and of our energy and fuel trading businesses are reliant on cyber-based technologies and, therefore, subject to the risk that such systems could be the target of disruptive actions, principally by terrorists or vandals, or otherwise be compromised by unintentional events. As a result, operations could be interrupted, property could be damaged and sensitive customer information could be lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages, costs to replace or repair damaged equipment and damage to our reputation. In addition, we may experience increased capital and operating costs to implement increased security for our cyber systems and plants.

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Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods and other climatic events, could disrupt our operations and cause us to incur significant costs in preparing for or responding to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Climate change could also affect the availability of a secure and economical supply of water in some locations, which is essential for the continued operation of our generation plants.

GHG regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas both generally and specific to certain industries and consumers accustomed to previously lower cost power could reduce demand for the power we generate and market. Also, demand for our energy-related services could be similarly reduced by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include income, property, gross receipts and franchise, sales and use, employment-related and other taxes. We also estimate our ability to utilize tax benefits and tax credits. Due to the revenue needs of the jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict whether such tax legislation or regulation will be introduced or enacted or the effect of any such changes on our businesses. If enacted, any changes could increase tax expense and could have a significant

negative impact on our results of operations and cash flows.

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Despite federal and state deregulation initiatives, our generation business is still subject to extensive regulation, which may increase our costs, reduce our revenues, or prevent or delay operation of our facilities.

Our generation subsidiaries sell electricity into the wholesale market. Generally, our generation subsidiaries and our marketing subsidiaries are subject to regulation by the FERC. The FERC has authorized us to sell generation from our facilities and power from our marketing subsidiaries at market-based prices. The FERC retains the authority to modify or withdraw our market-based rate authority and to impose cost of service rates if it determines that the market is not competitive, that we possess market power or that we are not charging just and reasonable rates. Any reduction by the FERC in the rates we may receive or any unfavorable regulation of our business by state regulators could materially adversely affect our results of operations. In addition, pursuant to PJM's capacity performance proposal, we may be subject, under certain circumstances, to economic penalties, which could be material. See Business Our Key Markets PJM.

In addition, the acquisition, construction, ownership and operation of electricity generation facilities require numerous permits, approvals, licenses and certificates from federal, state and local governmental agencies. We may not be able to obtain or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approval or fail to comply with any applicable law or regulation, the operation of our assets and our sales of electricity could be prevented or delayed or become subject to additional costs.

The availability and cost of emission allowances could negatively impact our costs of operations.

We are required to maintain, through either allocations or purchases, sufficient emission allowances for sulfur dioxide, nitrogen oxide and carbon dioxide to support our operations in the ordinary course of operating our power generation facilities. These allowances are used to meet the obligations imposed on us by various applicable environmental laws. If our operational needs require more than our allocated allowances, we may be forced to purchase such allowances on the open market, which could be costly. If we are unable to maintain sufficient emission allowances to match our operational needs, we may have to curtail our operations so as not to exceed our available emission allowances, or install costly new emission controls. As we use the emission allowances that we have purchased on the open market, costs associated with such purchases will be recognized as operating expense. If such allowances are available for purchase, but only at significantly higher prices, the purchase of such allowances could materially increase our costs of operations in the affected markets.

Our costs to comply with existing and new environmental and related worker health and safety laws are expected to continue to be significant, and we plan to incur significant capital expenditures for pollution control improvements that could adversely affect our profitability and liquidity or cause the continued operation of certain generation facilities to be uneconomic.

Our business is subject to extensive federal, state and local statutes, rules and regulations relating to environmental protection and worker health and safety. Numerous governmental authorities, such as the EPA and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly response actions. These laws and regulations may impose numerous obligations that are applicable to our operations, including the acquisition of permits to conduct regulated activities, the incurrence of capital or operating expenditures to limit or prevent releases of hazardous materials from our operations, the imposition of specific standards addressing worker protection, and the imposition of substantial liabilities and remedial obligations for pollution or contamination resulting from our operations. To comply with existing and future environmental requirements and as a result of voluntary pollution control measures we may take, we have spent and expect to spend substantial amounts in the future on environmental control and compliance. Failure

to comply with these laws, regulations and permits may result in joint and several, strict liability for administrative, civil and/or criminal penalties, the imposition of remedial obligations, and the issuance of injunctions limiting or preventing some or all of our operations. Private parties may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for non-compliance, with environmental laws, regulations and permits or for personal injury or property damage.

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Our operations also pose risks of environmental liability due to leakage, migration, releases or spills of hazardous substances to surface or subsurface soils, surface water or groundwater. Certain environmental laws impose strict as well as joint and several liability (that could result in an entity paying more than its fair share) for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from our own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations.

The trend of more expansive and stringent environmental legislation and regulations applied to the power generation industry could continue, resulting in increased costs of doing business and consequently affecting profitability. Many states and environmental groups have challenged certain federal laws and regulations relating to air emissions, water discharge and intake requirements, and management of CCRs as not being sufficiently strict. As a result, state and federal regulations have been proposed or adopted that would impose more stringent restrictions, which could require us to significantly increase capital and operating expenditures for additional environmental controls. Furthermore, the EPA's cooling water intake rulemaking under Section 316(b) of the federal Clean Water Act and the EPA's imposition of Prevention of Significant Deterioration (PSD) construction permit requirements for GHG emissions could adversely affect our operations and restrict or delay our ability to obtain permits. At some of our older generating facilities it may be uneconomic for us to install necessary controls to comply with new or proposed regulations, which could cause us to retire those units.

In addition, while there has not been significant activity in recent years in the form of federal legislation to reduce GHG emissions, a number of state and regional GHG cap and trade programs have emerged. Also, additional federal regulations pertaining to GHG emissions reductions and increased use of low carbon technologies are anticipated in the coming years under President Obama's Climate Action Plan. Although it is not possible at this time to predict how future GHG emissions legislation or regulations would impact our business, any such future requirements could result in increased costs to address GHG emissions associated with our operations.

We may not be able to obtain or maintain all environmental regulatory approvals necessary for our planned capital projects which are necessary to our business. If there is a delay in obtaining any required environmental regulatory approval or if we fail to obtain, maintain or comply with any such approval, operations at our affected facilities could be halted, reduced or subjected to additional costs. See [Business Environmental Matters](#) for information concerning the more significant environmental laws and regulations applicable to our operations.

We are subject to certain risks associated with nuclear generation, including the risk that our Susquehanna nuclear plant could become subject to increased security or safety requirements that would increase capital and operating expenditures, uncertainties regarding spent nuclear fuel, and uncertainties associated with decommissioning our plant at the end of its licensed life.

Nuclear generation accounted for about 32% of Talen Energy's 2014 competitive power generation output. The risks of nuclear generation generally include:

- the potential harmful effects on the environment and human health from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

limitations on the amounts and types of insurance commercially available to cover losses and liabilities that might arise in connection with nuclear operations; and

uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives. The licenses for our two nuclear units expire in 2042 and 2044.

The NRC has broad authority under federal law to impose licensing requirements, including security, safety and employee-related requirements for the operation of nuclear generation facilities. In the event of

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noncompliance, the NRC has authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, revised security or safety requirements promulgated by the NRC, particularly in response to the 2011 incident in Fukushima, Japan, could necessitate substantial capital or operating expenditures at our Susquehanna nuclear plant. There also remains substantial uncertainty regarding the temporary storage and permanent disposal of spent nuclear fuel, which could result in substantial additional costs to us that cannot be predicted. In addition, although we have no reason to anticipate a serious nuclear incident at our Susquehanna nuclear plant, if an incident did occur, any resulting operational loss, damages and injuries could have a material adverse effect on our results of operations, cash flows and financial condition.

We cannot predict the outcome of the legal proceedings and investigations currently being conducted with respect to our current and past business activities. An adverse determination could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and subject to ongoing state and federal investigations arising out of our business operations, the most significant of which are summarized in Business Legal Matters. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

We plan to optimize our competitive power generation operations, which involves a number of uncertainties and may not achieve the desired financial results.

We plan to optimize our competitive power generation operations. We plan to do this through the construction of new power plants or modification of existing power plants, and the potential closure of certain existing plants and acquisition of plants that may become available for sale. These types of projects involve numerous risks. Any planned power plant modifications could result in cost overruns, reduced plant efficiency and higher operating and other costs. With respect to the construction of new plants or modification of existing plants, we may be required to expend significant sums for preliminary engineering, permitting, resource exploration, legal and other expenses before it can be established whether a project is feasible, economically attractive or capable of being financed. The success of both a new or acquired project would likely be contingent, among other things, upon obtaining acceptable financing and maintaining acceptable credit ratings, as well as receipt of required and appropriate governmental approvals. If we were unable to complete construction or expansion of a project, we may not be able to recover our investment in the project. Furthermore, we might be unable to operate any new or modified plants as efficiently as projected, which could result in higher than projected operating and other costs and reduced earnings.

Cash flows of Talen Energy and Talen Energy Supply and the ability to meet their obligations with respect to indebtedness and under guarantees largely depends on the financial performance of our subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

Talen Energy and Talen Energy Supply are each holding companies and conduct their operations primarily through subsidiaries. Substantially all of our consolidated assets are held by such subsidiaries. Accordingly, our cash flows and ability to meet debt and guaranty obligations are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans or advances or repayment of loans and advances. The subsidiaries are separate and distinct legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of such subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law

applicable to payment of dividends and distributions, and regulatory requirements.

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Because Talen Energy and Talen Energy Supply are each holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, Talen Energy, Talen Energy Supply and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. Therefore, our rights and the rights of our creditors, including rights of any debt holders, to participate in the assets of any subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors. See Description of Material Indebtedness.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. We provide a similar level of benefits to our management employees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations and costs is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, inflation rates, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

The loss of key personnel or the inability to hire and retain qualified employees could have an adverse effect on our business, financial position and results of operations.

Our operations depend on the continued efforts of our employees. Retaining key employees and maintaining the ability to attract new employees are important to both our operational and financial performance. We cannot guarantee that any member of our management or any one of our key employees will continue to serve in any capacity for any particular period of time. Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges related to such a change include a lack of resources, losses to our knowledge base and the lengthy time required to develop new workers' skills. In any such case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or changes in the availability and cost of contract labor may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our financial position or results of operations could be negatively affected.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets and have contributed to high levels of volatility in prices for oil and gas. Instability and unrest in

the Middle East, Afghanistan, Ukraine and Iraq, as well as threats of war or other armed conflict elsewhere, may cause further disruption to financial and commercial markets and contribute to even higher levels of volatility in prices for oil and gas. In addition, unrest in the Middle East, Afghanistan, Ukraine and Iraq could

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lead to acts of terrorism in the United States or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or additional capability following a terrorist incident.

Risks Relating to Our Common Stock

Our stock price may fluctuate significantly.

The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

the possibility that our business profile and market capitalization may not fit the investment objectives of some shareholders who received shares of our common stock in connection with the Distribution and, as a result, these shareholders may sell our shares;

actual or anticipated fluctuations in our operating results due to factors related to our business;

success or failure of our strategy;

our quarterly or annual earnings, or those of other companies in our industry;

continued industry-wide decrease in demand for electricity;

our ability to obtain third-party financing as needed;

announcements by us or our competitors of significant acquisitions or dispositions;

limitations on our ability to issue equity securities or convertible debt securities during the two year period following the date of the Distribution without jeopardizing the intended tax consequences of the Talen Transactions;

restrictions on our ability to pay dividends imposed by the terms of the Revolving Facility or other indebtedness;

changes in accounting standards, policies, guidance, interpretations or principles;

the failure of securities analysts to cover our common stock;

changes in earnings estimates by securities analysts or our ability to meet those estimates;

the operating and stock price performance of other comparable companies;

investor perception of us;

natural or environmental disasters that investors believe may affect our businesses;

overall market fluctuations;

results from any material litigation or government investigation;

changes in laws and regulations affecting us, our industry or any of the principal products sold by us; and

general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

In certain circumstances, declines in the trading price of our common stock may require us to evaluate our goodwill for impairment. Any such impairment could have a material impact on our financial statements.

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Sales of our common stock may negatively affect its market price.

The sales of significant amounts of our common stock or any perception in the market that this will occur may result in the lowering of the market price of our common stock. As of August 31, 2015, 128,508,921 shares of our common stock were issued and outstanding.

Of the outstanding shares, the 83,524,365 shares delivered to the PPL shareholders in the Distribution are freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described in *Shares Eligible for Future Sale*. Certain stockholders, including some large stockholders, have and may continue to sell such common stock for various reasons, such as if our business profile or market capitalization does not fit their investment objectives. In particular, PPL is a member of the S&P 500 Index, while Talen Energy is not currently and may not be in the future. In addition, certain stockholders may elect or be required to sell our shares due to investment guidelines or other reasons.

Of the outstanding shares, 44,974,658 shares issued to the Riverstone Holders in a private placement transaction in connection with the Combination are subject to certain restrictions on resale pursuant to Securities Act. Pursuant to the Stockholder Agreement, the Riverstone Holders are, subject to certain exceptions, restricted from transferring, directly or indirectly, the shares of our common stock held by them until November 28, 2015, 180 days after the closing date of the Talen Transactions. We may, in our discretion and without notice, release all or any portion of the shares of common stock subject to these 180-day lock-ups. See *Shares Eligible for Future Sale* for a description of these lock-up arrangements.

Upon the expiration of the lock-up described above, and the effectiveness of this registration statement of which this prospectus forms a part, the Riverstone Holders may freely trade their Talen Energy shares. In addition, the Riverstone Holders will have the right to participate in future registrations of securities by us. Registration of any of these outstanding shares of common stock result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. See *Shares Eligible For Future Sale*.

The market price of our shares of common stock could drop significantly if the Riverstone Holders sell their shares or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

In addition, we have filed two registration statements on Form S-8 under the Securities Act registering shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our stock incentive plan and directors deferred compensation plan. The Form S-8 registration statements automatically became effective upon filing. Accordingly, shares registered under such registration statements are available for sale in the open market. The registration statements on Form S-8 cover 6,204,000 shares of our common stock.

If securities or industry analysts do not publish research or publish unfavorable research about Talen Energy, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us and our business. If one or more of these analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would also likely decline. If one or more of these analysts ceases coverage of our company or fails regularly to publish reports about us, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

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The Riverstone Holders may exert significant influence over matters requiring stockholder approval. Ownership of our common stock is highly concentrated and could prevent you and other stockholders from influencing significant corporate decisions.

As of the date of this prospectus, the Riverstone Holders, each of which is indirectly controlled by Riverstone, collectively beneficially own approximately 35% of the outstanding shares of our common stock. As a result, the Riverstone Holders collectively exercise significant influence over all matters requiring stockholder

approval for the foreseeable future, including approval of significant corporate transactions, which may reduce the market price of our common stock. The interests of the Riverstone Holders may conflict with the interests of our other stockholders. The Riverstone Holders may have an interest in having Talen Energy pursue acquisitions, divestitures and other transactions that, in their judgment, could enhance their investment in Talen Energy, even though such transactions might involve risks to you. In addition, Riverstone and its affiliates engage in a broad spectrum of activities, including investments in the power generation industry. In the ordinary course of their business activities, Riverstone and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders.

Anti-takeover provisions in our amended and restated certificate of incorporation and amended and restated bylaws could discourage, delay or prevent a change of control of our company and may affect the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. For example, our amended and restated certificate of incorporation and amended and restated bylaws collectively:

authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;

require the affirmative vote of at least 66 $\frac{2}{3}$ % of the voting power of the stock outstanding and entitled to vote thereon to remove directors;

provide that vacancies on our board of directors, including vacancies resulting from an enlargement of our board of directors, may be filled only by a majority vote of directors then in office or by a sole remaining director, though, pursuant to the Stockholder Agreement, the Riverstone Holders are entitled to designate any replacement of a director originally designated by the Riverstone Holders;

prohibit the calling of special meetings of stockholders unless called by the chairman of the board, if there be one, or by resolution of the board;

prohibit stockholder action by written consent, unless it is unanimous;

establish advance notice requirements for nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders; and

require the affirmative vote of at least 66 $\frac{2}{3}$ % of the voting power of the stock outstanding and entitled to vote thereon to adopt, amend or repeal any provision of our amended and restated certificate of incorporation or our amended and restated bylaws.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future.

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Our amended and restated certificate of incorporation and amended and restated bylaws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that, with certain limited exceptions, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having subject matter jurisdiction, in certain cases, and having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to declare and pay dividends on our common stock. We currently intend to invest our future earnings, if any, to fund our growth, to develop our business, for working capital needs and for general corporate purposes. Therefore, you are not likely to receive any dividends on your common stock and the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have received their shares in the Distribution. In addition, our operations are conducted almost entirely through our subsidiaries. As such, to the extent that we determine in the future to pay dividends on our common stock, none of our subsidiaries will be obligated to make funds available to us for the payment of dividends. Further, agreements governing the Revolving Facility and our other indebtedness may restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are forward-looking statements within the meaning of the federal securities laws. Although we believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in Risk Factors, Unaudited Pro Forma Condensed Combined Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

fuel supply cost and availability;

weather conditions affecting generation, customer energy use and operating costs and revenues;

operation, availability and operating costs of existing generation facilities;

the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at our generating facilities;

expansion of alternative sources of electricity generation;

investor perceptions of our company and the industry and markets in which we operate;

changes in earnings estimates or buy/sell recommendations by analysts;

collective labor bargaining negotiations;

the outcome of litigation against us and our subsidiaries;

potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;

the commitments and liabilities of us and our subsidiaries;

volatility in market demand and prices for energy, capacity, transmission services, emission allowances and RECs;

competition in retail and wholesale power and natural gas markets;

sufficient liquidity in wholesale power markets to hedge our portfolio of assets efficiently and effectively;

defaults by counterparties under energy, fuel or other power product contracts;

market prices of commodity inputs for ongoing capital expenditures;

the effectiveness of our risk management techniques, including hedging, with respect to electricity and fuel prices, interest rates and counterparty credit and non-performance risks;

our level of indebtedness and the terms and conditions of our debt instruments;

capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;

stock price performance of our common stock;

volatility in the fair value of debt and equity securities and its impact on the value of assets in the NDT funds and in defined benefit plans, and the potential cash funding requirements if fair value declines;

interest rates and their effect on pension, retiree medical and nuclear decommissioning liabilities and interest payable on certain debt securities;

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volatility in or the impact of other changes in financial or commodity markets and economic conditions;

the effect on our operations and ability to comply with new statutory and regulatory requirements related to derivative financial instruments;

our ability to attract and retain qualified employees;

new accounting requirements or new interpretations or applications of existing requirements;

changes in securities and credit ratings;

our ability to successfully integrate the RJS Power businesses and to achieve anticipated synergies and cost savings as a result of the spinoff transaction and combination with RJS Power;

current and future environmental conditions, regulations and other requirements (including laws or regulations to reduce emissions of greenhouse gases or the physical effects of climate change) and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;

legal, regulatory, political, market or other reactions to the 2011 incident at the nuclear generating facility at Fukushima, Japan, including additional NRC requirements;

changes in political, regulatory or economic conditions in states, regions or countries where Talen Energy or its subsidiaries conduct business;

receipt of necessary governmental permits and approvals;

new state, federal or foreign legislation or regulatory developments;

the impact of any state, federal or foreign investigations applicable to us and our subsidiaries and the energy industry;

the effect of any business or industry restructuring;

development of new projects, markets and technologies;

performance of new ventures; and

business dispositions or acquisitions, and our ability to realize expected benefits from such business transactions including the pending acquisition of MACH Gen, LLC, the pending dispositions of Holtwood, Lake Wallenpaupack, Ironwood and Crane and/or other dispositions required as a condition to regulatory approval of the combination with RJS Power.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of Talen Energy on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

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USE OF PROCEEDS

We are registering these shares of common stock for resale by the selling stockholders. We will not receive any proceeds from the sale of the shares offered by this prospectus. The net proceeds from the sale of the shares offered by this prospectus will be received by the selling stockholders.

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DIVIDEND POLICY

We do not currently expect to declare or pay dividends on our common stock. Instead, we intend to retain earnings to finance the growth and development of our business and for working capital and general corporate purposes. Our ability to pay dividends to holders of our common stock is limited by our ability to obtain cash or other assets from our subsidiaries. Further, the credit agreement governing the Revolving Facility restricts the ability of many of our subsidiaries to pay dividends or otherwise transfer assets to us. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant.

Table of Contents**PRICE RANGE OF OUR COMMON STOCK**

Our common stock is traded on the NYSE under the symbol TLN. Our common stock started regular-way trading on the NYSE on June 2, 2015, following the completion of the Talen Transactions. Prior to June 2, 2015, there was no public market for our common stock. Our common stock was traded on a when-issued basis starting on May 18, 2015. The following table sets forth, for the periods indicated, the high and low closing prices of our shares as reported by the NYSE since June 2, 2015, the date that our common stock began regular-way trading on the NYSE.

	High	Low
Second Quarter 2015 (beginning June 2, 2015)	\$ 20.25	\$ 16.87
Third Quarter 2015	\$ 18.02	\$ 9.83
Fourth Quarter 2015 (through October 27, 2015)	\$ 12.09	\$ 8.76

On October 27, 2015, the closing price as reported on the NYSE of our shares was \$8.82 per share. As of October 27, 2015, we had 54,422 holders of record of our shares.

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THE TALEN TRANSACTIONS

Overview

In June 2014, PPL and Talen Energy Supply executed definitive agreements with the Riverstone Holders to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy Corporation. On June 1, 2015, PPL completed the spinoff (the **Distribution**) to PPL shareowners of a newly formed entity, HoldCo, which at such time owned all of the membership interests of Talen Energy Supply and all of the common stock of Talen Energy. Immediately following the Distribution, HoldCo merged with a special purpose subsidiary of Talen Energy, with HoldCo continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of Talen Energy Supply (the **Merger**). PPL does not have an ownership interest in Talen Energy after completion of the Distribution. Substantially contemporaneous with the Distribution and Merger, RJS Power was contributed by the Riverstone Holders to become a subsidiary of Talen Energy Supply (the **Contribution**) and, together with the Distribution and Merger, the **Talen Transactions**). Subsequent to the Talen Transactions, RJS Power was merged into Talen Energy Supply.

Tax Matters

In connection with the Distribution, PPL, Talen Energy, Talen Energy Holdings, Inc. (**HoldCo**), Talen Energy Supply and the Riverstone Holders entered into a Separation Agreement (the **Separation Agreement**), under which Talen Energy Supply will indemnify PPL and certain affiliates for a variety of taxes, including (i) certain post-Distribution taxes attributable to the Talen Energy Supply business and Talen Energy and (ii) income taxes imposed on PPL attributable to a failure of the Talen Transactions to qualify for tax-free treatment as a result of, among other items, a post-Distribution breach of certain covenants (including those described below), and any post-Distribution acquisitions of Talen Energy common stock or Talen Energy Supply equity. In addition, pursuant to the Separation Agreement, PPL will indemnify Talen Energy and certain affiliates, including Talen Energy Supply, for a variety of taxes, including (i) certain pre-Distribution taxes attributable to the Talen Energy Supply business, (ii) PPL's consolidated U.S. federal income taxes and (iii) income taxes imposed on Talen Energy or Talen Energy Supply attributable to a failure of the Talen Transactions to qualify for tax-free treatment as a result of, among other items, a post-Distribution breach of certain covenants (including those described below), and any post-Distribution acquisitions of PPL common stock.

Pursuant to the Separation Agreement, (1) PPL and certain of its affiliates agreed to refrain from taking any action that is inconsistent with the facts presented and representations made by PPL in connection with its request of opinions from its tax counsel regarding the tax-free treatment of the Talen Transactions and (2) Talen Energy and certain of its affiliates, including Talen Energy Supply, have agreed to refrain from taking any action that would cause the Talen Transactions to fail to qualify for such tax-free treatment or to fail to take any action if such failure to act would cause the Talen Transactions to not qualify for such tax-free treatment. In furtherance of this general obligation, for two years after the Distribution, PPL and Talen Energy and certain of their respective affiliates, including Talen Energy Supply, generally agreed to not:

take any action, or fail or omit to take any action where the taking or the failure or omission to take such action could cause one or more persons to acquire a 50% or greater interest in PPL or Talen Energy or certain of their respective affiliates;

cease, or permit the cessation of, the active conduct of a business that was conducted immediately prior to the Distribution, or sell or otherwise transfer certain assets held at the time of the Distribution;

dissolve, liquidate, take any action that is a liquidation for federal income tax purposes, merge or consolidate with any other person (other than pursuant to the Merger); or

redeem or otherwise repurchase (directly or indirectly) any Talen Energy or PPL common stock (other than pursuant to certain open market purchases).

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Nevertheless, Talen Energy or PPL would be permitted to take any of the actions described above if it obtains an IRS private letter ruling or an opinion of counsel to the effect that the action will not affect the tax-free status of the Talen Transactions.

In connection with the Talen Transactions, PPL, HoldCo, Talen Energy Supply and certain of their respective subsidiaries agreed to make protective elections under Section 336(e) of the Code with respect to the Distribution. If the Distribution is taxable and PPL is responsible for any taxes resulting from the Distribution pursuant to the Separation Agreement, HoldCo would be required to make periodic payments to PPL equal to the tax savings arising from a step up in the tax basis of HoldCo's assets as a result of the Distribution being taxable and the election under Section 336(e) of the Code becoming effective.

Mitigation Plans

In connection with the FERC approval of the Talen Transactions, PPL, Talen Energy and RJS Power agreed that within twelve months following the closing of the Talen Transactions, Talen Energy will enter into an agreement to divest between 1,300 and 1,400 MW of generating assets in one of two groups of assets (both of which include the Sapphire assets located in PJM, and one of which also includes the Holtwood, Wallenpaupack and Crane facilities, and the other of which also includes the Ironwood Facility), and to limit PJM energy market offers from assets it would retain in the other group to cost-based offers.

In September 2015, Talen Energy submitted an alternative mitigation plan to FERC for approval. Under the alternative plan, Talen Energy will agree to sell the Holtwood, Lake Wallenpaupack, Crane and Ironwood facilities, and will have the ability to retain the Sapphire assets located in PJM, provided PJM energy market offers from such retained assets are limited to cost-based offers. In October 2015, Talen Energy entered into agreements to sell the Holtwood, Lake Wallenpaupack, Ironwood and Crane facilities. See Summary Recent Developments. There can be no assurance that FERC will accept the alternative plan on the terms requested or at all. The final group of assets sold in order to satisfy FERC's mitigation requirements, the timing of such sales and the sales prices will depend upon, among other factors, FERC's response to Talen Energy's September 2015 request, market conditions and the relative economic value of offers received.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

In June 2014, PPL and Talen Energy Supply executed definitive agreements with the Riverstone Holders to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy Corporation. On June 1, 2015, PPL completed the spinoff to PPL shareowners of a newly formed entity, HoldCo, which at such time owned all of the membership interests of Talen Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, HoldCo merged with a special purpose subsidiary of Talen Energy, with HoldCo continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of Talen Energy Supply. PPL does not have an ownership interest in Talen Energy after completion of the spinoff. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by the Riverstone Holders to become a subsidiary of Talen Energy Supply (referred to as the Combination or the acquisition). Subsequent to the acquisition, RJS Power was merged into Talen Energy Supply. Talen Energy has treated the combination with RJS Power as an acquisition, with Talen Energy Supply considered the accounting acquirer of RJS Power, in accordance with business combination accounting guidance. See Notes 1 and 8 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on the spinoff and acquisition.

The Unaudited Pro Forma Condensed Combined Financial Information (the pro forma financial information) has been derived from the historical consolidated financial statements of Talen Energy and Talen Energy Supply and the historical consolidated and combined financial statements of RJS Power (collectively, the historical financial statements). Talen Energy Supply is considered the accounting predecessor of Talen Energy; therefore, the historical consolidated financial information prior to June 1, 2015 presented for Talen Energy includes only legacy Talen Energy Supply information. From June 1, 2015, upon completion of the spinoff and acquisition, Talen Energy's historical consolidated financial information also includes RJS. As such, Talen Energy's historical consolidated financial information presented for the 2015 period represents six months of legacy Talen Energy Supply information consolidated with one month of RJS information from June 1, 2015, while the 2014 period represents only legacy Talen Energy Supply information. In addition, as the acquisition of RJS Power was completed on June 1, 2015, the Talen Energy historical consolidated financial information included elsewhere in this prospectus as of June 30, 2015 includes the preliminary purchase price allocation for the acquisition of RJS Power. The purchase price (total consideration) for the acquisition of RJS Power was deemed to be \$902 million based on the fair value of the Talen Energy common stock issued for the acquisition using the June 1, 2015 closing when-issued market price. The purchase price allocation is considered by Talen Energy's management to be provisional and could change materially in subsequent periods. Any changes to the provisional purchase price allocation during the measurement period that result in material changes to the consolidated financial results will be adjusted retrospectively. The measurement period can extend up to a year from the date of acquisition, but Talen Energy expects to complete the purchase price allocation in the third quarter of 2015. The items pending finalization include, but are not limited to, the valuation of PP&E, intangible assets, certain liabilities, goodwill and deferred income taxes. See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on the provisional purchase price allocation.

The historical financial statements have been adjusted in the pro forma financial information to give effect to pro forma events that are: (i) directly attributable to the spinoff and Combination; (ii) factually supportable; and (iii) with respect to the statements of income, expected to have a continuing impact on results.

FERC approval of the RJS acquisition included a requirement that Talen divest one of two mitigation packages identified in the FERC Order. In September 2015, Talen requested that the FERC allow the company to consider a third mitigation package, which would exclude the Sapphire asset portfolio and include all of the other generating facilities from both of the approved mitigation packages. Our request for approval of this third option is pending at the

FERC. See The Talen Transactions Mitigation Plans for additional information. The Unaudited Pro Forma Condensed Combined Balance Sheet (the pro forma balance sheet) as of June 30, 2015 gives effect to the disposal of all the generating facilities identified in both approved mitigation packages to

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satisfy the FERC Order, including the Sapphire asset portfolio, as if they were completed on June 30, 2015 by adjusting the pro forma balance sheet to reflect certain related assets and liabilities for these facilities as divested for cash at either carrying value or, for those facilities under executed sale agreements, at the contracted sales price (subject to customary purchase price adjustments).

The Unaudited Pro Forma Condensed Combined Statements of Income (the pro forma statements of income) for the six months ended June 30, 2015 and for the year ended December 31, 2014 give effect to the spinoff of HoldCo, the Combination with RJS Power and the related disposal of all the generating facilities identified in both approved mitigation packages to satisfy the FERC Order, including the Sapphire asset portfolio, as if they were completed on January 1, 2014. The pro forma statements of income: (a) adjust revenues and expenses for the aforementioned disposals; (b) adjust for incremental depreciation and amortization expense related to fair value adjustments to PP&E and identifiable intangible assets and liabilities from the RJS Power acquisition; (c) adjust for incremental interest expense for outstanding borrowings to reflect the terms of the new \$1.85 billion Revolving Facility; (d) conform certain RJS Power accounting policies with those of Talen Energy Supply (at the time of the spinoff and Combination, Talen Energy adopted the accounting policies of Talen Energy Supply); and (e) reflect the issuance of Talen Energy common stock in connection with the spinoff and Combination.

Throughout the periods covered by the pro forma financial information (up to and through May 31, 2015), Talen Energy Supply's business was conducted and accounted for as part of PPL. As a result, the Talen Energy Supply historical financial information up to and through that date reflects significant allocations of costs and expenses. All of the allocations and estimates in the historical financial information are based on assumptions that management believes are reasonable. However, the Talen Energy Supply historical financial information does not necessarily represent the costs and expenses of Talen Energy Supply's business had it been operated as a separate independent entity. The pro forma financial information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or synergies expected to result from the spinoff and Combination.

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

The pro forma information has been presented for illustrative purposes only and is not necessarily indicative of the results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of Talen Energy.

The following pro forma financial information should be read in conjunction with:

the accompanying notes to the pro forma financial information;

the unaudited condensed consolidated financial statements of Talen Energy as of and for the period ended June 30, 2015 and the audited consolidated financial statements of Talen Energy Supply as of and for the period ended December 31, 2014, which are included elsewhere in this prospectus; and

the unaudited consolidated and combined financial statements of RJS Power as of and for the period ended March 31, 2015 and the audited consolidated and combined financial statements of RJS Power as of and for

the period ended December 31, 2014, which are included elsewhere in this prospectus.

Table of Contents**Pro Forma Condensed Combined Balance Sheet***(Unaudited)**(Millions of dollars)*

	June 30, 2015		
	Talen Energy	Pro Forma Adjustments (Note 2a)	Pro Forma Combined Entity
Current Assets			
Cash and cash equivalents	\$ 352	\$ 1,840	\$ 2,192
Restricted cash and cash equivalents	109	(1)	108
Accounts receivable	297		297
Unbilled revenues	138		138
Fuel, materials and supplies	481	(9)	472
Prepayments	38		38
Price risk management assets	803		803
Assets of discontinued operations	394	(394)	
Other current assets	9		9
Total Current Assets	2,621	1,436	4,057
Investments			
Nuclear plant decommissioning trust funds	958		958
Other investments	27		27
Total Investments	985		985
Property, Plant and Equipment, net			
Property, plant and equipment	14,511	(1,091)	13,420
Less accumulated depreciation	6,348	(151)	6,197
Property, plant and equipment, net	8,163	(940)	7,223
Other Noncurrent Assets			
Goodwill (Note 3)	470	(214)	256
Other intangibles	304	(3)	301
Price risk management assets	232		232
Other noncurrent assets	87	(17)	70
Total Other Noncurrent Assets	1,093	(234)	859
Total Assets	\$ 12,862	\$ 262	\$ 13,124

See accompanying Unaudited Notes to Pro Forma Condensed Combined Financial Information.

Table of Contents**Pro Forma Condensed Combined Balance Sheet***(Unaudited)**(Millions of dollars)*

	June 30, 2015		
	Talen Energy	Pro Forma Adjustments (Note 2a)	Pro Forma Combined Entity
Liabilities and Equity			
Current Liabilities			
Long-term debt due within one year	\$ 884	\$ (4)	\$ 880
Accounts payable	281		281
Taxes	39	348	387
Interest	49		49
Price risk management liabilities	761		761
Liabilities of discontinued operations	18	(18)	
Other current liabilities	264	(49)	215
Total Current Liabilities	2,296	277	2,573
Long-term Debt	3,175	(43)	3,132
Deferred Credits and Other Noncurrent Liabilities			
Deferred income taxes	1,509	(75)	1,434
Price risk management liabilities	199		199
Asset retirement obligations	474	(2)	472
Other deferred credits and noncurrent liabilities	383	(17)	366
Total Deferred Credits and Other Noncurrent Liabilities	2,565	(94)	2,471
Stockholders Equity			
Additional paid in capital	4,719		4,719
Earnings reinvested	90	122	212
Accumulated other comprehensive income	17		17
Total Equity	4,826	122	4,948
Total Liabilities and Equity	\$ 12,862	\$ 262	\$ 13,124

See accompanying Unaudited Notes to Pro Forma Condensed Combined Financial Information.

Table of Contents**Pro Forma Condensed Combined Statement of Income***(Unaudited)**(Millions of dollars)***For the Six Months Ended June 30, 2015**
RJS Power**3**

	Talen Energy	Months Ended March 31, 2015	2 Months Ended May 31, 2015	Pro Forma Adjustments (Note 2)	Pro Forma Combined Entity
Operating Revenues					
Unregulated wholesale energy	\$ 1,209	\$ 231	\$ 108	\$ (221)(a)	\$ 1,327
Unregulated retail energy	554				554
Energy-related businesses	248				248
Total Operating Revenues	2,011	231	108	(221)	2,129
Operating Expenses					
Operation					
Fuel	551	139	60	(100)(a)	650
Energy purchases	290				290
Other operation and maintenance	531	59	49	(96)(a)(b)(c)(e)	543
Depreciation	164	23	16	(33)(a)(c)	170
Taxes, other than income	30	6	4	(1)(a)	39
Energy-related businesses	233				233
Total Operating Expenses	1,799	227	129	(230)	1,925
Operating Income (Loss)	212	4	(21)	9	204
Other Income (Expense) net	10	1	3		14
Interest Expense	91	18	12	(16)(a)(f)	105
Income (Loss) from Continuing Operations Before Income Taxes	131	(13)	(30)	25	113
Income Taxes	10			(8)(a)(g)	2
Income (Loss) from Continuing Operations After Income Taxes Attributable to Stockholders	\$ 121	\$ (13)	\$ (30)	\$ 33	\$ 111

Pro Forma Earnings Per Share:Income (Loss) from Continuing
Operations After Income Taxes Available

to Common Stockholders:

Basic and Diluted (1)	\$ 0.86
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Pro forma Weighted-Average Shares

Outstanding (in thousands):

Basic and Diluted (1)	128,499
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- (1) Pro forma basic and diluted earnings per share and pro forma weighted-average basic and diluted shares outstanding for the six months ended June 30, 2015 reflect the number of shares of common stock that were issued upon completion of the spinoff and Combination. Basic and diluted earnings per share were calculated by dividing Income (Loss) from Continuing Operations After Income Taxes Attributable to Stockholders by the pro forma weighted-average shares outstanding.

See accompanying Unaudited Notes to Pro Forma Condensed Combined Financial Information.

Table of Contents**Pro Forma Condensed Combined Statement of Income***(Unaudited)**(Millions of dollars)***For the Year Ended December 31, 2014**

	Talen Energy Supply	RJS Power	Pro Forma Adjustments (Note 2)	Pro Forma Combined Entity
Operating Revenues				
Unregulated wholesale energy	\$ 1,892	\$ 1,045	\$ (646)(a)	\$ 2,291
Unregulated retail energy	1,243			1,243
Energy-related businesses	601			601
Total Operating Revenues	3,736	1,045	(646)	4,135
Operating Expenses				
Operation				
Fuel	1,196	577	(326)(a)	1,447
Energy purchases	209		(1)(a)	208
Other operation and maintenance	1,007	305	(163)(a)(b)(c)	1,149
Depreciation	297	90	(63)(a)(c)	324
Taxes, other than income	57	21	(2)(a)	76
Energy-related businesses	573			573
Total Operating Expenses	3,339	993	(555)	3,777
Operating Income (Loss)	397	52	(91)	358
Other Income (Expense) net	30	3	(1)(a)	32
Interest Expense	124	110	(19)(a)(d)	215
Income (Loss) from Continuing Operations Before				
Income Taxes	303	(55)	(73)	175
Income Taxes	116		(52)(a)(g)	64
Income (Loss) from Continuing Operations After				
Income Taxes Attributable to Stockholders	\$ 187	\$ (55)	\$ (21)	\$ 111
Pro Forma Earnings Per Share:				
Income (Loss) from Continuing Operations After				
Income Taxes Available to Common Stockholders:				
Basic and Diluted (1)				\$ 0.86
Pro forma Weighted-Average Shares Outstanding				
(in thousands):				

Basic and Diluted (1)

128,499

- (1) Pro forma basic and diluted earnings per share and pro forma weighted-average basic and diluted shares outstanding for the year ended December 31, 2014 reflect the number of shares of common stock that were issued upon completion of the spinoff and Combination. Basic and diluted earnings per share were calculated by dividing Income (Loss) from Continuing Operations After Income Taxes Attributable to Stockholders by the pro forma weighted-average shares outstanding.

See accompanying Unaudited Notes to Pro Forma Condensed Combined Financial Information.

Table of Contents**Unaudited Notes to Pro Forma Condensed Combined Financial Information**

(Millions of Dollars, except share data)

Note 1. Basis of Pro Forma Presentation

The pro forma financial information has been derived from the historical consolidated financial statements of Talen Energy and Talen Energy Supply and the historical consolidated and combined financial statements of RJS Power. Talen Energy Supply is considered the accounting predecessor of Talen Energy; therefore, the historical consolidated financial information prior to June 1, 2015 presented for Talen Energy includes only legacy Talen Energy Supply information. From June 1, 2015, upon completion of the spinoff and acquisition, Talen Energy's historical consolidated financial information also includes RJS Power. As such, Talen Energy's historical consolidated financial information presented for the 2015 period represents six months of legacy Talen Energy Supply information consolidated with one month of RJS information from June 1, 2015, while the 2014 period represents only legacy Talen Energy Supply information. In addition, as the acquisition of RJS Power was completed on June 1, 2015, the Talen Energy financial information as of June 30, 2015 includes the preliminary purchase price allocation for the acquisition. The purchase price (total consideration) for the acquisition of RJS Power was deemed to be \$902 million based on the fair value of the Talen Energy common stock issued for the acquisition using the June 1, 2015 closing when-issued market price. The purchase price allocation is considered by Talen Energy's management to be provisional and could change materially in subsequent periods. Any changes to the provisional purchase price allocation during the measurement period that result in material changes to the consolidated financial results will be adjusted retrospectively. The measurement period can extend up to a year from the date of acquisition, but Talen Energy expects to complete the purchase price allocation by the end of 2015. The items pending finalization include, but are not limited to, the valuation of PP&E, intangible assets, certain liabilities, goodwill and deferred income taxes. See Note 7 to Talen Energy's unaudited condensed consolidated financial statements included elsewhere in this prospectus for additional information on the provisional purchase price allocation.

FERC approval of the RJS acquisition included a requirement that Talen divest one of two mitigation packages identified in the FERC Order. In September 2015, Talen requested that the FERC allow the company to consider a third mitigation package, which would exclude the Sapphire asset portfolio and include all of the other generating facilities from both of the approved mitigation packages. Our request for approval of this third option is pending at the FERC.

The historical financial statements have been adjusted in the pro forma financial information to give effect to pro forma events that are: (i) directly attributable to the spinoff and Combination; (ii) factually supportable; and (iii) with respect to the statements of income, expected to have a continuing impact on results. The pro forma balance sheet as of June 30, 2015 gives effect to the disposal of all the generating facilities identified in both approved mitigation packages to satisfy the FERC Order, including the Sapphire asset portfolio, as if they were completed on June 30, 2015 by adjusting the pro forma balance sheet to reflect certain related assets and liabilities for these facilities as divested for cash at either carrying value or, for the Ironwood, Holtwood and Lake Wallenpaupack facilities, at the contracted sales price (subject to customary purchase price adjustments). The pro forma statements of income for the six months ended June 30, 2015 and for the year ended December 31, 2014 give effect to the spinoff of HoldCo, the Combination with RJS Power and the aforementioned disposals to satisfy the FERC Order as if they were completed on January 1, 2014. The pro forma statements of income: (a) adjust revenues and expenses for the aforementioned disposals to satisfy the FERC Order; (b) adjust for incremental depreciation and amortization expense related to fair value adjustments to PP&E and identifiable intangible assets and liabilities for the RJS Power acquisition; (c) adjust for incremental interest expense for outstanding borrowings to reflect the terms of the new \$1.85 billion Revolving Facility; (d) conform certain RJS Power accounting policies with those of Talen Energy Supply (at the time of the

spinoff and Combination, Talen Energy adopted the accounting policies of Talen Energy Supply); and (e) reflect the issuance of Talen Energy common stock in connection with the spinoff and Combination. The result of these adjustments, as well as other adjustments, is presented in Note 2. The pro forma financial information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or synergies expected to result from the spinoff and Combination. Other items that are not included in the pro forma financial information are presented in Note 3.

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Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

Certain items normally included in the statement of income have been excluded from the pro forma statements of income.

Note 2. Pro Forma Adjustments

- (a) The pro forma statements of income include adjustments to revenues and expenses for the disposal of all the generating facilities identified in both approved mitigation packages to satisfy the FERC Order, including the Sapphire portfolio, while the pro forma balance sheet reflects certain related assets and liabilities for these facilities as divested for cash at either carrying value or, for the Ironwood, Holtwood and Lake Wallenpaupack facilities, at the contracted sales price (subject to customary purchase price adjustments). These adjustments are based on certain assumptions related to: (1) including all the facilities and related assets and liabilities that are included in the current approved mitigation packages to satisfy the FERC Order; and (2) the preliminary fair value of such assets and liabilities of RJS Power. Final adjustments will be based on which generation facilities are actually divested, the related contractual terms and sales price for generation facilities not currently under executed sale agreements, and timing of the divestitures. Therefore, actual results could be materially different from the pro forma adjustments below. These adjustments are as follows:

	Debit (Credit)	
	June 30, 2015	December 31, 2014
Balance Sheet:		
Cash	\$ 1,840	
Assets of discontinued operations	(394)	
Current assets, other than cash and assets of discontinued operations	(10)	
Property, plant and equipment, net	(940)	
Goodwill	(214)	
Other noncurrent assets	(20)	
Liabilities of discontinued operations	18	
Current liabilities, other than liabilities of discontinued operations	(295)	
Long-term debt	43	
Deferred income taxes	75	
Other deferred credits and noncurrent liabilities	19	
Earnings reinvested	(122)	
Statement of Income:		
Operating Revenues	221	\$ 646
Operating Expenses	(193)	(540)
Other income (expense), net		1
Interest Expense	(4)	(24)
Income Taxes	(10)	(34)

The taxes payable related to the mitigation divestitures are included in Current liabilities above.

If Talen were to receive approval of its September 2015 request to exclude the Sapphire portfolio from its mitigation requirements as noted in Note 1 above and such portfolio were not divested, as of and for the six month period ended June 30, 2015, pro forma operating revenues would have been approximately \$50 million higher than the pro forma operating revenues reflected herein, pro forma operating income would have been approximately \$20 million lower than the pro forma operating income reflected herein, and pro forma cash would have been approximately \$376 million lower than the pro forma cash reflected herein. For the year ended December 31, 2014, if the Sapphire asset portfolio were not divested, pro forma operating revenues would have been approximately \$220 million higher than the pro forma operating revenues reflected herein and pro forma operating income would have been approximately \$10 million lower than the pro forma operating income reflected herein.

- (b) The pro forma statements of income include adjustments to conform RJS Power's accounting policy with that of Talen Energy Supply for the capitalization of overhauls.

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	Debit (Credit)
Statements of Income:	
Other operation and maintenance for the six months ended June 30, 2015	\$ (1)
Other operation and maintenance for the year ended December 31, 2014	(33)

- (c) The six months ended June 30, 2015 pro forma statement of income reflects a \$9 million increase in depreciation as a result of changes in the value of property, plant and equipment, a \$5 million decrease in amortization expense as a result of changes in the value of intangible assets and a \$1 million decrease to depreciation to reclassify ARO accretion to other operation and maintenance (consistent with Talen Energy's presentation). The year ended December 31, 2014 pro forma statement of income reflects a \$25 million increase in depreciation as a result of changes in the value of property, plant and equipment, a \$7 million decrease in amortization expense as a result of changes in the value of intangible assets and a \$1 million decrease in depreciation to reclassify ARO accretion to other operation and maintenance (consistent with Talen Energy's presentation).
- (d) The year ended December 31, 2014 pro forma statement of income reflects an increase in interest expense of \$5 million, primarily driven by higher short-term borrowing costs under the terms of the new Revolving Facility, compared to historical interest expense related to outstanding commercial paper and letters of credit outstanding on Talen Energy's and RJS Power's existing \$3.0 billion and \$150 million credit facilities, respectively. Interest expense was calculated based upon terms of the new Revolving Facility for the historical outstanding borrowings and letters of credit using an estimated rate of 2.43%. See Description of Material Indebtedness for additional information on the Revolving Facility.
- (e) The six months ended June 30, 2015 pro forma statement of income reflects a \$40 million decrease to Other operation and maintenance to exclude \$5 million of transaction related costs incurred by Talen Energy, a \$25 million decrease to exclude accelerated stock-compensation costs, and a \$10 million decrease to exclude restructuring costs incurred by Talen Energy for spin related expenses.
- (f) The six months ended June 30, 2015 pro forma statement of income reflects a \$12 million decrease to Interest Expense to exclude fees from the existing \$3.0 billion credit facility that were written off when the facility was terminated as a result of the spinoff.
- (g) The June 30, 2015 and December 31, 2014 pro forma statements of income reflect the income tax effects of (1) the pro forma adjustments in (b) through (f) above and (2) the Income (Loss) from Continuing Operations before Income Taxes of RJS Power through May 31, 2015 which were calculated at a blended statutory income tax rate of 40.00%. The legal entities included in RJS Power's historical consolidated and combined financial statements were primarily limited liability companies or partnerships and previously elected to be treated as disregarded entities for federal tax purposes. As such, no provision for federal or state corporate income taxes was made in RJS Power's historical consolidated and combined financial statements.

Note 3. Items Excluded from the Unaudited Pro Forma Financial Information and Unusual Items

The unaudited pro forma financial information does not reflect:

- (a) the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or synergies expected to result from the spinoff and Combination.

- (b) although Talen Energy expects to employ a growth strategy and proceeds from the anticipated FERC Order mitigation divestitures may be used for future acquisitions, for the purposes of the pro forma information, the proceeds from divestitures included have not been assumed to be invested in similar business operations and accordingly are reflected in cash on the pro forma balance sheet.

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- (c) adjustments for the announced planned acquisition of MACH Gen, LLC or the announced planned disposition of the renewables business, both of which are not required under pro forma rules as the businesses do not meet the significance thresholds.
- (d) goodwill and other long-lived asset impairments recorded in the third quarter of 2015. As described in Notes 1 and 20 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus, Talen Energy performed an interim goodwill impairment assessment as of June 1, 2015, the spinoff and acquisition date. The East reporting unit, which is equivalent to the East segment, failed step one as of June 1, 2015. While the step two analysis was not complete by the filing of the second quarter Form 10-Q, management estimated that no goodwill impairment charge was required to be recorded in the second quarter. Management has assessed the impact of the significant decline in Talen Energy Corporation's stock price throughout the third quarter of 2015, which indicates a significant change in the financial markets' view of the value of Talen Energy's business and/or the industry in which it operates and potential risk associated with an investment in Talen Energy's common stock and is considered an indicator of goodwill impairment in the third quarter. Additionally, in the third quarter of 2015, management updated its fundamental pricing models in conjunction with market information gained as a result of the 2018/2019 planning year PJM capacity auction completed in August 2015 and updated its business plan. The resulting changes in forecasted cash flows and related fair value measurements indicated an impairment of certain other long-lived assets.

As a result of the third quarter analyses and these updates, on October 28, 2015, Talen Energy announced that it recorded impairment charges in connection with the preparation of Talen Energy's financial statements for the third quarter of 2015. A pre-tax goodwill impairment charge of \$466 million (\$449 million after-tax) was recorded, which represents all of the goodwill recorded on Talen Energy's balance sheet. In addition, a pre-tax impairment charge of \$122 million (\$73 million after-tax) was recorded, primarily attributable to the Sapphire portfolio.

The unaudited pro forma financial information includes the following unusual items:

- (a) Other operation and maintenance on Talen Energy's 2015 and Talen Energy Supply's 2014 Statement of Income includes:

	2015		2014	
	Pre-tax	After-tax	Pre-tax	After-tax
Separation benefits (1)	\$ 2	\$ 1	\$ 33	\$ 20
TSA costs (2)	5	3		
Corette closure costs (3)	4	2		
Other (4)	3	2		

- (1) Associated with separation benefits related to a bargaining unit voluntary program and the spinoff transaction.
- (2) Transition service agreement costs with PPL and Riverstone.
- (3) Operations were suspended and the Corette plant was retired in March 2015.
- (4) Related to an asset write-off.
- (b) Retail energy on Talen Energy's 2015 Statement of Income includes a decrease to revenues of \$7 million (\$4 million after-tax) for amounts inadvertently recorded as revenue in prior periods. See Note 1 to unaudited

condensed consolidated financial statements included elsewhere in this prospectus for additional information.

- (c) Wholesale Energy Revenues on Talen Energy's 2015 Statement of Income includes gains of \$13 million (\$8 million after-tax) related to certain derivative contracts that were early-terminated due to the spinoff transaction.
- (d) Energy-related businesses on Talen Energy Supply's 2014 Statement of Income includes an increase to revenues of \$17 million (\$10 million after-tax) to correct an error related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (e) Interest expense on RJS Power's 2014 Statement of Income includes losses on extinguishment of debt of \$36 million (\$21 million after-tax).

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data of Talen Energy Supply as of December 31, 2010, 2011, 2012, 2013 and 2014 and for each of the years ended December 31, 2010, 2011, 2012, 2013 and 2014 and selected unaudited consolidated interim financial data of Talen Energy as of June 30, 2014 and 2015 and for the six months ended June 30, 2014 and 2015. The selected historical consolidated financial data of Talen Energy Supply as of December 31, 2013 and 2014 and for each of the years ended December 31, 2012, 2013 and 2014 have been derived from, and should be read together with, the audited consolidated financial statements of Talen Energy Supply, Talen Energy's accounting predecessor, and the accompanying notes contained elsewhere in this prospectus. The selected historical consolidated financial data of Talen Energy as of December 31, 2010, 2011 and 2012 and for each of the years ended December 31, 2010 and 2011 have been derived from the audited consolidated financial statements of Talen Energy Supply not included in this prospectus. The selected historical unaudited consolidated interim financial data of Talen Energy as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 have been derived from, and should be read together with, the unaudited condensed consolidated financial statements of Talen Energy and the accompanying notes contained elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual audited consolidated financial statements of Talen Energy Supply. In the opinion of management, these unaudited financial data reflect all adjustments, consisting of only normal and recurring adjustments considered necessary for a fair presentation of the operating results for those interim periods.

The selected historical consolidated financial data presented below for the periods prior to June 1, 2015 reflect the results of Talen Energy Supply, and do not reflect the results of the RJS Power business acquired as part of the Talen Transactions. The selected historical consolidated financial data presented below for the six months ended June 30, 2015 reflects one month of combined results. The selected historical consolidated financial data presented below include certain assets and liabilities of Talen Energy relating to facilities that may be sold as part of the mitigation plan discussed elsewhere in this prospectus. See [The Talen Transactions Mitigation Plans](#) and [Summary Recent Developments](#). As a result, the selected historical consolidated financial data set forth below may not necessarily be indicative of Talen Energy's business in future periods. The selected historical consolidated financial data set forth below are not necessarily indicative of the results of future operations.

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The selected historical consolidated financial data should be read in conjunction with Risk Factors, Unaudited Pro Forma Condensed Combined Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements of Talen Energy Supply and the accompanying notes, all of which are included elsewhere in this prospectus.

(dollars in millions)	Year Ended December 31,					Six Months Ended	
	2010	2011	2012	2013	2014	2014	2015
						(unaudited)	
Statement of Operations Data:							
Operating revenues	\$ 4,977	\$ 6,272	\$ 5,346	\$ 4,514	\$ 3,736	\$ 52	\$ 2,011
Operating income (loss)	1,021	1,210	804	(293)	397	(63)	212
Income (loss) from continuing operations after income taxes	601	672	428	(262)	187	(56)	121
Net income (loss)	861	768	474	(230)	410	(53)	122
Balance Sheet Data (at period end):							
Cash and cash equivalents	\$ 661	\$ 379	\$ 413	\$ 239	\$ 352		\$ 352
Total assets	16,796	13,179	12,375	11,074	10,760		12,862
Total liabilities	12,287	9,142	8,527	6,276	6,853		8,036
Long-term debt, including current portion	5,589	3,024	3,272	2,525	2,218		4,059
Total equity	4,509	4,037	3,848	4,798	3,907		4,826
Statement of Cash Flows Data:							
Cash provided by (used in):							
Operating activities	\$ 1,840	\$ 776	\$ 784	\$ 410	\$ 462	\$ 290	\$ 355
Investing activities	(825)	(668)	(469)	(631)	497	(403)	(127)
Financing activities	(612)	(390)	(281)	47	(846)	138	(228)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion of our results of operations and financial condition together with our selected historical consolidated financial data, audited consolidated financial statements and notes thereto and unaudited condensed consolidated financing statements and note thereto included elsewhere in this prospectus, as well as the discussion in the section of this prospectus entitled Business. This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this prospectus entitled Risk Factors and Cautionary Statement Regarding Forward-Looking Statements. The financial information discussed below and included in this prospectus may not necessarily reflect what our financial condition, results of operations or cash flow may be in the future.

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, references to Talen Energy with respect to periods prior to June 1, 2015 refer to Talen Energy Supply, LLC (then known as PPL Energy Supply, LLC), the accounting predecessor to Talen Energy. Dollars are in millions in tables in this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise indicated.

The subsidiaries of Talen Energy, including Talen Energy Supply, are separate legal entities. Talen Energy's subsidiaries generally are not liable for the debts of Talen Energy. Accordingly, creditors of Talen Energy may not satisfy their debts from the assets of Talen Energy's subsidiaries absent a specific contractual undertaking by a subsidiary to pay Talen Energy's creditors or as required by applicable law or regulation. Similarly, Talen Energy is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another, absent a specific contractual undertaking by Talen Energy or such subsidiaries to pay the creditors or as required by applicable law or regulation.

In June 2014, PPL and Talen Energy Supply executed definitive agreements with the Riverstone Holders to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy Corporation. On June 1, 2015, PPL completed the spinoff to PPL shareowners of a newly formed entity, HoldCo, which at such time owned all of the membership interests of Talen Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, HoldCo merged with a special purpose subsidiary of Talen Energy, with HoldCo continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of Talen Energy Supply. PPL does not have an ownership interest in Talen Energy after completion of the spinoff. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become an indirect subsidiary of Talen Energy and a direct subsidiary of Talen Energy Supply. Talen Energy treated the combination with RJS Power as an acquisition, with Talen Energy Supply considered the accounting acquirer in accordance with business combination accounting guidance. See Notes 1 and 7 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for information on the acquisition. In June 2015, RJS Power was merged into Talen Energy Supply. From June 1, 2015, the financial information presented in this management's discussion and analysis of financial condition and results of operations for the 2015 periods represents six months of legacy Talen Energy Supply consolidated with one month of RJS Power, while the 2014 periods represent only legacy Talen Energy Supply.

As a result of the completion in June 2015 of the Talen Transactions described in this prospectus, Talen Energy is one of the largest competitive energy and power generation companies in North America. Our primary business is the production and sale of electricity, capacity and related products from our fleet of power plants totaling approximately 15,000 MW of generating capacity as of June 30, 2015. We own and operate a portfolio of generation assets principally located in PJM and ERCOT, which we consider to be two of the most attractive

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power markets in the United States. Within these markets, our portfolio benefits from technological and fuel diversity, enabling us to respond to changing market conditions and regulatory developments. We believe stockholder value creation is built on a foundation of excellence in operations and skillful commercial management of our generation fleet with a strong focus on cash returns. We intend to pursue a strategy that embraces these core concepts, optimizes Talen Energy's operations and supports value-enhancing growth.

In addition, the sales of certain assets of Talen Energy will be required to satisfy the requirements of regulatory approvals with respect to the Talen Transactions. Accordingly, the historical financial and operating results of Talen Energy Supply may not be comparable to future results to the extent certain assets of Talen Energy are disposed of. See [Overview](#) [Other Financial and Operational Developments](#) [Anticipated Divestitures of Holtwood, Lake Wallenpaupack, Ironwood and Crane](#).

After completion of the acquisition of RJS Power in June 2015, Talen Energy operates in two reportable segments: East and West. The East segment primarily includes the generating assets in the northeastern U.S. within PJM. This segment also includes marketing and trading activities and the legacy Talen Energy Supply Montana assets. The West segment includes the generating assets in the western U.S., within ERCOT. See Note 3 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on segments. [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) includes the following information:

[Overview](#) provides a description of Talen Energy and its business strategy and key performance measures and a discussion of other important financial and operational developments.

[Results of Operations](#) includes [Statement of Income Analysis](#), which addresses significant changes in principal line items on the Statements of Income on a GAAP basis. The [Margins](#) discussion, also presented by segment, includes a reconciliation of non-GAAP financial measures to [Operating Income](#). The [EBITDA and Adjusted EBITDA](#) discussion, presented by segment, includes a reconciliation of the non-GAAP financial measures to operating income. Separate disclosure is provided for the six-month period 2015 compared with 2014 and also for the annual periods 2014 compared with 2013 and 2013 compared with 2012.

[Financial Condition Liquidity and Capital Resources](#) provides an analysis of Talen Energy's liquidity positions and credit profiles. This section also includes a discussion of forecasted sources and uses of cash and rating agency actions.

[Financial Condition Risk Management](#) provides an explanation of risk management programs relating to market and credit risk.

[Application of Critical Accounting Policies](#) provides an overview of the accounting policies that are particularly important to Talen Energy's results of operations and financial condition and that require management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

Overview

Introduction

Talen Energy, through its principal subsidiary Talen Energy Supply, is a competitive energy and power generation company primarily engaged in the production and sale of electricity, capacity and related products. Talen Energy is headquartered in Allentown, Pennsylvania and owns and operates a portfolio of generation assets principally located in PJM and ERCOT.

In June 2014, PPL and Talen Energy Supply executed definitive agreements with the Riverstone Holders to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy Corporation. On June 1, 2015, PPL completed the spinoff to PPL shareowners of a newly formed

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entity, HoldCo, which at such time owned all of the membership interests of Talen Energy Supply and all of the common stock of Talen Energy. Immediately following the spinoff, HoldCo merged with a special purpose subsidiary of Talen Energy, with HoldCo continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of Talen Energy Supply. PPL does not have an ownership interest in Talen Energy after completion of the spinoff. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by the Riverstone Holders to become a subsidiary of Talen Energy Supply (referred to as the combination or the acquisition). Subsequent to the acquisition, RJS Power was merged into Talen Energy Supply. Talen Energy has treated the combination with RJS Power as an acquisition, with Talen Energy Supply considered the accounting acquirer in accordance with business combination accounting guidance. See Notes 1 and 7 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on the spinoff and acquisition.

Talen Energy operates in two reportable segments: East and West. The East segment primarily includes the generating assets in PJM. This segment also includes marketing and trading activities as well as the legacy Talen Energy Supply coal fired facility, Colstrip, in Montana. The West segment includes the generating assets located in ERCOT. See Note 3 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on segments.

Business Strategy

The strategy for Talen Energy is to optimize the value from its competitive power generation assets and marketing portfolio while mitigating near-term volatility in both cash flows and earnings metrics. Talen Energy endeavors to accomplish this by matching projected output from its generation assets with forward power sales in the wholesale and retail markets while effectively managing exposure to fuel price volatility, counterparty credit risk and operational risk. Talen Energy is focused on excellence in operations, including safety, disciplined investment and continuous improvements in operating efficiency, active asset optimization and cost management and the pursuit of value-enhancing growth opportunities.

To manage financing costs and access to credit markets, and to fund capital expenditures and growth opportunities, a key objective of Talen Energy is to maintain adequate liquidity positions. In addition, Talen Energy has financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility related to, as applicable, changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of generating units. To manage these risks, Talen Energy generally uses contracts such as forwards, options, swaps and insurance contracts primarily focused on mitigating forward market price risk within the next 12 month period.

Key Performance Measures

In addition to operating income, Talen Energy utilizes EBITDA and Adjusted EBITDA, non-GAAP financial measures, as indicators of performance for its business, with Adjusted EBITDA as the primary financial performance measure used by management to evaluate its business and monitor results of operations. These and other GAAP and non-GAAP performance measures for periods ended June 30 and for the years ended December 31 were as follows:

	Six Months		
	2015	2014	% Change
Net Income (loss)	\$ 122	\$ (53)	330%

Operating Income (Loss) (a)	\$ 212	\$ (63)	437%
EBITDA (a)(b)	\$ 387	\$ 101	283%
Adjusted EBITDA (a)(b)	\$ 408	\$ 361	13%
Margins (c)	\$ 834	\$ 815	2%

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	2014	2013	2012	2014 vs. 2013 % Change	2013 vs. 2012 % Change
Net Income	\$ 410	\$ (230)	\$ 474	278%	(149)%
Operating Income (Loss)	\$ 397	\$ (293)	\$ 804	235%	(136)%
EBITDA (a)(b)	\$ 724	\$ 37	\$ 1,094	1,857%	(97)%
Adjusted EBITDA (a)(b)	\$ 759	\$ 969	\$ 1,073	(21)%	(10)%
Margins (c)	\$ 1,653	\$ 1,854	\$ 1,998	(11)%	(7)%

(a) See Results of Operations EBITDA and Adjusted EBITDA below for results by segment.

(b) See Results of Operations EBITDA and Adjusted EBITDA below for reconciliations of these non-GAAP measures to related GAAP metrics.

(c) See Results of Operations Margins below for reconciliations of this non-GAAP measure to a related GAAP metric.

See Results of Operations and Financial Condition Liquidity and Capital Resources below for discussion and analysis of results of operations and liquidity.

Other Financial and Operational DevelopmentsEconomic and Market Conditions

Talen Energy's businesses are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, effluent limitation guidelines and MATS. See Business Environmental Matters below for additional information on these requirements. These and other stringent environmental requirements, combined with low energy margins for competitive generation, have led several energy companies, including Talen Energy, to announce plans to either temporarily or permanently close, place in long-term reserve status or impair certain of their coal-fired generating plants. During the second quarter of 2015, Talen Energy recorded increases to existing AROs of \$33 million as a result of a review of a new CCR rule. Further changes to AROs may be required as estimates are refined and analysis of the rule continues.

U.S. GAAP requires that a long-lived asset (or asset group) be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Similarly, a goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that more likely than not the carrying amount of a reporting unit may be greater than its fair value. During the second quarter of 2015, due to the impairment of its investment in Talen Energy Supply recorded by PPL (Talen Energy's former parent) at the time of the spinoff, coupled with, and, primarily driven by, Talen Energy's stock price at the spinoff date, management concluded that these factors could be indicators of potential impairment with respect to certain long-lived assets and goodwill. After considering additional information, Talen Energy determined that the undiscounted cash flows for potentially affected long-lived assets would not be directly impacted by these factors and therefore concluded that the undiscounted cash flows continued to exceed the carrying value and no further testing of long-lived assets was necessary in the second quarter. Management also performed an interim goodwill impairment assessment as of June 1, 2015, the spinoff and acquisition date. The goodwill impairment analysis is a two-step process. The first step, used to identify potential impairment, is a comparison of the reporting unit's estimated fair value to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, applicable goodwill is not considered to be impaired. If the carrying value exceeds the fair value, there is an indication of impairment and the second step is performed to measure the amount of the impairment, if any. The second step requires a company to calculate an implied fair value of goodwill based on a hypothetical purchase price allocation. The East reporting unit, which is equivalent to the East segment, failed step one. While the step two analysis was not complete by the filing of

the second quarter Form 10-Q, management estimated that no goodwill impairment charge was required to be recorded at June 30, 2015. There was \$72 million of goodwill recorded on the balance sheet at spinoff and an additional \$398 million was recorded on June 1, 2015 based on the provisional purchase price allocation for the RJS Power acquisition.

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The depressed levels of energy and capacity prices in PJM, as well as management's forward view of these prices using its fundamental pricing models, has put pressure on the recoverability assessment of Talen Energy's coal-fired generation assets. Therefore, a further decline in forecasted long-term energy or capacity prices or changes in environmental laws requiring additional capital or operation and maintenance expenditures, could negatively impact Talen Energy's operations primarily at its PJM based coal-fired facilities and potentially result in impairment charges for some or all of the carrying value of these plants. The carrying value of Talen Energy's coal-fired generation assets is more than \$3 billion. In the third quarter of 2015, Talen Energy updated its fundamental pricing models in conjunction with market information gained as a result of the 2018/2019 planning year PJM capacity auction completed in August 2015 and updated its business plan. As a result, management considered whether any long-lived assets needed to be assessed for impairment and determined that the C.P. Crane coal-fired plant failed a recoverability test and determined a write-down was necessary based on the plant's estimated fair value. Additionally, because the Sapphire portfolio is classified as held for sale and must be carried at the lower of its current carrying value or fair value less cost to sell, Talen Energy used the updated cash flow information from the business plan to calculate the estimated fair value of the Sapphire portfolio at September 30, 2015 and determined a write-down was necessary based on this updated estimated fair value. These long-lived asset impairment tests resulted in a non-cash, pre-tax asset impairment charge of \$122 million (\$73 million after tax) primarily attributable to the Sapphire portfolio. In addition, Talen Energy Corporation's stock price declined significantly throughout the third quarter of 2015, indicating a significant change in the financial markets' view of the value of Talen Energy's business and/or the industry in which it operates and potential risk associated with an investment in Talen Energy's common stock. As a result, Talen Energy management concluded that these factors could be indicators of goodwill impairment and reconsidered certain inputs incorporated in its assessment of fair value of both Talen Energy's overall business and the East reporting unit, where all of the goodwill is allocated. These inputs include risk premiums, growth rates, Talen Energy Corporation's stock price expectations and implied multiples from comparable companies' stock prices. Based on this reassessment, the East reporting unit further declined in fair value and again failed step one as of September 30, 2015. The step two analysis was also completed during the third quarter and resulted in a non-cash goodwill impairment charge of \$466 million pre-tax (\$449 million after-tax) to be recorded for the East segment. The aforementioned impairment charges will be recorded in conjunction with the preparation of Talen Energy's third quarter of 2015 financial statements.

As a result of current economic and market conditions, Talen Energy continues to monitor its business and operational plans, including capital, operation and maintenance expenditures, its hedging strategies and potential plant modifications to burn lower-cost fuels. See Results of Operations below for information on energy margins for all periods. 2014 energy margins were lower compared to 2013 due to a higher average hedge price in 2013, partially offset by higher pricing on unhedged generation. Talen Energy cannot predict the impact that future economic and market conditions and regulatory requirements may have on its financial condition or results of operations.

Labor Union Agreement

PPL and Talen Energy finalized a new three-year labor agreement with IBEW local 1600 in May 2014 and the agreement was ratified in early June 2014. The agreement covers certain Talen Energy employees. As part of efforts to reduce operations and maintenance expenses, the new agreement offered a one-time voluntary retirement window to certain bargaining unit employees. As a result, for the year ended December 31, 2014, the following total separation benefits have been recorded.

Pension Benefits	\$ 11
Severance Compensation	6

Total Separation Benefits	\$ 17
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Number of Employees	105
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The separation benefits are included in Other operation and maintenance on the Statement of Income to the audited consolidated financial statements of Talen Energy Supply. The liability for pension benefits is

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included in Accrued pension obligations on the Balance Sheet to the audited consolidated financial statements of Talen Energy Supply at December 31, 2014. All of the severance compensation was paid in 2014. The remaining terms of the new labor agreement are not expected to have a significant impact on the financial results of Talen Energy.

Spinoff from PPL

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the Talen Energy organization and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 1 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At June 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were \$2 million and \$9 million, which are included in Other current liabilities on the Balance Sheets.

In connection with the spinoff transaction, additional employee-related costs were incurred, which primarily included accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards primarily for Talen Energy employees and for PPL employees who have become Talen Energy employees in connection with the transaction. These costs were recognized at the closing of the spinoff. During the six months ended June 30, 2015, Talen Energy recorded \$25 million related to accelerated stock-based compensation and for pro-rated stock-based compensation awards. The vesting for all Talen Energy employees was accelerated and all remaining unrecognized compensation expense accelerated concurrently with the spinoff. Talen Energy does not expect to recognize future compensation costs for equity awards from PPL stock incentive programs held by Talen Energy employees. See Note 8 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on stock-based compensation.

In addition, during the six months ended June 30, 2015, Talen Energy incurred \$10 million of restructuring costs related to the spinoff transaction which are recorded in Other operation and maintenance on the Statements of Income to the unaudited condensed consolidated financial statements of Talen Energy.

Following the spinoff, certain services, including information technology, financial and accounting, human resource and other specified services are being provided by PPL on a transition basis pursuant to the TSA. The TSA with PPL is for a period of up to two years from the date of the spinoff. For the six months ended June 30, 2015, the costs incurred for these services were not significant. See Note 11 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for information on the TSA with Topaz Power Management, LP.

In connection with the FERC approval of the combination of Talen Energy Supply with RJS Power, PPL, Talen Energy and RJS Power agreed that within twelve months following the closing of the transaction, Talen Energy will enter into an agreement to divest between 1,300 and 1,400 MW of assets in one of two groups of assets (both of which include the Sapphire facilities within PJM and the first of which also includes the Holtwood, Wallenpaupack and Crane facilities, and the other of which also includes the Ironwood Facility), and to limit PJM energy market offers from assets it would retain in the other group to cost-based offers. We presently expect to reach an agreement to sell a package of assets by the end of 2015, but the package chosen, the eventual sales price and timing of the dispositions will depend upon, among other factors, market conditions and the relative economic value of offers received. See

Anticipated Divestitures of Holtwood, Lake Wallenpaupack, Ironwood and Crane for additional information.

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Montana Hydroelectric Sale Agreement

In November 2014, Talen Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for \$900 million in cash. As a result of the sale, Talen Energy recorded a gain of \$306 million (\$206 million after-tax) included in Income (Loss) from Discontinued Operations (net of income taxes) on the Statement of Income. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information including the components of Discontinued Operations.

Kerr Dam Project Arbitration Decision and Impairment

Talen Montana previously held a joint operating license issued for the Kerr Dam project, which was sold to NorthWestern as part of the Montana hydro sale in November 2014. Between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam project. In March 2014, an arbitration panel issued its final decision holding that the conveyance price payable by the Tribes for the Kerr Dam project is \$18 million. As a result of the decision and the Tribes having given notice of their intent to exercise the option, in the first quarter of 2014 Talen Energy recorded an impairment charge of \$18 million (\$10 million after-tax) to reduce the carrying amount to its fair value. See Note 12 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information on the impairment. Additionally, as a result of a guarantee included in the sale agreement with NorthWestern, if the Tribes exercise their option and purchase the Kerr Dam project for \$18 million as expected, Talen Montana must pay NorthWestern \$12 million, which is recorded as a liability on the Balance Sheet at December 31, 2014.

Anticipated Acquisition of MACH Gen. LLC

In July 2015, Talen Energy announced an agreement to acquire all of the membership interests of MACH Gen, LLC for \$1.175 billion (including assumed debt), subject to working capital adjustments. MACH Gen, LLC's total generating capacity is approximately 2,500 MW. Talen Energy Supply has obtained a debt financing commitment (the debt commitment) sufficient to fund the cash purchase price. The debt commitment will be used as a backstop in the event alternative financing is not available at or prior to the closing of the acquisition. The transaction is expected to close in 2015.

Anticipated Divestitures of Holtwood, Lake Wallenpaupack, Ironwood and Crane

In October 2015, Holtwood, a wholly owned subsidiary of Talen Energy Supply and an indirect subsidiary of Talen Energy, entered into an agreement to sell the Holtwood and Lake Wallenpaupack hydroelectric projects in Pennsylvania for a purchase price of \$860 million, subject to customary purchase price adjustments. At June 30, 2015, the projects have a combined summer rating operating capacity of 293 MW. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals.

In October 2015, Talen Generation, a wholly owned subsidiary of Talen Energy Supply and an indirect subsidiary of Talen Energy, entered into an agreement to sell the Ironwood natural gas combined-cycle unit in Pennsylvania for a purchase price of \$654 million, subject to customary purchase price adjustments. As part of the transaction, Talen Energy expects to repay \$41 million of indebtedness, plus a customary pre-payment premium. At June 30, 2015, the Ironwood unit had a summer rating operating capacity of 660 MW. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals.

In October 2015, Raven Power Marketing LLC, a wholly owned indirect subsidiary of Talen Energy and Talen Energy Supply, entered into an agreement to sell the coal-fired Crane plant in Maryland. As of June 30,

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2015, the Crane plant had a summer rating of 404 MW. The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and the receipt of required regulatory approvals including approval by the FERC under the Federal Power Act. The transaction is not expected to have a significant impact on Talen Energy's financial condition and results of operations.

The sales are part of the requirement to divest certain PJM assets to comply with the December 2014 FERC order approving the combination of Talen Energy Supply and RJS Power. See [The Talen Transactions Mitigation Plans](#) and [Summary Recent Developments](#).

PJM Market Developments

As a result of unusually cold weather conditions in the first quarter of 2014, PJM determined that changes were necessary to ensure system reliability. In December 2014, PJM proposed to add an enhanced Capacity Performance (CP) product to the capacity market structure to permit additional compensation for generation owners/operators to make the necessary investments to maintain system reliability in exchange for stronger performance requirements. In June 2015, the FERC issued an order approving the PJM CP proposal largely as it was filed. PJM's CP proposal will be in effect for the upcoming 2018/19 Reliability Pricing Market (RPM) Base Residual Auction that began on August 10, 2015. In July 2015, the FERC reversed its June decision in part and allowed DR and energy efficiency providers to participate in the 2016/17 and 2017/18 CP transition auctions, effectively delaying these auctions until after the 2018/19 base residual auction. Also, late in 2014, the FERC approved changes to PJM's capacity market VRR curve. The VRR curve is a downward-sloping demand curve used by PJM to model sufficient capacity resources for PJM and set capacity prices. PJM's recent changes include a shift in the VRR curve, which signifies an increase in demand and therefore may put upward pressure on capacity prices. Additionally, there currently exists some uncertainty associated with DR providers' ability to participate in future energy and capacity auctions in PJM. The FERC rejected PJM's contingency plan to include DR in its capacity auctions in the event an appellate court ruling limiting the FERC's jurisdiction over DR providers' compensation is allowed to stand. The U.S. Solicitor General requested that the U.S. Supreme Court reconsider the May 2014 U.S. Court of Appeals for the D.C. Circuit Court ruling, holding that DR provider's compensation in organized energy markets was beyond the jurisdiction of the FERC and improperly infringed on state authority over retail load. On May 4, 2015, the U.S. Supreme Court agreed to review the ruling.

ERCOT Market and Developments

Talen Energy subsidiaries participate in ERCOT due to the acquisition of RJS Power. ERCOT manages the flow of electricity over more than 43,000 circuit miles of transmission to serve approximately 90% of the electric load in Texas. ERCOT has approximately 550 generation units and more than 74,000 MWs of generation capacity available for peak demand.

As an energy-only market, ERCOT's market design is different from certain other competitive electricity markets in the U.S. Other markets, including PJM, maintain a mandatory minimum reserve margin through regulated planning, resource adequacy requirements and/or capacity markets, which guarantee payments to power generators for their investments. In contrast, ERCOT maintains a target planning reserve margin that is met by generation investment driven solely by energy price signals in ERCOT's competitive electricity market and power generators are only paid for the amount of electricity produced.

The PUCT and ERCOT have taken significant measures to improve scarcity pricing in ERCOT. These measures include an increase in ERCOT's system-wide offer cap from \$7,000 per MWh to \$9,000 per MWh effective June 1, 2015 and the implementation of an operating reserve demand curve in June 2014 that is expected to produce longer

periods of gradually increasing scarcity prices.

ERCOT's projected planning reserve margins do not take into account the potential impacts of upcoming EPA regulations, including EPA GHG regulations and the Regional Haze Program rule. Recent ERCOT studies

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indicate that up to 8,700 MW of coal generation could be retired in ERCOT as a result of the combined potential impact of EPA GHG regulations, the Regional Haze Program rule, and other EPA regulations.

Susquehanna Nuclear Turbine Blade Inspection

Susquehanna Nuclear continues to make modifications to address the causes of turbine blade cracking first identified in 2011 at the Susquehanna Nuclear plant. Unit 1 completed its planned refueling and turbine inspection outage in June 2014 and installed newly designed shorter last stage blades on one of the low pressure turbines. This change allowed Unit 1 to run with reduced blade vibration and no identified cracking during 2014. In the first, second and third quarters of 2014, Unit 2 was shut down for blade inspection and replacement, as well as additional maintenance. The financial impact of the Unit 2 outages was not material. Based on the positive experience on Unit 1, the same short blade modifications were installed on two of the three turbines on Unit 2 during the spring 2015 scheduled refueling outage. All remaining turbine blade modifications are scheduled to be performed during planned refueling and maintenance outages. Inspections will be performed over the next several maintenance cycles to validate the performance of the modifications and ensure that the problem has been corrected. Susquehanna Nuclear does not expect additional unscheduled turbine maintenance outages as the vendor has finalized the root cause assessment and believes the short blade modifications resolve the issue.

IRS Audits for 1998 - 2011

In February 2015, PPL and the IRS Appeals division reached a tentative settlement on PPL's open audits for the years 1998 - 2011. The settlement was required to be reviewed and approved by the Joint Committee on Taxation (JCT) before considered final. In April 2015, PPL was notified that the JCT approved PPL's settlement. During the six months ended June 30, 2015, Talen Energy recorded a tax benefit of \$12 million for its portion of the settlement of previously unrecognized tax benefits.

Anticipated Disposition of Renewable Energy Business

In June 2015, Talen Energy announced the execution of an agreement to sell its renewable energy business for \$116 million in cash, subject to customary purchase price adjustments. The transaction is expected to close by the end of 2015. The transaction is not expected to have a significant impact on Talen Energy's financial condition and results of operations.

Results of Operations

As a result of the RJS Power acquisition on June 1, 2015, Raven's and Jade's results (since the date of acquisition) are included in Talen Energy's results for the six months ended June 30, 2015. When discussing Talen Energy's results of operations for 2015 compared with 2014, the results of Raven and Jade are isolated for purposes of comparability. Sapphire has been classified as part of discontinued operations. See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information.

Earnings in future periods are subject to various risks and uncertainties. See Cautionary Statement Regarding Forward-Looking Statements, Business, Risk Factors and Notes 1 and 9 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for a discussion of the risks, uncertainties and factors that may impact future earnings.

Six months ended June 30, 2015 compared to six months ended June 30, 2014.

The discussion within **Statement of Income Analysis** addresses significant changes in principal line items on the **Statements of Income** for the unaudited condensed consolidated financial statements of Talen Energy comparing the six months ended June 30, 2015 with the same period in 2014 on a GAAP basis. The **Margins** discussion, presented by segment, includes a reconciliation of non-GAAP financial measures to operating

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income. The EBITDA and Adjusted EBITDA discussion, also presented by segment, includes a reconciliation of the non-GAAP financial measures to operating income and consolidated net income.

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

Statement of Income Analysis, Margins, EBITDA and Adjusted EBITDA**Statement of Income Analysis**

	Six Months		
	2015	2014	Change
Wholesale energy (a)	\$ 1,195	\$ (906)	\$ 2,101
Wholesale energy to affiliate	14	48	(34)
Retail energy (a)	554	630	(76)
Energy-related business	248	280	(32)
Total operating revenues	2,011	52	1,959
Fuel (a)	551	741	(190)
Energy purchases (a)	290	(1,601)	1,891
Other operation and maintenance	531	514	17
Depreciation	164	151	13
Taxes, other than income	30	31	(1)
Energy-related business	233	279	(46)
Total operating expenses	1,799	115	1,684
Operating Income (Loss)	212	(63)	275
Other Income (Expense) net	10	13	(3)
Interest Expense	91	64	27
Income Taxes	10	(58)	68
Net Income	\$ 121	\$ (56)	\$ 177

(a) Includes the impact from energy-related economic activity. See Commodity Price Risk (Non-trading) Economic Activity in Note 14 to the Financial Statements for additional information.

See below for a discussion of the components of the changes to Net Income (Loss) for the periods. The changes in Net Income (Loss) and Operating Income (Loss) from period to period were, in part, attributable to the acquisition of RJS Power and several items that management believes are not indicative of ongoing operations. See the EBITDA and Adjusted EBITDA discussion below for information on these items.

Certain Operating Revenues and Expenses Included in Margins

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The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included below within Margins and are not discussed separately.

	Six Months
Wholesale energy (a)	\$ 2,101
Wholesale energy to affiliate (b)	(34)
Retail energy	(76)
Fuel	(190)
Energy purchases (c)	1,891

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- (a) 2014 includes significant realized and unrealized losses on physical and financial commodity sales contracts due to the unusually cold weather.
- (b) The six months ended June 30, 2015 includes a \$7 million decrease related to prior periods and the receipt of revenue under a transmission operating agreement with Talen Energy Supply's former affiliate, PPL Electric. See Note 1 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information.
- (c) 2014 includes significant realized and unrealized gains on physical and financial commodity purchase contracts due to the unusually cold weather.

Energy-Related Businesses

Net contributions from energy-related businesses increased by \$14 million for the six months ended June 30, 2015 compared with 2014 due to higher margins on existing construction projects at the mechanical contracting and engineering subsidiaries.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the period ended June 30, 2015 compared with 2014 was due to:

	Six Months
Talen Energy Marketing (a)	\$ (19)
Separation benefits (b)	(23)
Accelerated stock-based compensation (c)	25
Restructuring costs (d)	10
TSA costs	5
Raven and Jade (e)	15
Other	4
Total	\$ 17

- (a) The decrease for the six-month period was primarily due to lower labor costs attributable to restructuring activities.
- (b) The decrease for the six-month period was due to bargaining unit one-time voluntary retirement benefits recorded as a result of the ratification of the IBEW Local 1600 three year labor agreement in June 2014.
- (c) See Note 1 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information.
- (d) The increase for the six month period was due to costs recorded in 2015 related to the spinoff transaction, including FERC-required mitigation plan expenses and legal and professional fees.
- (e) There are no comparable amounts in the 2014 periods as Raven and Jade were part of the June 1, 2015 RJS Power acquisition.

Depreciation

Depreciation increased by \$13 million for the six months ended June 30, 2015, compared to the same period in 2014, primarily due to \$9 million related to Raven and Jade as they were part of the June 1, 2015 RJS Power acquisition.

There are no comparable amounts in 2014 for Raven and Jade.

Table of Contents**Interest Expense**

The increase (decrease) in interest expense for the period ended June 30, 2015 compared with 2014 was due to:

	Six Months
Long-term debt interest expense (a)	\$ 6
Short-term debt interest expense	6
Amortization (b)	12
Other	3
Total	\$ 27

- (a) The increase was due to a debt issuance in May 2015, and the assumption of an RJS Power subsidiary's debt in June 2015 in connection with the RJS Power acquisition, partially offset by a debt maturity in August 2014. See Note 6 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for information on the acquisition.
- (b) The increase was due to the termination of Talen Energy Supply's \$3 billion syndicated credit facility in connection with the spinoff.

Income Taxes

The increase (decrease) in income taxes for the period ended June 30, 2015 and 2014 was due to:

	Six Months
Change in pre-tax income at current tax rates	\$ 82
Federal and state uncertain tax benefits recognized (a)	(12)
State deferred tax rate change (b)	(17)
Other (c)	15
Total	\$ 68

- (a) In 2015, open audits for the years 2008 - 2011 were settled with the IRS resulting in a tax benefit of \$12 million, which was recorded for the six months ended June 30, 2015.
- (b) The six months ended June 30, 2015 included a tax benefit of \$17 million related to state deferred tax liabilities for changes in state apportionment and the impact on the future estimated state income tax rate as a result of the acquisition of RJS Power.
- (c) The six month period included credits of \$4 million related to prior period adjustments. See Note 5 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) for the six month period ended June 30, 2015 includes the results of operations of Sapphire, which is expected to be disposed of under a mitigation plan as part of FERC approval of the combination with RJS Power in connection with the spinoff transaction. The six month period ended June 30, 2014 includes the Montana hydroelectric generating facilities which were sold in November 2014. See Discontinued Operations in Note 6 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

Margins

Management utilizes Margins, a non-GAAP financial measure, as another indicator of performance for its business.

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Margins is defined as, energy revenues offset by the cost of fuel, energy purchases, certain other operation and maintenance expenses, primarily ancillary charges, and gross receipts tax, recorded in Taxes, other than income. This performance measure is relevant due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise Margins. This volatility stems from a number of factors, including the required netting of certain transactions with ISOs, RTOs and significant fluctuations in unrealized gains and losses. Such factors could result in gains or losses being recorded in either Wholesale energy, Retail energy or Energy purchases on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by Talen Energy Marketing, which, prior to June 1, 2015, are reflected in Wholesale energy to affiliate in the reconciliation table below. Margins excludes unrealized (gains) losses on: energy related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of the competitive generation assets, full-requirement sales contracts and retail activities; and trading activities. These derivatives are subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged or when realized. Energy related economic activity includes the ineffective portion of qualifying cash flow hedges and premium amortization associated with options. Unrealized gains and losses related to derivatives and premium amortization associated with options are deferred and included in Margins over the delivery period of the item that was hedged or upon realization.

This measure is not intended to replace Operating Income, which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes this measure provides additional useful criteria to make investment decisions. This performance measure is used, in conjunction with other information, by senior management to manage Talen Energy's operations and analyze actual results compared with budget and, in certain cases, as measures of certain corporate financial goals used to determine variable compensation.

Reconciliation of Margins

The following tables contain the components from the Statements of Income that are included in Margins and a reconciliation to Operating Income for the periods ended June 30.

	Six Months							
	2015				2014			
	East	West	Reconciling Items (a)	Operating Income (b)	East	West	Reconciling Items (a)	Operating Income (b)
Operating Revenues								
Wholesale energy	\$ 1,347	\$ 20	\$ (172)(c)	\$ 1,195	\$ (72)	\$	\$ (834)(c)	\$ (906)
Wholesale energy to affiliate	14			14	48			48
Retail energy	584		(30)(c)	554	653		(23)(c)	630
Energy-related businesses			248	248			280	280
Total Operating Revenues	1,945	20	46	2,011	629		(577)	52
Operating Expenses								
Fuel	551	6	(6)(c)	551	747		(6)(c)	741
Energy purchases	533	8	(251)(c)	290	(973)		(628)(c)	(1,601)
	7		524	531	13		501	514

Other operation and
maintenance

Depreciation			164	164		151	151
Taxes, other than income	22		8	30	23	8	31
Energy-related businesses	4		229	233	4	275	279
Total Operating Expenses	1,117	14	668	1,799	(186)	301	115
Total (d)	\$ 828	\$ 6	\$ (622)	\$ 212	\$ 815	\$ (878)	\$ (63)

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

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- (c) Includes unrealized gains (losses) on energy-related economic activity, which is subject to fluctuations in value due to market price volatility. See *Commodity Price Risk (Non-trading) Economic Activity* within Note 13 to the unaudited condensed consolidated financial statements of Talen Energy. Also includes unrealized gains (losses) on trading activity of \$(33) million for the six months ended June 30, 2015 and \$55 million for the same period in 2014. Amounts have been adjusted for option premiums of \$9 million for the six months ended June 30, 2015 and insignificant amounts for the same period in 2014.
- (d) See below for information on margins related to the Sapphire portfolio, the revenues and expenses of which, are classified as discontinued operations. See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy for more information.

Changes in Margins

The following table shows Margins by segment, for the six months ended June 30 as well as the change between periods. Margins do not include operations related to those assets classified as discontinued operations. The factors that gave rise to the changes are described following the table.

	Six Months		
	2015	2014	Change
East (a)	\$ 828	\$ 815	\$ 13
West	6		6
Total	\$ 834	\$ 815	\$ 19

- (a) Excludes Sapphire margins of \$5 million for the six months ended June 30, 2015, which are classified as discontinued operations. See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy for more information.

East Segment

Changes in East segment margins are partially due to the RJS acquisition effective June 1, 2015. The Raven portfolio and Sapphire's heat rate call options are included in the East segment.

The increase in East segment margins for the six months ended June 30, 2015 compared with 2014 is primarily due to asset portfolio optimization of \$68 million, improved Spark Spreads of \$40 million, higher nuclear generation volume of \$39 million and the RJS acquisition of \$22 million, partially offset by lower capacity prices of \$106 million, unusual market and weather volatility in 2014 as discussed below of \$38 million and lower coal/hydro generation volume of \$15 million.

During the first quarter of 2014, the PJM region experienced unusually cold weather conditions, higher demand and congestion patterns, causing rising natural gas and electricity prices in spot and near-term forward markets. Due to these market dynamics, Talen Energy captured opportunities on unhedged generation, which were offset primarily by losses incurred by under-hedged full-requirement sales contracts and retail electric portfolios, which were not fully hedged or able to be fully hedged given the extreme load conditions and lack of market liquidity.

West Segment

The increase in West segment margins for the six months ended June 30, 2015 compared with 2014 is due to the RJS acquisition effective June 1, 2015. The West segment includes the Jade portfolio.

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EBITDA and Adjusted EBITDA

In addition to operating income, Talen Energy utilizes EBITDA and Adjusted EBITDA, non-GAAP financial measures as indicators of performance for its business, with Adjusted EBITDA as the primary financial performance measure used by management to evaluate its business and monitor results of operations.

EBITDA represents net income (loss) before interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA further adjusted for certain non-cash and other items that management believes are not indicative of ongoing operations including unrealized gains and losses on derivative contracts, stock-based compensation expense, asset retirement obligation accretion, gains and losses on securities in the NDT funds, gains or losses on sales, dispositions or retirements of assets and transition, transaction and restructuring costs.

EBITDA and Adjusted EBITDA are not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performance and are not necessarily comparable to similarly-titled measures reported by other companies. Management cautions investors that amounts presented in accordance with Talen Energy's definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. Talen Energy believes EBITDA and Adjusted EBITDA are useful to investors and other users of these financial statements in evaluating Talen Energy's operating performance because they provide additional tools to compare business performance across companies and across periods. Talen Energy believes that EBITDA is widely used by investors to measure a company's operating performance without regard to such items as interest expense, income taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. Additionally, Talen Energy believes that investors commonly adjust EBITDA information to eliminate the effect of restructuring and other expenses, which vary widely from company to company and impair comparability. Talen Energy adjusts for these and other items, as management believes that these items would distort their ability to efficiently view and assess the company's core operating trends. In summary, management uses EBITDA and Adjusted EBITDA as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as measures for planning and forecasting overall expectations and for evaluating actual results against such expectations, as measures of certain corporate financial goals used to determine variable compensation and in communications with the Talen Energy Corporation Board of Directors, senior management, shareholders, creditors, analysts and investors concerning Talen Energy's financial performance.

Table of Contents**Reconciliations of EBITDA and Adjusted EBITDA**

The tables below provide reconciliations of EBITDA and Adjusted EBITDA to operating income on a segment basis and to net income (loss) on a consolidated basis for the periods ended June 30.

	Six Months Ended June 30, 2015			
	East	West	Other	Total
Net income (loss)				\$ 122
(Income) loss from discontinued operations (net of tax)				(1)
Interest expense				91
Income taxes				10
Other (income) expense net				(10)
Operating income (loss)	\$ 362	\$ (6)	\$ (144)	\$ 212
Depreciation	160	3	1	164
Other income (expense) net	11		(1)	10
Sapphire EBITDA (a)	1			1
EBITDA	\$ 534	\$ (3)	\$ (144)	\$ 387
Unrealized (gain) loss on derivative contracts (b)	(58)	5		(53)
Stock-based compensation expense (c)			40	40
(Gain) loss from NDT funds	(10)			(10)
ARO accretion	17			17
TSA costs			5	5
Separation benefits			2	2
Corette closure costs (e)	4			4
Terminated derivative contracts (f)	(13)			(13)
Revenue adjustment (g)	7			7
RJS acquisition transaction costs			5	5
Restructuring costs (h)			10	10
Other (i)	7			7
Adjusted EBITDA	\$ 488	\$ 2	\$ (82)	\$ 408

	Six Months Ended June 30,			
	2014			
	East	West	Other	Total
Net income (loss)				\$ (53)
(Income) loss from discontinued operations (net of tax)				(3)
Interest expense				64
Income taxes				(58)
Other (income) expense net				(13)
Operating income (loss)	\$ 65	\$	\$ (128)	\$ (63)

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Other income (expense) net	11		2	13
Depreciation	151			151
EBITDA	\$ 227	\$	\$ (126)	\$ 101
Unrealized (gain) loss on derivative contracts (b)	218			218
Stock-based compensation expense (c)			12	12
(Gain) loss from NDT funds	(11)			(11)
ARO accretion	15			15
Separation benefits (d)			22	22
Other (i)	4			4
Adjusted EBITDA	\$ 453	\$	\$ (92)	\$ 361

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- (a) Sapphire has been classified as discontinued operations since its June 1, 2015 acquisition. See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy for additional information.
- (b) Represents unrealized gains (losses) on derivatives. See Commodity Price Risk (Non-trading) Economic Activity and Commodity Price Risk (Trading) in Note 13 to the unaudited condensed consolidated financial statements of Talen Energy for additional information on derivatives. Amounts have been adjusted for option premiums of \$9 million for the six months ended June 30, 2015 and insignificant amounts for the same period in 2014.
- (c) For periods prior to June 2015, represents the portion of PPL's stock-based compensation cost allocable to Talen Energy. Amounts for the 2014 period were cash settled with a former affiliate.
- (d) In June 2014, Talen Energy's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, estimated bargaining unit one-time voluntary retirement benefits were recorded.
- (e) Operations were suspended and the Corette plant was retired in March 2015.
- (f) Represents net realized gains on certain derivative contracts that were early-terminated due to the spinoff transaction.
- (g) Relates to a prior period revenue adjustment for the receipt of revenue under a transmission operating agreement with Talen Energy Supply's former affiliate, PPL Electric. See Note 1 to the unaudited condensed consolidated financial statements of Talen Energy for additional information.
- (h) Costs related to the spinoff transaction, including FERC-required mitigation plan expenses and legal and professional fees.
- (i) All periods include OCI amortization on non-active derivative positions and the 2015 periods include an asset write-off.

Changes in Adjusted EBITDA

The following table shows Adjusted EBITDA by segment for the six months ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Six Months		Change
	2015	2014	
East	\$ 488	\$ 453	\$ 35
West	2		2
Other	(82)	(92)	10
Total	\$ 408	\$ 361	\$ 47

The increase for the six month period for the East segment was primarily due to higher margins driven by the addition of the Raven margins, asset portfolio optimization, higher nuclear generation volume and improved Spark Spreads, partially offset by lower capacity prices and the net benefits of unusual market and weather volatility in the first quarter of 2014. See Margins and Statement of Income Analysis above for a more detailed analysis.

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Year ended December 31, 2014 compared to year ended December 31, 2013 and year ended December 31, 2013 compared to year ended December 31, 2012.

The discussion within Statement of Income Analysis addresses significant changes in principal line items on the Statement of Income for the audited consolidated financial statements of Talen Energy Supply comparing year-to-year changes on a GAAP basis. The Margins discussion includes a reconciliation of a non-GAAP financial measure to operating income. The EBITDA and Adjusted EBITDA discussion, presented by segment, includes a reconciliation of the non-GAAP financial measures to operating income and consolidated net income.

Statement of Income Analysis, Margins, EBITDA and Adjusted EBITDA

Statement of Income Analysis

				Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Unregulated wholesale energy (a)	\$ 1,808	\$ 2,909	\$ 3,976	\$ (1,101)	\$ (1,067)
Unregulated wholesale energy to affiliate	84	51	78	33	(27)
Unregulated retail energy (a)	1,243	1,027	844	216	183
Energy-related businesses	601	527	448	74	79
Total operating revenues	3,736	4,514	5,346	(778)	(832)
Fuel (a)	1,196	1,049	965	147	84
Energy Purchases (a)	209	1,171	1,821	(962)	(650)
Other operation and maintenance	1,007	1,026	997	(19)	29
Loss on lease termination (b)		697		(697)	697
Depreciation	297	299	272	(2)	27
Taxes, other than income	57	53	55	4	(2)
Energy-related businesses	573	512	432	61	80
Total operating expenses	3,339	4,807	4,542	(1,468)	265
Operating Income (Loss)	397	(293)	804	690	(1,097)
Other Income (Expense) net	30	32	19	(2)	13
Interest Expense	124	159	158	(35)	1
Income Taxes	116	(159)	236	275	(395)
Income (Loss) from Discontinued Operations (b)	223	32	46	191	(14)
Net Income	410	(229)	475	639	(704)
Net Income Attributable to Noncontrolling Interests		1	1	(1)	
Net Income Attributable to Talen Energy	\$ 410	\$ (230)	\$ 474	\$ 640	\$ (704)

- (a) Includes the impact from energy-related economic activity. See **Commodity Price Risk (Non-trading) Economic Activity** in Note 13 to the audited consolidated financial statements of Talen Energy Supply for additional information.
- (b) See Note 4 to the audited consolidated financial statements of Talen Energy Supply for additional information. See below for a discussion of the components of the changes to Net Income (Loss) for the periods. The changes in Net Income (Loss) and Operating Income (Loss) from period to period were, in part, attributable to several items that management believes are not indicative of ongoing operations. See the **EBITDA and Adjusted EBITDA** discussion below for information on these items.

Table of Contents**Certain Operating Revenues and Expenses Included in Margins**

The following Statement of Income line items to the unaudited condensed consolidated financial statements of Talen Energy are included below within Margins and are not discussed separately.

	2014 vs. 2013	2013 vs. 2012
Unregulated wholesale energy	\$ (1,101)	\$ (1,067)
Unregulated wholesale energy to affiliate	33	(27)
Unregulated retail energy	216	183
Fuel	147	84
Energy purchases	(962)	(650)

Energy-Related Businesses

Net contributions from energy-related businesses increased by \$13 million in 2014 compared with 2013. During 2014, Talen Energy recorded a \$17 million increase to Energy-related businesses revenues on the Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2014 vs. 2013	2013 vs. 2012
Fossil and hydroelectric plants (a)	\$ (78)	\$ 41
Susquehanna Nuclear (b)	28	(3)
Talen Energy Marketing (c)	1	(18)
Bargaining unit one-time voluntary retirement benefits (d)	17	
Separation benefits related to spinoff of Talen Energy Supply (e)	16	
Other	(3)	9
Total	\$ (19)	\$ 29

- (a) The decrease in 2014 compared with 2013 was primarily due to a \$65 million impairment charge in 2013 related to the Corette plant and the elimination of \$20 million of rent expense associated with the Colstrip lease which was terminated in December 2013. The increase in 2013 compared with 2012 was primarily due to the \$65 million impairment charge in 2013 related to the Corette plant, partially offset by lower fossil and hydroelectric expenses of \$24 million, largely driven by lower outage expenses in 2013. See Note 12 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information on the Corette plant impairment.

- (b) The increase in 2014 compared with 2013 was primarily due to project expenses, including refueling outage expenses.
- (c) The decrease in 2013 compared with 2012 was primarily due to SMGT filing under Chapter 11 of the U.S. Bankruptcy Code. \$11 million of receivables billed to SMGT were fully reserved in 2012.
- (d) See Note 9 to the audited condensed consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for more information.
- (e) See Note 4 to the audited condensed consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for more information.

Loss on Lease Termination

A \$697 million charge was recorded in 2013 for the termination of the Colstrip operating lease to facilitate the sale of the Montana hydroelectric generating facilities. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

Table of Contents**Depreciation**

Depreciation decreased by \$2 million in 2014 compared with 2013, primarily due to decreases of \$15 million from the impairment recorded at Talen Montana for the Corette plant and the write-down of assets in conjunction with the termination of the operating lease at the Colstrip facility, both of which occurred in 2013. These decreases were partially offset by increases of \$13 million from PP&E additions in part due to the completed Holtwood project in 2013. See Notes 4 and 12 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for information on the Colstrip operating lease termination and the Corette impairment, respectively.

Depreciation increased by \$27 million in 2013 compared with 2012, primarily due to net PP&E additions.

Taxes, Other Than Income

Taxes, other than income increased by \$4 million in 2014 compared with 2013 due to an \$8 million increase in state gross receipts tax offset by a \$4 million decrease in state capital stock tax.

Other Income (Expense) net

Other income (expense) net decreased by \$2 million in 2014 compared with 2013 and increased by \$13 million in 2013 compared with 2012. The decrease in 2014 compared with 2013 resulted from 2013 including a gain of \$8 million related to adjustments to liabilities for a former mining subsidiary of Talen Energy partially offset by a \$5 million increase in 2014 in net earnings on NDT funds. The increase in 2013 compared with 2012 primarily related to the former mining subsidiary's gains discussed above.

Interest Expense

The increase (decrease) in interest expense was due to:

	2014 vs. 2013	2013 vs. 2012
Long-term debt interest expense (a)	\$ (50)	\$ 1
Short-term debt interest expense	7	(2)
Capitalized interest (b)	14	2
Net amortization of debt discounts, premiums and issuance costs	(4)	(1)
Other	(2)	1
Total	\$ (35)	\$ 1

(a) The decrease in 2014 compared with 2013 was primarily due to the repayment of debt in July and December 2013.

(b) The increase in 2014 compared with 2013 was primarily due to the Holtwood hydroelectric expansion project placed in service in November 2013.

Income Taxes

The increase (decrease) in income taxes was due to:

	2014 vs. 2013	2013 vs. 2012
Change in pre-tax income at current period tax rates	\$ 298	\$ (439)
State deferred tax rate change (a)	(16)	34
Federal income tax credits (b)	8	3
Federal and state tax reserve adjustments (c)	(6)	8
Other	(9)	(1)
Total	\$ 275	\$ (395)

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- (a) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2014 and 2012 and an increase to the future estimated state tax rate at December 2013. Talen Energy recorded an insignificant deferred tax benefit in 2014, a \$15 million deferred tax expense in 2013, and a \$19 million deferred tax benefit in 2012 related to its state deferred tax liabilities.
- (b) During 2013 and 2012, Talen Energy recorded deferred tax benefits related to investment tax credits on progress expenditures related to the Holtwood hydroelectric plant expansion. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (c) During 2013, Talen Energy reversed \$3 million in tax benefits related to a 2008 change in method of accounting for certain expenditures for tax purposes and recorded \$4 million in federal tax expense related to differences in over (under) payment interest rates applied to audit claims as a result of the U.S. Supreme Court decision related to Windfall Profits Tax.

See Note 2 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information on income taxes.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) primarily includes the results of operations of the Montana hydroelectric generating facilities for all periods presented. See **Discontinued Operations Montana Hydro Sale** in Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information. Income (Loss) from Discontinued Operations (net of income taxes) increased by \$191 million in 2014 compared with 2013 primarily due to the gain on the sale of the Montana hydroelectric generating facilities, and decreased by \$14 million in 2013 compared with 2012 primarily due to lower energy margins due to lower energy prices.

Margins

Margins is a non-GAAP financial performance measure that management utilizes as indicators of financial performance of its business. See **Results of Operations Six months ended June 30, 2015 compared to six months ended June 30, 2014 Earnings, EBITDA, Adjusted EBITDA, Margins and Statements of Income Analysis Margins** above for information on why management believes this measurement is useful.

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The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to Operating Income for the years ended December 31.

	2014			2013		
	Margins	Reconciling Items (a)	Operating Income (b)	Margins	Reconciling Items (a)	Operating Income (b)
Operating Revenues						
Unregulated wholesale energy	\$ 1,474	\$ 334(c)	\$ 1,808	\$ 3,642	\$ (733)(c)	\$ 2,909
Unregulated wholesale energy to affiliate	84		84	51		51
Unregulated retail energy (d)	1,216	27(c)	1,243	1,015	12(c)	1,027
Energy-related businesses		601	601		527	527
Total Operating Revenues	2,774	962	3,736	4,708	(194)	4,514
Operating Expenses						
Fuel	1,169	27(e)	1,196	1,045	4(e)	1,049
Energy purchases	(121)	330(c)	209	1,745	(574)(c)	1,171
Other operation and maintenance	22	985	1,007	20	1,006	1,026
Loss on lease termination (Note 4)					697	697
Depreciation		297	297		299	299
Taxes, other than income	43	14	57	37	16	53
Energy-related businesses	8	565	573	7	505	512
Total Operating Expenses	1,121	2,218	3,339	2,854	1,953	4,807
Total	\$ 1,653	\$ (1,256)	\$ 397	\$ 1,854	\$ (2,147)	\$ (293)

	2012		
	Margins	Reconciling Items (a)	Operating Income (b)
Operating Revenues			
Unregulated wholesale energy	\$ 4,250	\$ (274)(c)	\$ 3,976
Unregulated wholesale energy to affiliate	78		78
Unregulated retail energy (d)	861	(17)(c)	844
Energy-related businesses		448	448
Total Operating Revenues	5,189	157	5,346
Operating Expenses			
Fuel	931	34(e)	965
Energy purchases	2,204	(386)(c)	1,818
Energy purchases from affiliate	3		3
Other operation and maintenance	19	978	997

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Depreciation		272	272
Taxes, other than income	34	21	55
Energy-related businesses		432	432
Total Operating Expenses	3,191	1,351	4,542
Total	\$ 1,998	\$ (1,194)	\$ 804

- (a) Represents amounts excluded from Margins.
- (b) As reported on the Statements of Income.
- (c) Includes unrealized gains (losses) on energy-related economic activity, which is subject to fluctuations in value due to market price volatility. See Commodity Price Risk (Non-trading) Economic Activity within Note 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus. Also includes unrealized gains (losses) on trading activity of \$27 million, \$(6) million and \$27

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million for 2014, 2013 and 2012. For 2012, Unregulated wholesale energy and Energy purchases include a net pre-tax loss of \$35 million related to the monetization of certain full-requirement sales contracts. Amounts have been adjusted for option premiums of \$10 million in 2014 and insignificant amounts for 2013 and 2012.

- (d) Although retail energy revenues continue to grow, the net margins related to these activities are not currently a significant component of Margins.
- (e) Includes economic activity related to fuel as described in Commodity Price Risk (Non-trading) Economic Activity within Note 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus. 2012 includes a net pre-tax loss of \$29 million related to coal contract modification payments.

Changes in Margins

The following table shows Margins, all within the East segment, by component for the year ended December 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	2014	2013	2012	\$ Change	
				2014 vs. 2013	2013 vs. 2012
Eastern U.S.	\$ 1,575	\$ 1,775	\$ 1,851	\$ (200)	\$ (76)
Montana	78	79	147	(1)	(68)
Total	\$ 1,653	\$ 1,854	\$ 1,998	\$ (201)	\$ (144)

Eastern U.S.

Eastern U.S. margins decreased in 2014 compared with 2013 primarily due to lower baseload energy prices of \$354 million and lower capacity prices of \$34 million, partially offset by net gains on commodity positions of \$75 million, favorable asset performance of \$70 million, \$38 million related to weather as discussed below and gas optimization of \$26 million.

During the first quarter of 2014, the PJM region experienced unusually cold weather conditions, higher demand and congestion patterns, causing rising natural gas and electricity prices in spot and near-term forward markets. Due to these market dynamics, Talen Energy Supply captured opportunities on unhedged generation, which were primarily offset by under-hedged full-requirement sales contracts and retail electric.

Eastern U.S. margins decreased in 2013 compared with 2012 primarily due to \$435 million of lower baseload energy prices, partially offset by \$198 million of higher capacity prices and \$100 million of increased nuclear generation volume.

Montana

Montana margins decreased in 2013 compared with 2012 primarily due to \$69 million of lower wholesale energy prices and \$15 million of lower net economic availability of coal units.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that management utilizes as indicators of financial performance of its business. See Results of Operations Six months ended June 30, 2015 compared to six months ended June 30, 2014 Earnings, EBITDA, Adjusted EBITDA, Margins and Statements of

Income Analysis EBITDA and Adjusted EBITDA above for information on why management believes this measure is useful.

The EBITDA and Adjusted EBITDA discussion, presented by segment, includes a reconciliation of the non-GAAP financial measures to operating income and consolidated net income.

Table of Contents**Reconciliations of EBITDA and Adjusted EBITDA**

The tables below provide reconciliations of EBITDA and Adjusted EBITDA to operating income on a segment basis and to net income (loss) on a consolidated basis for the years ended December 31.

	East	2014 Other	Total
Net income (loss)			\$ 410
(Income) loss from discontinued operations (net of tax)			(223)
Interest expense			124
Income taxes			116
Other (income) expense net			(30)
Operating income (loss)	\$ 629	\$ (232)	\$ 397
Depreciation	297		297
Other income (expense) net	29	1	30
EBITDA	\$ 955	\$ (231)	\$ 724
Special Items:			
Unrealized (gain) loss on derivative contracts (a)	(17)		(17)
Stock-based compensation expense (b)		18	18
(Gain) loss from NDT fund	(26)		(26)
ARO accretion	32		32
Separation benefits (c)		33	33
Mechanical contracting and engineering subsidiary revenue adjustments (d)	(17)		(17)
Other (e)	12		12
Adjusted EBITDA	\$ 939	\$ (180)	\$ 759

	East	2013 Other	Total
Net income (loss)			\$ (230)
(Income) loss from discontinued operations (net of tax)			(32)
(Income) Loss Attributable to Noncontrolling Interests			(1)
Interest expense			159
Income taxes			(159)
Other (income) expense net			(32)
Operating income (loss)	\$ (100)	\$ (195)	\$ (295)
Other income (expense) net	30	2	32
Income (Loss) Attributable to Noncontrolling Interests	1		1
Depreciation	299		299

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EBITDA	\$ 230	\$ (193)	\$ 37
Special Items:			
Unrealized (gain) loss on derivative contracts (a)	136		136
Stock-based compensation expense (b)		16	16
(Gain) loss from NDT fund	(22)		(22)
ARO accretion	29		29
Loss on of Colstrip operating lease termination (f)	697		697
Corette impairment (g)	65		65
Counterparty bankruptcy (h)	(2)		(2)
Other (e)	13		13
Adjusted EBITDA	\$ 1,146	\$ (177)	\$ 969

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	East	2012 Other	Total
Net Income (Loss)			\$ 474
(Income) loss from Discontinued Operations (net of tax)			(46)
(Income) Loss Attributable to Noncontrolling Interests			(1)
Interest expense			158
Income taxes			236
Other (income) expense net			(19)
Operating income (loss)	\$ 991	\$ (189)	\$ 802
Depreciation	272		272
Income (Loss) Attributable to Noncontrolling Interests	1		1
Other income (expense) net	17	2	19
EBITDA	\$ 1,281	\$ (187)	\$ 1,094
Special Items:			
Unrealized (gain) loss on derivative contracts (a)	(91)		(91)
Stock-based compensation expense (b)		14	14
(Gain) loss from NDT fund	(21)		(21)
ARO accretion	28		28
Counter party bankruptcy (h)	11		11
Coal contract modification payments (i)	29		29
Other (e)	9		9
Adjusted EBITDA	\$ 1,246	\$ (173)	\$ 1,073

- (a) Represents unrealized gains (losses), after-tax, on economic and trading activity. See Commodity Price Risk (Non-trading) Economic Activity in Note 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information. Also includes unrealized gains (losses) on trading activity of \$27 million, \$(6) million and \$27 million for 2014, 2013 and 2012. Amounts have also been adjusted for \$10 million in 2014 and insignificant amounts in 2013 and 2012 for option premiums.
- (b) Represents a certain portion of PPL's stock-based compensation cost allocable to Talen Energy. Amounts for the 2014-2012 were cash settled with a former affiliate.
- (c) Talen Energy recorded during 2014, separation benefits related to the anticipated spinoff transaction. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- In addition, in June 2014, Talen Energy's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded. See Note 9 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (d) In 2014, Talen Energy recorded \$17 million to Energy-related businesses' revenues on the 2014 Statement of Income related to prior periods and the timing of revenue recognition for a mechanical contracting and engineering subsidiary. See Note 1 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (e) All periods include OCI amortization on non-active derivative positions.

- (f) In September 2013, Talen Montana executed a definitive agreement to sell to NorthWestern certain hydroelectric generating facilities located in Montana. To facilitate the sale, Talen Montana terminated its operating lease arrangement related to partial interests in Units 1, 2 and 3 of the Colstrip coal-fired electric generating facility in December 2013 and acquired those interests, collectively, for \$271 million. At lease termination, the existing lease-related assets on the balance sheet were written-off and the acquired Colstrip assets were recorded at fair value as of the acquisition date. Talen Energy recorded a pre-tax charge of \$697

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million for the termination of the lease. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

- (g) In 2013, Talen Energy determined its Corette plant was impaired and recorded a pre-tax charge of \$65 million for the plant and related emission allowances. See Note 12 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (h) In October 2011, a wholesale customer, SMGT, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. In 2012, Talen Energy Marketing recorded an additional allowance for unpaid amounts under the long-term power contract. In March 2012, the U.S. Bankruptcy Court for the District of Montana approved the request to terminate the contract, effective April 1, 2012. In June 2013, Talen Energy Marketing received an approval for an administrative claim in the amount of \$2 million
- (i) As a result of lower electricity and natural gas prices, coal-fired generation output decreased during 2012. Contract modification payments were incurred to reduce 2012 and 2013 coal deliveries.

Changes in Adjusted EBITDA

The following table shows Adjusted EBITDA by segment for the years ended December 31 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	2014	2013	Change	2013	2012	Change
East	\$ 939	\$ 1,146	\$ (207)	\$ 1,146	\$ 1,246	\$ (100)
Other	(180)	(177)	(3)	(177)	(173)	(4)
Total	\$ 759	\$ 969	\$ (210)	\$ 969	\$ 1,073	\$ (104)

The decrease in Adjusted EBITDA in 2014 compared with 2013 was primarily due to lower margins resulting from lower energy and capacity prices, partially offset by favorable baseload asset performance, gains on certain commodity positions and net benefits of unusually cold weather in the first quarter of 2014.

The decrease in Adjusted EBITDA in 2013 compared with 2012 was primarily due to lower baseload energy prices, partially offset by higher capacity prices, higher nuclear generation volume and lower operation and maintenance expense.

Financial Condition**Liquidity and Capital Resources**

Talen Energy's cash flows from operations and access to cost-effective credit and capital markets financing sources are subject to risks and uncertainties. See Risk Factors for a discussion of risks and uncertainties that could affect Talen Energy's cash flows.

Talen Energy expects to have adequate liquidity available through operating cash flows, cash and cash equivalents and credit facilities (including the Revolving Facility). Additionally, subject to market conditions, Talen Energy or its subsidiaries may borrow in the credit or capital markets.

Talen Energy expects that cash provided by operating activities and available capacity under the Revolving Facility and Secured Trading Facility will provide sufficient funds to operate the company's business and meet the company's other liquidity needs for the next twelve months.

Talen Energy had the following at:

	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Cash and cash equivalents	\$ 352	\$ 352	\$ 239	\$ 413
Short-term debt		\$ 630		356

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Net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, and the changes between periods were as follows.

	2015	2014	Change Cash Provided
Operating activities	\$ 355	\$ 290	\$ 65
Investing activities	(127)	(403)	276
Financing activities	(228)	138	(366)

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows.

	2014	2013	2012	2014 vs. 2013 Change	2013 vs. 2012 Change
Operating activities	\$ 462	\$ 410	\$ 784	\$ 52	\$ (374)
Investing activities	497	(631)	(469)	1,128	(162)
Financing activities	(846)	47	(281)	(893)	328
<u>Operating Activities</u>					

A significant portion of Talen Energy's operating cash flows is derived from its competitive baseload generation activities. Talen Energy employs a formal hedging program for its baseload generation fleet, the objective of which is to provide a reasonable level of near-term cash flow and earnings certainty while preserving upside potential over the medium term to benefit from power price increases. See Note 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for further discussion. Despite Talen Energy's hedging practices, future cash flows from operating activities are influenced by energy and capacity prices and, therefore, will fluctuate from period to period.

Talen Energy's contracts for the sale and purchase of electricity and fuel often require cash collateral or cash equivalents (e.g. letters of credit), or reductions or terminations of a portion of the entire contract through cash settlement, in the event of a downgrade of Talen Energy's or its subsidiaries' credit ratings or adverse changes in market prices. For example, in addition to limiting its trading ability, if Talen Energy's or its subsidiaries' ratings were further downgraded and there was a 10% adverse movement in energy prices, Talen Energy estimates that, based on its December 31, 2014 positions, it would have been required to post additional collateral of approximately \$321 million with respect to electricity and fuel contracts. Talen Energy had adequate liquidity sources at December 31, 2014 had it been required to post this additional collateral. Talen Energy also has in place risk management programs that are designed to monitor and manage exposure to volatility of cash flows related to changes in energy and fuel prices, interest rates, counterparty credit quality and the operating performance of generating units. During the second quarter of 2014, Talen Energy Supply's corporate credit rating was lowered to below investment grade. See Forecasted Sources of Cash Credit Facilities below for additional information.

The components of the change in cash provided by (used in) operating activities were as follows:

2014 vs. 2013 **2013 vs. 2012**

**Six months ended
June 30,
2015 vs.
six months
ended
June 30,
2014**

Change Cash Provided (Used)			
Net income	\$ 175	\$ 639	\$ (704)
Non-cash components	(173)	(656)	313
Working capital	113	(46)	65
Defined benefit plan funding	(42)	78	(38)
Other operating activities	(8)	37	(10)
Total	\$ 65	\$ 52	\$ (374)

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Talen Energy had a \$65 million increase in cash provided by operating activities for the six month period ended June 30, 2015 compared to the same period in 2014.

Net income improved by \$175 million between the periods; however, it was primarily offset by \$173 million of non-cash components. The non-cash components consisted primarily of an increase in unrealized gains on hedging and other hedging activities of \$272 million, partially offset by an increase in deferred tax expense of \$74 million. The decrease in cash from operating activities from changes in working capital was partially due to a decrease in accounts receivable, fuel, materials and supplies, prepayments and increases in counterparty collateral (due in part to market price movement) and in net cash received on power options, partially offset by decreases in accounts payable (including PPL accounts payable). The decrease to accounts payable was related to the change in market prices of gas and the settlement of the PPL affiliated accounts payable in advance of the June 1, 2015 spinoff. The decrease in prepayments was primarily due to the receipt of a tax refund in 2015.

Talen Energy had a \$52 million increase in cash provided by operating activities in 2014 compared with 2013.

Net income improved by \$639 million between the periods; however, this included an additional \$656 million of net non-cash benefits, including a \$315 million pre-tax gain in 2014 on the sale of the Montana hydroelectric generation facilities, a \$426 million charge in 2013 to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests, and \$167 million of lower unrealized losses on hedging activities. These non-cash benefits were partially offset by a \$270 million decrease in deferred income tax benefits. The net \$17 million decline from net income and non-cash adjustments in 2014 compared with 2013 reflects lower unregulated gross energy margins, higher operation and maintenance expenses and other factors. Cash provided by operating activities in 2014 included a \$176 million payment to PPL in November 2014 to satisfy the tax liability related to the gain on the sale of the Talen Montana hydroelectric facilities. Cash provided by operating activities in 2013 included a \$271 million payment in December in connection with terminating the operating lease arrangement for interests in the Montana Colstrip facility and acquiring the previously leased interests.

Pension funding was \$78 million lower in 2014.

Talen Energy had a \$374 million decrease in cash from operating activities in 2013 compared with 2012. Net income declined by \$704 million between the periods, but included net non-cash charges of \$313 million. These net non-cash charges included a charge of \$426 million in 2013 to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests associated with the lease termination, \$212 million of higher unrealized losses on hedging activities, and a \$65 million charge in 2013 for the impairment of the Corette facility. These non-cash charges were partially offset by a \$448 million decline in deferred income taxes. The net \$391 million decline from net income and non-cash adjustments in 2013 compared with 2012 was primarily due to a \$271 million payment in December 2013, also in connection with terminating the operating lease arrangement for interests in the Montana Colstrip facility and acquiring the previously leased interests. The decrease in cash between the periods also reflects lower unregulated gross energy margins in 2013 compared with 2012.

Table of Contents**Investing Activities**

The components of the change in cash provided by (used in) investing activities were as follows.

	Six months ended June 30, 2015 vs. six months ended June 30,		
	2014	2014 vs. 2013	2013 vs. 2012
Expenditures for PP&E	\$ (3)	\$ 167	\$ 65
Acquisitions & divestitures, net		900	84
Expenditures for intangible assets	5		
Proceeds from the receipt of grants	(56)		
Notes receivable with affiliates activity, net			(198)
Restricted cash and cash equivalent activity	325	(86)	(126)
Purchase and sale of investments, net		(1)	
Other investing activities	5	148	13
Total	\$ 276	\$ 1,128	\$ (162)

Other Significant Changes in Components of Investing Activities for the Six-Month Periods

The \$276 million reduction in cash used in investing activities for the six months ended June 30, 2015 compared with 2014 primarily reflects activity that occurred in 2014 that did not occur in 2015. In 2014, Talen Energy experienced an increase of \$258 million in restricted cash related to collateral requirements to support its commodity hedging program, primarily due to higher 2014 forward energy commodity prices. This was partially offset by the receipt of \$56 million related to a U.S. Department of the Treasury grant for the Rainbow Dam capital project.

In 2014 compared with 2013, the decrease in Expenditures for PP&E was partially due to expenditures made in 2013 for the Holtwood hydroelectric expansion project. Acquisitions & divestitures, net reflects the 2014 sale of Talen Montana's hydroelectric generation facilities. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information. The change in Other investing activities was the result of investing inflow of \$164 million, in 2014, from U.S. Department of Treasury grants for the Rainbow and Holtwood hydroelectric expansion projects.

In 2013 compared with 2012, the change in Acquisitions & divestitures, net related to the disbursement in 2012 for the Ironwood Acquisition. The change in Notes receivable with affiliates, net resulted from repayments received in 2012. The change in Restricted cash and cash equivalent activity was primarily related to margin deposit returns in 2012.

Financing Activities

The components of the change in cash provided by (used in) financing activities were as follows.

	Six months ended		
	June 30,		
	2015 vs.		
	six months		
	ended		
	June 30,		
	2014	2014 vs. 2013	2013 vs. 2012
Debt issuance/retirement, net	\$ 600	\$ 438	\$ (738)
Capital contributions/distributions, net	51	(2,336)	1,393
Changes in net short-term debt	(992)	986	(312)
Other financing activities	(25)	19	(15)
Total	\$ (366)	\$ (893)	\$ 328

In 2015, Talen Energy required \$366 million less in financing sources for the six months ended June 30, 2015 compared with 2014. In 2015, \$591 million of proceeds from the issuance of \$600 million of long-term

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debt was used to repay all then-outstanding short-term borrowings. The remaining decline in cash provided by financing activities related to the cash inflow in 2014 from short-term debt borrowings of \$324 million, which was needed at that time due to increased collateral requirements to support its commodity hedging program.

Changes in short-term debt in 2015 include a \$38 million repayment made as part of the RJS Power acquisition for the outstanding borrowings under the then-outstanding RJS Power Holdings LLC credit facility. The facility was terminated in connection with the acquisition. See Note 6 to the unaudited condensed consolidated financial statements of Talen Energy for information on 2015 short and long-term debt activity.

In 2014, financing activities included distributions of \$836 million to PPL of the proceeds from the Talen Montana hydroelectric generation facilities sale, net of a tax liability payment discussed in *Operating Activities* above, and proceeds from the U.S. Department of Treasury Holtwood tax grant. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for information on these transactions. Both receipts are included within *Investing Activities* above.

In 2013, financing activities included net capital contributions of \$1.1 billion from PPL to Talen Energy to fund the debt maturities discussed below, to repay short-term debt and to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests. Debt repayments included the \$300 million debt maturity and the \$437 million repayment of outstanding debt related to the acquisition of the previously leased Lower Mt. Bethel facility.

See *Long-term Debt* below for additional information on current year activity. See *Forecasted Sources of Cash* for a discussion of Talen Energy's plans to issue debt securities, as well as a discussion of credit facility capacity available to Talen Energy. See *Forecasted Uses of Cash* for a discussion of maturities of long-term debt.

Long-term Debt

In May 2015, Talen Energy Supply issued \$600 million of 6.50% of Senior Unsecured Notes due 2025. Talen Energy Supply received proceeds of \$591 million, net of underwriting fees, which were used for repayment of short-term debt. The notes may be redeemed at Talen Energy Supply's option, in whole at any time or in part from time to time, prior to June 1, 2020 at a price equal to 100% of their principal amount plus a make-whole premium and on or after June 1, 2020 at specified redemption prices. In addition, on or prior to June 1, 2018, up to 35% of the notes may be redeemed by Talen Energy Supply with proceeds from certain equity offerings at a price equal to 106.5 % of the principal amount.

On June 1, 2015, Talen Energy Supply assumed \$1.25 billion of RJS Power Holdings LLC's 5.125% Senior Notes due 2019 as a result of the merger of RJS Power Holdings LLC into Talen Energy Supply, by which Talen Energy Supply became the obligor of these notes. In connection with this event and pursuant to the terms of the indenture governing the notes, the coupon on the notes was reduced to 4.625% in July 2015.

In September 2015, Talen Energy Supply completed a remarketing of its Series 2009A, Series 2009B and Series 2009C (PPL Energy Supply, LLC Project) Exempt Facilities Revenue Refunding Bonds that were issued by the Pennsylvania Economic Development Financing Authority on behalf of Talen Energy Supply. The 2009A Bonds, with a principal amount of \$100,000,000, were remarketed at a fixed rate of 6.40% and mature in 2038. The 2009B Bonds, with a principal amount of \$50,000,000, were remarketed at a fixed rate of 5.00%, mature in 2038 and will be subject to mandatory tender in 2020. The 2009C Bonds, with a principal amount of \$80,570,000, were remarketed at a fixed rate of 5.00%, mature in 2037 and will be subject to mandatory tender in 2020. Prior to the remarketing, each series bore interest at a rate of 3.00%.

In October 2015, Talen Energy Supply s \$300 million of 5.70% REset Put Securities due 2035 (REPS) were subject to mandatory tender to the remarketing dealer. However, the remarketing dealer and Talen Energy Supply

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mutually agreed to terminate the remarketing dealer's right to remarket the REPS and, in accordance with the terms of the REPS, Talen Energy Supply repurchased the REPS at par. The total aggregate consideration paid to repurchase the REPS was \$434 million, which amount included \$300 million of principal and \$134 million of remarketing option value paid to the remarketing dealer. The termination payment to the remarketing dealer is expected to be recorded to earnings in the fourth quarter of 2015.

Long-term debt activity for 2014 included the retirement of \$309 million of debt.

See Description of Material Indebtedness and Note 3 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information about long-term debt.

Forecasted Sources of Cash

Talen Energy expects to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents and credit facilities. Additionally, subject to market conditions, Talen Energy may access the capital markets.

Credit Facilities

Talen Energy Supply maintains credit facilities to enhance liquidity and provide credit support. The amounts borrowed below are reflected in Short-term debt on the Balance Sheets. The following credit facilities were in place at:

	June 30, 2015			December 31, 2014				
	Committed Capacity	Borrowed Issued	Letters of Credit	Unused Capacity	Committed Capacity	Borrowed Issued	Letters of Credit	Unused Capacity
Credit Facilities (a)(b)	\$ 1,850	\$	\$ 309	\$ 1,541	\$ 3,150	\$ 630	\$ 259	\$ 2,261

- (a) A \$1.85 billion syndicated secured credit facility was entered into on June 1, 2015 in connection with the completion of the spinoff transaction and replaced Talen Energy Supply's previously existing \$3 billion unsecured syndicated credit facility. Talen Energy Supply is the borrower under the facility. The commitments under the Revolving Facility are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than 7% of the total committed capacity. The Revolving Facility requires Talen Energy Supply to maintain a senior secured debt to adjusted EBITDA ratio (as defined in the agreement) as of the last day of any fiscal quarter of less than or equal to 4.50 to 1.00. The \$630 million of outstanding principal amount at December 31, 2014 under the old facility was repaid prior to the termination of the old facility and outstanding letters of credit were transferred to the new facility.
- (b) The letter of credit facility that existed at December 31, 2014 expired during the first quarter of 2015. Any previously issued letters of credit under this facility were either terminated or reissued under the then outstanding unsecured syndicated credit facility and, upon closing of the spinoff, were reissued under the new syndicated secured credit facility.

See Note 6 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for further discussion of the credit facilities.

During the second quarter of 2014, Talen Energy Supply's corporate credit rating was lowered to below investment grade. As a result of the downgrade, Talen Energy Supply posted \$190 million of additional collateral to counterparties under commodity and other commercial contracts at December 31, 2014. Talen Energy Supply primarily issued letters of credit under its credit facilities to post the required collateral. Talen Energy Supply continues to have adequate access to the capital markets and adequate capacity under its credit facilities and does not expect a material change in its financing costs as a result of the downgrade.

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In addition to the financial covenant noted in the table above, the credit agreements governing the credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. Talen Energy monitors compliance with the covenants on a regular basis. At June 30, 2015, December 31, 2014 and December 31, 2013, Talen Energy Supply was in compliance with these covenants. At this time, Talen Energy believes that these covenants and other borrowing conditions will not limit access to these funding sources.

See Description of Material Indebtedness and Note 3 to the audited consolidated financial statements of Talen Energy Supply and Note 5 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for further discussion of Talen Energy Supply's credit facilities.

Commercial Paper

In August 2014, Talen Energy Supply's commercial paper program was terminated. Talen Energy Supply does not expect to issue commercial paper in the future.

Long-term Debt

Subject to market conditions, Talen Energy Supply may issue long-term debt securities in 2015 to fund its current debt maturity obligations or for general corporate purposes, if necessary.

Contributions from Member for Talen Energy Supply

From time to time prior to June 1, 2015, Talen Energy Supply's member made capital contributions to Talen Energy Supply. The proceeds from these contributions were used to fund capital expenditures and for other general corporate purposes.

Forecasted Uses of Cash

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, Talen Energy currently expects to incur future cash outflows for capital expenditures, various contractual obligations, and distributions to its member and the purchase, repayment or redemption of a portion of debt securities. Under the terms of the agreements relating to the Talen Transactions, Talen Energy Supply was generally prohibited from making distributions or other payments to PPL or any PPL affiliate that is not a subsidiary of Talen Energy Supply, with the exception of specific distributions and other payments set forth in the spinoff agreements. These exceptions were generally limited to a planned distribution from Talen Energy Supply to PPL during the first quarter of 2015 in an amount not to exceed \$191 million. The Revolving Facility contains restrictions on the ability of Talen Energy Supply to make distributions to its member, and ultimately to Talen Energy.

Table of Contents*Capital Expenditures*

The table below shows Talen Energy's current capital expenditure projections for the years 2015 through 2019.

	Total	2015	2016	Projected		
				2017	2018	2019
Sustenance	\$ 1,262	\$ 218	\$ 258	\$ 255	\$ 317	\$ 214
Nuclear fuel	566	106	85	120	126	129
Growth	136	48	85	1	1	1
Information technology	137	50	42	21	13	11
Environmental	160	41	28	39	20	32
Regulatory	91	29	25	23	12	2
Discretionary	45	6	20	7	6	6
Total (a)(b)	\$ 2,397	\$ 498	\$ 543	\$ 466	\$ 495	\$ 395

(a) Includes capitalized interest, which is expected to total approximately \$56 million.

(b) Includes \$66 million of expenditures for Sapphire.

See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy for information on the acquisition of RJS Power.

For additional information on Talen Energy's liquidity and capital resources, see *Liquidity and Capital Resources* in the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. See Note 4 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for information on significant development plans.

Contractual Obligations

Talen Energy subsidiaries have assumed various financial obligations and commitments in the ordinary course of business. At December 31, 2014, estimated contractual cash obligations were as follows.

	Total	2015	2016 - 2017	2018 - 2019	After 2019
Long-term Debt (a)	\$ 2,238	\$ 535	\$ 358	\$ 407	\$ 938
Interest on Long-term Debt (b)	799	120	164	117	398
Operating Leases (c)	39	11	21	5	2
Purchase Obligations (d)	2,400	790	813	419	378
Other Long-term Liabilities					
Reflected on the Balance Sheet under GAAP					
(e)(f)	73	73			

Total Contractual Cash Obligations	\$ 5,549	\$ 1,529	\$ 1,356	\$ 948	\$ 1,716
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- (a) Reflects principal maturities based on stated maturity or earlier put dates. See Description of Material Indebtedness Talen Energy Supply Senior Unsecured Notes REset Put Securities and Note 3 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for a discussion of the remarketing feature related to the \$300 million of REset Put Securities due 2035 and the repurchase of these securities in October 2015. See Description of Material Indebtedness Tax Exempt Bonds for a discussion of tax exempt bonds issued on behalf of Talen Energy Supply that were remarketed in September 2015. Talen Energy does not have any significant capital lease obligations.

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- (b) Assumes interest payments through stated maturity or earlier put dates. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated.
- (c) See Note 5 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.
- (d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes as applicable, the purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above. Financial swaps and open purchase orders that are provided on demand with no firm commitment are excluded from the amounts presented.
- (e) The amounts include Talen Energy Supply's share of contributions made or committed to be made in 2015 for PPL's U.S. pension plans. See Note 7 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for a discussion of expected contributions.
- (f) At December 31, 2014, total unrecognized tax benefits of \$15 million were excluded from this table as management cannot reasonably estimate the amount and period of future payments. See Note 2 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

Distributions

From time to time, as determined by its board of managers, Talen Energy Supply pays distributions to its member. Certain of the credit facilities include financial covenants and other covenant restrictions limiting Talen Energy Supply's ability to pay distributions. Talen Energy Supply distributed to its member \$191 million in the first quarter of 2015.

Talen Energy does not currently expect to declare or pay dividends on our common stock. See *Dividend Policy*.

See Note 3 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for information related to restrictions related to distributions on capital interests.

Purchase or Redemption of Debt Securities

Talen Energy Supply will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities depending upon prevailing market conditions and available cash.

Rating Agency Actions

Moody's and S&P periodically review the credit ratings of the debt of Talen Energy and its subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations. In January 2015, Fitch withdrew its ratings for Talen Energy Supply.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of Talen Energy Supply are based on information provided by Talen Energy and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of Talen Energy Supply. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of Talen Energy Supply and its subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

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The following table sets forth Talen Energy Supply's credit ratings for outstanding debt securities as of June 30, 2015.

	Moody's	Senior Unsecured	S&P	Fitch
	Ba3		BB-	NR

A downgrade in Talen Energy Supply's credit ratings could result in higher borrowing costs and reduced access to capital markets. Talen Energy Supply has no credit rating triggers that would result in the acceleration of maturity dates of outstanding debt.

In addition to the credit ratings noted above, the rating agencies have taken the following actions related to Talen Energy Supply and its subsidiaries:

In April 2014, Fitch affirmed its ratings with a negative outlook for Talen Energy Supply.

In May 2014, S&P lowered its long-term issuer rating and senior unsecured rating from BBB to BB+ and its commercial paper rating and short-term issuer rating from A-2 to A-3 with a stable outlook for Talen Energy Supply.

In June 2014, Moody's lowered its senior unsecured rating from Baa2 to Ba1 and its commercial paper rating and short-term issuer rating from P-2 to Not Prime with a negative outlook for Talen Energy Supply. Moody's also assigned a corporate family rating of Ba1 to Talen Energy Supply.

In June 2014, S&P lowered its long-term issuer rating and senior unsecured rating from BB+ to BB and its commercial paper rating and short-term issuer rating from A-3 to B for Talen Energy Supply and placed the issuer on CreditWatch with negative implications.

In June 2014, Fitch lowered its long-term issuer default rating and senior unsecured debt rating from BBB- to BB and its commercial paper rating and short-term issuer default rating from F3 to B for Talen Energy Supply and placed the issuer on Rating Watch Negative.

Moody's

In May 2015, Moody's took the following actions:

Lowered its corporate family rating from Ba1 to Ba2;

Lowered its senior unsecured rating from Ba1 to Ba3;

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Lowered the ratings on the pollution control bonds issued by the Pennsylvania Economic Development Financing Authority on behalf of Talen Energy Supply from Ba1 to Ba3;

Revised its outlook from negative to stable;

Assigned a rating of Baa2 for the \$1.85 billion Revolving Facility; and

Assigned a rating of Ba3 for the \$600 million 6.50% Senior Unsecured Notes due 2025.

In August 2015, Moody's affirmed its corporate family rating and revised its outlook from stable to negative.

S&P

In May 2015, S&P took the following actions:

Lowered its corporate credit rating from BB to BB-;

Assigned a rating of BB for the \$600 million 6.50% Senior Unsecured Notes due 2025, and subsequently lowered its senior unsecured rating from BB to BB-, thereafter;

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Withdrew its commercial paper rating;

Removed Talen Energy Supply from CreditWatch with negative implications, and assigned a stable outlook;
and

Assigned a rating of BB+ for the \$1.85 billion Revolving Facility.

In July 2015, S&P placed Talen Energy Supply on CreditWatch with negative implications.

Fitch

In January 2015, Fitch withdrew its ratings for Talen Energy Supply.

Ratings Triggers

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage and interest rate instruments, contain provisions that require the posting of additional collateral, or permit the counterparty to terminate the contract, upon a downgrade in Talen Energy Supply's credit rating. Talen Energy Supply's credit rating is below investment grade. See Note 14 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for a discussion of Credit Risk-Related Contingent Features, including a discussion of the potential additional collateral requirements for Talen Energy for derivative contracts in a net liability position at June 30, 2015.

Off-Balance Sheet Arrangements

Talen Energy and/or its subsidiaries have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 10 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for a discussion of these agreements.

Risk Management

Market Risk

See Notes 12 and 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for information about Talen Energy's risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

Talen Energy segregates its non-trading activities into two categories: hedge activity and economic activity. Talen Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which

hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of Talen Energy's competitive power generation assets and full-requirement sales and retail contracts. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. See Note 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

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To hedge the impact of market price volatility on Talen Energy's energy-related assets, liabilities and other contractual arrangements, Talen Energy subsidiaries both sell and purchase physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. Talen Energy's non-trading commodity derivative contracts range in maturity through 2020.

The following tables sets forth the changes in the net fair value of non-trading commodity derivative contracts for the periods ended June 30. See Notes 13 and 14 to the unaudited condensed consolidated financial statements of Talen Energy for additional information.

	Gains (Losses)	
	Six Months	
	2015	2014
Fair value of contracts outstanding at the beginning of the period	\$ 53	\$ 107
Contracts realized or otherwise settled during the period	63	485
Fair value of new contracts entered into during the period (a)	14	3
Other changes in fair value	(69)	(773)
Fair value of contracts outstanding at the end of the period	\$ 61	\$ (178)

(a) Represents the fair value of contracts at the end of the quarter of their inception. Includes the impact of contracts acquired as part of the RJS Power acquisition.

The following table segregates the net fair value of non-trading commodity derivative contracts at June 30, 2015, based on the observability of the information used to determine the fair value.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices based on significant observable inputs (Level 2)	\$ 39	\$ 7	\$ 11	\$	\$ 57
Prices based on significant unobservable inputs (Level 3)	(7)	10	1		4
Fair value of contracts outstanding at the end of the period	\$ 32	\$ 17	\$ 12	\$	\$ 61

The following table sets forth the changes in the net fair value of non-trading commodity derivative contracts at December 31, 2014 and 2013. See Notes 12 and 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

	Gains (Losses)	
	2014	2013
Fair value of contracts outstanding at the beginning of the period	\$ 107	\$ 473
Contracts realized or otherwise settled during the period	328	(452)
Fair value of new contracts entered into during the period (a)	(12)	58
Other changes in fair value	(370)	28
Fair value of contracts outstanding at the end of the period	\$ 53	\$ 107

(a) Represents the fair value of contracts at the end of the quarter of their inception.

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The following table segregates the net fair value of non-trading commodity derivative contracts at December 31, 2014 based on the observability of the information used to determine the fair value.

	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Source of Fair Value					
Prices based on significant observable inputs (Level 2)	\$ 12	\$ (32)	\$ 10		\$ (10)
Prices based on significant unobservable inputs (Level 3)	46	16	1		63
Fair value of contracts outstanding at the end of the period	\$ 58	\$ (16)	\$ 11		\$ 53

Talen Energy subsidiaries sell electricity, capacity and related services and buy fuel on a forward basis to hedge the value of energy from their generation assets. If these Talen Energy subsidiaries were unable to deliver firm capacity and energy or to accept the delivery of fuel under their agreements, under certain circumstances they could be required to pay liquidated damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their counterparties) with which it has energy contracts and other factors could affect Talen Energy's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although Talen Energy attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future.

Commodity Price Risk (Trading)

Talen Energy's trading commodity derivative contracts range in maturity through 2019. The following table sets forth changes in the net fair value of trading commodity derivative contracts for the periods ended June 30. See Notes 13 and 14 to the unaudited condensed consolidated financial statements of Talen Energy for additional information.

	Gains (Losses) Six Months	
	2015	2014
Fair value of contracts outstanding at the beginning of the period	\$ 48	\$ 11
Contracts realized or otherwise settled during the period	(59)	(3)
Fair value of new contracts entered into during the period (a)	1	(18)
Other changes in fair value	24	82

Fair value of contracts outstanding at the end of the period	\$ 14	\$ 72
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(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of trading commodity derivative contracts at June 30, 2015, based on the observability of the information used to determine the fair value.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices based on significant observable inputs (Level 2)	\$ 5	\$ 5	\$ (2)	\$	\$ 8
Prices based on significant unobservable inputs (Level 3)	5	2	(1)		6
Fair value of contracts outstanding at the end of the period	\$ 10	\$ 7	\$ (3)	\$	\$ 14

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Talen Energy's trading commodity derivative contracts range in maturity through 2020. The following table sets forth changes in the net fair value of trading commodity derivative contracts at December 31, 2014 and 2013. See Notes 12 and 13 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

	Gains (Losses)	
	2014	2013
Fair value of contracts outstanding at the beginning of the period	\$ 11	\$ 29
Contracts realized or otherwise settled during the period	(60)	(13)
Fair value of new contracts entered into during the period (a)	5	3
Other changes in fair value	92	(8)
Fair value of contracts outstanding at the end of the period	\$ 48	\$ 11

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of trading commodity derivative contracts at December 31, 2014 based on the observability of the information used to determine the fair value.

Source of Fair Value	Net Asset (Liability)				Total Fair Value
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	
Prices quoted in active markets for identical instruments (Level 1)	\$ 1				\$ 1
Prices based on significant observable inputs (Level 2)	(10)	\$ 11	\$ (2)		(1)
Prices based on significant unobservable inputs (Level 3)	6	14	17	\$ 11	48
Fair value of contracts outstanding at the end of the period	\$ (3)	\$ 25	\$ 15	\$ 11	\$ 48

VaR Models

A VaR model is utilized to measure commodity price risk in competitive margins for the non-trading and trading portfolios. VaR is a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level. VaR is calculated using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's disciplined hedging program, the non-trading VaR exposure is expected to be limited in the short-term.

The VaR for portfolios using end-of-month results for the six months ended June 30, 2015 was as follows.

	Trading VaR	Non-Trading VaR
95% Confidence Level, Five-Day Holding Period		
Period End	\$	\$ 15
Average for the Period	2	12
High	4	15
Low		8

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The VaR for portfolios using end-of-month results for 2014 was as follows.

	Trading VaR	Non-Trading VaR
95% Confidence Level, Five-Day Holding Period		
Period End	\$ 4	\$ 7
Average for the Period	7	10
High	10	15
Low	4	5

The trading portfolio includes all proprietary trading positions, regardless of the delivery period. All positions not considered proprietary trading are considered non-trading. The non-trading portfolio includes the entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at June 30, 2015 and December 31, 2014.

Interest Rate Risk

Talen Energy Supply issues debt to finance its operations, which exposes it to interest rate risk. Talen Energy Supply may utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in its debt portfolio, adjust the duration of its debt portfolio and lock in components of current market interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to mitigate interest rate exposure and volatility in interest expense.

Talen Energy Supply had no interest rate hedges outstanding at June 30, 2015, December 31, 2014 and 2013.

Talen Energy is exposed to a potential increase in interest expense and to changes in the fair value of its debt portfolio. The estimated impact of a 10% adverse movement in interest rates at the dates indicated is shown below.

	June 30, 2015	December 31, 2014	December 31, 2013
Increase in interest expense	No increase	Not significant	Not significant
Increase in fair value of debt	\$ 89	\$ 46	\$ 48

NDT Funds Securities Price Risk

In connection with certain NRC requirements, Susquehanna Nuclear maintains trust funds to fund certain costs of decommissioning the Susquehanna Nuclear plant. At June 30, 2015 and December 31, 2014, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on the balance sheets. The mix of securities is designed to provide returns sufficient to fund the Susquehanna Nuclear plant's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are primarily exposed to changes in interest rates. Talen Energy actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement.

At June 30, 2015, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated \$74 million reduction in the fair value of the trust assets. At December 31, 2014, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated \$73 million reduction in the fair value of the trust assets, compared with \$66 million at December 31, 2013. See Notes 13 and 17 to the unaudited condensed consolidated financial statements of Talen Energy and

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Notes 12 and 16 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information regarding the NDT funds.

Defined Benefit Plans Securities Price Risk

See *Application of Critical Accounting Policies Defined Benefits* for additional information regarding the effect of securities price risk on plan assets.

Credit Risk

Credit risk is the risk that Talen Energy would incur a loss as a result of the nonperformance by counterparties of their contractual obligations. Talen Energy maintains credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and requires other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, Talen Energy has concentrations of suppliers and customers among electric utilities, financial institutions and other energy marketing and trading companies. These concentrations may impact Talen Energy's overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

Talen Energy includes the effect of credit risk on its fair value measurements to reflect the probability that a counterparty will default when contracts are out of the money (from the counterparty's standpoint). In this case, Talen Energy would have to sell into a lower-priced market or purchase in a higher-priced market. When necessary, Talen Energy records an allowance for doubtful accounts to reflect the probability that a counterparty will not pay for deliveries Talen Energy has made but not yet billed, which are reflected in *Unbilled revenues* on the Balance Sheets.

Acquisitions, Development and Divestitures

Talen Energy from time to time evaluates opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute Tolling agreements or pursue other options.

See Note 7 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for information on the RJS Power acquisition, the anticipated acquisition of MACH Gen, LLC, the classification of the Sapphire assets as held for sale and the Talen Montana hydroelectric sale.

Competition

See *Risk Factors* for a discussion of competitive factors affecting Talen Energy.

New Accounting Guidance

See Notes 2 and 18 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to an

understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. Changes in the estimates or other

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judgments included within these accounting policies could result in a significant change to the information presented in the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus. See also Note 1 to the audited consolidated financial statements of Talen Energy Supply. Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them for the periods ended through December 31, 2014.

Price Risk Management

See **Price Risk Management** in Note 1 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus, as well as **Risk Management** above.

Defined Benefits

Talen Energy and certain of its subsidiaries sponsor or participate in, as applicable, various qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. These plans are applicable to the majority of Talen Energy's employees (based on eligibility for their applicable plans). Talen Energy and certain of its subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Note 7 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors and whether Talen Energy or its subsidiaries sponsor (S) or participate in and receive allocations (P) from those plans is shown in the table below.

Plan Sponsor	Talen Energy
PPL Services	P
Talen Montana	S

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. When accounting for defined benefits, delayed recognition in earnings of differences between actual results and expected or estimated results is a guiding principle. Annual net periodic defined benefit costs are recorded in current earnings based on estimated results. Any differences between actual and estimated results are recorded in AOCI. These amounts in AOCI are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

Discount Rate The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

Expected Return on Plan Assets Management projects the long-term rates of return on plan assets that will be earned over the life of the plan. These projected returns reduce the net benefit costs Talen Energy records

currently.

Rate of Compensation Increase Management projects employees annual pay increases, which are used to project employees pension benefits at retirement.

Health Care Cost Trend Rate Management projects the expected increases in the cost of health care. In addition to the economic assumptions above that are evaluated annually, management must also make assumptions regarding the life expectancy of employees covered under their defined benefit pension and other

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postretirement benefit plans. At December 31, 2014, the plan sponsors adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for applicable defined benefit pension and other postretirement benefit plans. In addition, plan sponsors updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for applicable defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease to funded status.

For the year ended December 31, 2014, PPL's defined benefit pension and other postretirement benefit plans incurred actuarial losses of \$203 million attributable to Talen Energy primarily due to the decrease in discount rates and updated mortality assumptions partially offset by asset gains in excess of assumed rates of return.

In selecting the discount rates for applicable defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Individual bonds are then selected based on the timing of each plan's cash flows and parameters are established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed.

To determine the expected return on plan assets, plan sponsors project the long-term rates of return on plan assets using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

In selecting a rate of compensation increase, plan sponsors consider past experience in light of movements in inflation rates.

The following table provides the weighted-average assumptions used for discount rate, expected return on plan assets and rate of compensation increase at December 31.

Assumption	2014	2013
<i>Discount rate</i>		
Pension	4.28%	5.18%
Other Postretirement	3.81%	4.51%
<i>Expected return on plan assets</i>		
Pension	7.00%	7.00%
<i>Rate of compensation increase</i>		
Pension	4.03%	3.94%
Other Postretirement	4.03%	3.94%

In selecting health care cost trend rates, plan sponsors consider past performance and forecasts of health care costs. At December 31, 2014, the health care cost trend rates for all plans were 7.2% for 2015, gradually declining to an ultimate trend rate of 5.0% in 2020.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI. At December 31, 2014, the defined benefit plans were recorded in the financial statements as follows.

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Balance Sheet:	
Pension liabilities	\$ 299
Other postretirement benefit liabilities	44
AOCI (pre-tax)	(496)
Statement of Income:	
Defined benefits costs	\$ 42
Increase (decrease) from prior year	(9)

The following tables reflect changes in certain assumptions based on Talen Energy's primary defined benefit plans. The tables reflect either an increase or decrease in each assumption. The inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

Actuarial assumption

Discount Rate	(0.25%)
Expected Return on Plan Assets	(0.25%)
Rate of Compensation Increase	0.25%
Health Care Cost Trend Rate (a)	1%

(a) Only impacts other postretirement benefits.

Actuarial assumption	Increase (Decrease)		
	Defined Benefit Liabilities	AOCI (pre-tax)	Defined Benefit Costs
Discount rate	\$ 64	\$ (64)	\$ 4
Expected return on plan assets	n/a	n/a	4
Rate of compensation increase	9	(9)	2

See Note 9 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for information on changes to defined benefit pension and other postretirement benefit plans related to the spinoff from PPL.

Asset Impairment (Excluding Investments)

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

a significant decrease in the market price of an asset;

a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;

a significant adverse change in legal factors or in the business climate;

an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;

a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or

a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

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For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of the assets, the forward prices for revenue and fuel components in the markets where the assets are utilized, the amount of capital and operations and maintenance spending and management's intended use of the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the most likely alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used, taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including an assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in materially different results than those identified and recorded in the financial statements.

In September 2012, Talen Energy announced its intention, beginning in April 2015, to place the Corette coal-fired plant in Montana in long-term reserve status, suspending the plant's operation, due to expected market conditions and the costs to comply with MATS requirements. Talen Energy has been monitoring the plant for potential impairment since this announcement and until the fourth quarter of 2013 no impairment was indicated as various price scenarios allowed for recovery of the asset. During the fourth quarter of 2013, in connection with the completion of its annual business planning process, management updated its fundamental view for long-term power and gas prices. Based upon this fundamental view, management altered its expectations regarding the probability that the Corette plant would operate subsequent to its initially being placed in long-term reserve status. As a result, based on an undiscounted cash flow analysis, the carrying amount for Corette was determined to no longer be recoverable. Talen Energy performed an internal analysis using an income approach based on discounted cash flows to assess the fair value of the Corette asset group. Assumptions used in the fair value assessment were forward energy prices, expectations for demand for energy in Corette's market and expected operation and maintenance and capital expenditures that were consistent with assumptions used in the business planning process. Through this analysis, Talen Energy determined the fair value of the asset group to be negligible. This resulted in Talen Energy recording an impairment charge of \$65 million, or \$39 million after-tax, for the Corette plant and related excess emission allowances. Operations were suspended and the Corette plant was retired in March 2015.

Talen Montana held a joint operating license issued for the Kerr Dam project, which was sold to NorthWestern along with Talen Montana's other hydroelectric assets in November 2014. The license extends until 2035 and, between 2015 and 2025, the Confederated Salish and Kootenai Tribes of the Flathead Nation (the Tribes) have the option to purchase, hold and operate the Kerr Dam project. The parties submitted the issue of the appropriate amount of the conveyance price to arbitration in February 2013. In March 2014, the arbitration panel issued its final decision holding that the conveyance price payable by the Tribes to Talen Montana was \$18 million. As a result of the decision, Talen Energy performed a recoverability test on the Kerr Dam project. Talen Energy performed an internal analysis using an income approach based on discounted cash flows (a Talen Energy proprietary model) to assess the fair value of the Kerr Dam project. Assumptions used in the Talen Energy proprietary model were the conveyance price, forward energy price curves, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the business planning process and a market participant discount rate. Through this analysis, Talen Energy determined the fair value of the Kerr Dam project to be \$29 million at March 31, 2014, resulting in Talen Energy recording an impairment charge of \$18 million, or \$10 million after-tax. The Kerr Dam project was included in the sale of the Montana Hydroelectric facilities and the assets were removed from the Balance Sheet.

The depressed levels of energy and capacity prices in PJM, as well as management's forward view of these prices using its fundamental pricing models, has put pressure on the recoverability of Talen Energy's investment

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in its Pennsylvania coal-fired generation assets. In the fourth quarter of 2013, after updating its fundamental pricing models in conjunction with the annual business planning process, management tested the Brunner Island and Montour plants for impairment and concluded that neither plant was impaired as of December 31, 2013. The recoverability assessment is very sensitive to forward energy and capacity price assumptions, as well as forecasted operation and maintenance and capital spending. Therefore, a further decline in forecasted long-term energy or capacity prices or changes in environmental laws requiring additional capital or operation and maintenance expenditures, could negatively impact Talen Energy's operations of these facilities and potentially result in future impairment charges for some or all of the carrying value of these plants. There were no events or changes in circumstances that indicated a recoverability assessment was required to be performed in 2014. The carrying value of the Pennsylvania coal-fired generation assets tested was \$2.6 billion as of December 31, 2014 (\$1.4 billion for Brunner Island and \$1.2 billion for Montour).

See Note 9 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information on MATS and other environmental requirements for coal-fired generation plants.

For a long-lived asset classified as held for sale, an impairment exists when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If the asset (disposal group) is impaired, an impairment loss is recorded to adjust the carrying amount to its fair value less cost to sell. A gain is recognized in future periods for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative impairment previously recognized.

For determining fair value, quoted market prices in active markets are the best evidence. However, when market prices are unavailable, Talen Energy considers all valuation techniques appropriate under the circumstances and for which market participant inputs can be obtained. Generally discounted cash flows are used to estimate fair value, which incorporates market participant inputs when available. Discounted cash flows are calculated by estimating future cash flow streams and determining the present value of the cash flow streams using risk-adjusted discount rates.

Goodwill is tested for impairment at the reporting unit level. Prior to the RJS acquisition, Talen Energy operated within a single reporting unit and has two post acquisition. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

Talen Energy may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as step zero) is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, Talen Energy determines whether a potential impairment exists by comparing the estimated fair value of a reporting unit with its carrying amount, including goodwill, on the measurement date. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value

of a reporting unit is allocated to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned

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to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

Talen Energy elected to bypass step zero. Therefore, the goodwill for this reporting unit was tested for impairment using the quantitative test in the fourth quarter of 2014, and no impairment was recognized. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of the reporting unit. A decrease in the forecasted cash flows of 10%, an increase in the discount rate by 0.25%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for this reporting unit.

See **Other Financial and Operational Developments** **Spinoff from PPL** for information on considerations of potential indicators of impairment with respect to certain long-lived assets and goodwill related to the spinoff from PPL.

Loss Accruals

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future events, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines **probable** as cases in which the future event or events are likely to occur. The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are consulted, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

Certain events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is **reasonably possible** that a loss has been incurred. Accounting guidance defines **reasonably possible** as cases in which the future event or events occurring is more than remote, but less than likely to occur.

When an estimated loss is accrued, the triggering events for subsequently adjusting the loss accrual are identified, where applicable. The triggering events generally occur when new information becomes known, the contingency has been resolved and the actual loss is settled or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the adjustment of certain recorded loss accruals:

Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.

Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.

Actions or decisions by certain regulators could result in a better estimate of a previously recorded loss accrual.

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Loss accruals are reviewed on a regular basis to assure that the recorded potential loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, business unit management and other parties.

See Note 9 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for disclosure of loss contingencies accrued and other potential loss contingencies that have not met the criteria for accrual.

Asset Retirement Obligations

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the useful life of the asset. Until the obligation is settled, the liability is increased, through the recognition of accretion expense in the statement of income, for changes in the obligation due to the passage of time.

See Note 15 to the audited consolidated financial statements of Talen Energy Supply and Note 16 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that considers estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is generally amortized over the remaining life of the associated long-lived asset.

At December 31, 2014, the total recorded balances and information on the most significant recorded ARO were as follows.

Total AROs	Most Significant AROs		
Recorded	Amount Recorded	% of Total	Description
\$425	\$ 369	87	Nuclear decommissioning

The most significant assumptions surrounding AROs are the forecasted retirement costs (including the settlement dates and the timing of cash flows), the discount rates and the inflation rates. At December 31, 2014, a 10% change to retirement cost, a 0.25% decrease in the discount rate or a 0.25% increase in the inflation rate would not have had a significant impact on the ARO liabilities of Talen Energy. There would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions.

Income Taxes

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and valuation allowances on deferred tax assets.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not

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(greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

At December 31, 2014, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could decrease by \$15 million.

These potential changes could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the timing and utilization of tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

The balance sheet classification of unrecognized tax benefits and the need for valuation allowances to reduce deferred tax assets also require significant management judgment. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

See Note 2 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for income tax disclosures.

Environmental Matters

Extensive federal, state and local environmental laws and regulations are applicable to Talen Energy's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty, but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also

applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for Talen Energy's services. See Business Environmental Matters in this prospectus for additional information.

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BUSINESS

Talen Energy

Talen Energy is a leading competitive energy and power generation company in North America. We produce and sell electricity, capacity and related products from our fleet of power plants totaling approximately 15,000 MW of generating capacity as of June 30, 2015. Through our subsidiaries, we own and operate a portfolio of generation assets principally located in PJM and ERCOT, which we consider to be two of the most attractive power markets in the United States. Within these markets, our portfolio benefits from technological and fuel diversity, enabling us to respond to changing market conditions and regulatory developments. We believe stockholder value creation is built on a foundation of excellence in operations and skillful commercial management of our generation fleet with a strong focus on cash returns. Our strategy is to embrace these core concepts and optimize our operations so as to support scale-enhancing growth and focus on robust cash flow generation.

Talen Energy was formed on June 1, 2015 by the Talen Transactions. For a more detailed description of the Talen Transactions, see [The Talen Transactions](#).

Our Operations

Our generation fleet is diverse in terms of fuel, technology, dispatch characteristics and location. A majority of our generation revenue comes from our efficient low-cost baseload and intermediate generation facilities. We also expect to capture additional value by selling power during periods of peak demand from our quick-start peaking facilities. We seek to further enhance margins by selling capacity within the PJM markets, both in the three-year forward PJM base residual auction and through bilateral agreements with power purchasers, as well as by providing ancillary services to support transmission system reliability.

We believe our assets are strategically positioned in what we view as the two most attractive power markets in the United States, each of which is characterized by strong and improving fundamentals and a regulatory framework supportive of competitive generators. Our generation facilities are predominantly located in PJM and ERCOT, which are regional organizations formed, in part, to provide reliable wholesale power marketplaces. PJM is the largest wholesale energy market in the United States and ERCOT is the oldest ISO in the country. PJM is characterized by improving fundamentals due to limited import capacity, significant anticipated capacity retirements, an improving demand outlook and a forward capacity market that provides future cash flow visibility for generation asset owners. Specific efforts are being undertaken by PJM to support and potentially increase capacity prices for existing generation to ensure the availability of adequate resources. ERCOT is an attractive wholesale electricity market with historically above-average demand growth, increasing price caps and an increasing reliance on flexible and quickly-dispatchable natural gas-fired assets. Additionally, the ERCOT sub region in which we operate, ERCOT-South, has historically experienced premium energy pricing relative to the average price for the broader ISO. We consider PJM and ERCOT to be two of the most well-developed power markets in the United States, providing significant price transparency, market liquidity and support to competitive generators, including recent proposed reforms that we believe will enhance the value of our portfolio.

The competitive dispatch costs and operating flexibility of our generation fleet position us favorably to generate attractive cash margins in a wide variety of market conditions. In an effort to support our operations and stabilize future cash flows, we enter into forward physical and financial transactions to hedge energy, capacity and related products and to hedge fuel and fuel transportation. We sell the output of our generation facilities to a diverse group of wholesale customers, including RTOs and ISOs, utilities, cooperatives, municipalities, power marketers, and financial counterparties. We also sell the output of our generation facilities to commercial, industrial and residential retail

customers.

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The following map illustrates the locations of our generation facilities as of June 30, 2015:

The charts below illustrate the composition and diversity of our portfolio by market and fuel type as of June 30, 2015:

The map and charts above do not reflect (1) the sale or other disposition of between 1,300 and 1,400 MW of generation capacity that is required to satisfy regulatory approvals obtained in connection with the Talen Transactions (in which the announced sales of our Holtwood, Lake Wallenpaupack, Ironwood and Crane facilities would be included), (2) completion of our acquisition of MACH Gen, LLC or (3) the renewables plants we have agreed to sell. As a result, our generation portfolio will not include all of the plants that currently comprise our fleet. See The Talen Transactions Mitigation Plans, Summary Recent Developments and Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Other Financial and Operational Developments Anticipated Disposition of Renewable Energy Business.

Our wholly owned indirect subsidiary, Talen Energy Supply, through its subsidiaries, Talen Generation, Raven, Jade and Sapphire owns and operates generating facilities. Talen Energy Supply's wholly owned subsidiary, Talen Energy Marketing, sells electricity produced by many of our facilities, participates in wholesale market load-following auctions, and markets various energy products and commodities such as: capacity,

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transmission, financial transmission rights, coal, natural gas, oil, uranium, emission allowances, renewable energy credits and other commodities in competitive wholesale and competitive retail markets, primarily in the northeastern and northwestern United States. Talen Energy Marketing also focuses on entering into energy and energy-related physical and financial contracts to hedge the variability of expected cash flows associated with our facilities and marketing activities, as well as for trading purposes.

Our Competitive Strengths

We believe that we are well-positioned to execute our business strategy and create superior value for our stakeholders based on the following competitive strengths:

Well-positioned in attractive, liquid and transparent energy markets. We believe that the composition and locations of our facilities give us a strategic advantage and offer attractive upside opportunities. The majority of our facilities are located in PJM and ERCOT, which are among the most liquid, well-developed power markets in the United States, each with attractive fundamentals. We believe these markets provide us with ample opportunity to execute our hedge strategy, which is designed to enhance price certainty and cash flow stability in future years.

We believe the PJM market presents attractive value opportunities, driven by a substantial number of announced power plant retirements and limited import capacity. Our PJM assets are highly diverse both in terms of fuel (coal, natural gas/oil dual fuel, uranium, natural gas, oil and hydro) and dispatch (baseload, intermediate/load following and peaking), which provides us with operational flexibility and enables our portfolio to provide reliable generation under a variety of market conditions. A key attribute of PJM is its base residual auction, a long-term capacity market in which power customers pay for capacity three years in advance. These known capacity revenues are expected to be an important component of our gross margins and effectively provide identifiable stable cash flows three years forward. Additionally, we expect that recently proposed market reforms may provide additional revenue opportunities for us in PJM in future capacity auctions. See [Our Key Markets PJM](#) for information on the recently proposed market reforms in PJM.

We believe the ERCOT market also presents attractive value opportunities, driven by robust demand growth and limited import capacity, which we expect will result in a lower reserve margin. Our generation assets in ERCOT consist of flexible, natural gas-fired units that have the ability to start up quickly and respond to load variability, which positions them well to produce significant margin from ancillary products offered in this market in addition to physical energy sales. All of our ERCOT capacity is located in the ERCOT South Zone, which has historically experienced premium pricing due to favorable supply and demand fundamentals and strong demand driven by growth related to Eagle Ford shale development, the midstream energy sector and petrochemical industry expansion. The ERCOT regulatory framework has addressed resource adequacy concerns through rule changes that have increased generator compensation and pricing floors for ancillary products and increased the state-wide offer cap. ERCOT reserve margins are forecasted to continue to compress over time due to growing demand and limited announced new-build projects, further tightening the supply/demand balance across ERCOT and creating conditions that may generate increased price volatility and higher energy prices until additional resources are added.

Robust cash flow generation potential. We expect to be able to generate substantial free cash flow, which we define as cash from operations less maintenance capital expenditures. A number of factors are expected to contribute to our strong cash flow profile: our focus on lean operations, relatively low financial leverage, efficient baseload units with low dispatch costs, significant ancillary revenue potential of the Texas facilities, the potential for significant synergies resulting from successful execution of our transition plans, and a well-maintained fleet requiring modest maintenance and environmental expenditures. The stability of our cash flows is further supported by forward capacity sales in PJM through May 2018. We believe this cash flow potential provides a competitive advantage by making us more resilient

during price fluctuations in the commodity cycles, less reliant on external sources of capital to finance operations and better situated to pursue both organic and acquisition-driven growth opportunities.

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Strong balance sheet, poised for growth. We believe that our expected financial leverage provides multiple competitive advantages. First, our strong balance sheet and credit profile are expected to enhance our ability to pursue both organic and acquisition-driven growth by offering favorable access to capital markets and maximum financial flexibility. We also believe a strong balance sheet positions us well to manage through periods of commodity price volatility which may require collateral posting and credit support that could challenge a more levered competitive power company. We believe we will be able to use our strong balance sheet to grow through acquisitions, taking an opportunistic approach when others in the sector may face financial stresses during those periods. Finally, we expect our low level of financial leverage will allow us to absorb a greater degree of operating cash flow volatility, enabling our margin hedging program to have a shorter-term focus. We believe this reduces hedging transaction volume and expenses, liquidity needs and hedge book complexity, which we believe results in lower operating costs and greater financial transparency.

Competitive scale. As a leading competitive power generating company in North America, with approximately 15,000 MW of operating capacity as of June 30, 2015, we benefit from the multiple competitive advantages attendant to a large scale portfolio. We have a scale presence in our key markets, allowing us to operate integrated portfolios within each of PJM and ERCOT and offering us beneficial dispatch and operational synergies. These benefits include improved leverage of our fixed costs, enhanced procurement opportunities and diversity of cash flows. These advantages combined with a strong balance sheet and significant liquidity, enable us to operate with more financial flexibility and, as such, enable us to utilize our competitive scale to grow and further expand our already-robust generation platform.

Significant historical environmental control investments. We believe our assets are substantially compliant with current environmental regulations and are well-positioned relative to the current trend of tightening environmental legislation and regulations. Because of significant prior investments and the composition of our fleet, we expect that future environmental capital expenditures for known requirements will be a relatively modest \$160 million dollars through 2019, representing less than 10% of total capital expenditures for the same period.

Proven, experienced management team. Our management team has significant experience and expertise operating power generating facilities, marketing electricity and ancillary services and managing the risks of a competitive power generation business. Our management team has a strong track record of value creation through the execution of strategic initiatives, capital expenditures and exceptional asset management, which positions us optimally to enhance and expand the Talen Energy platform. We strongly believe that our proven leadership team will successfully execute our business strategy and deliver superior operating and financial performance.

Our Business Strategy

Our business strategy is to maximize value to our customers and stockholders with particular emphasis on:

Excellence in operations. We believe that value is built on a foundation of operational excellence. Safety is a core value of ours and is critical to maintaining a platform for strong, reliable plant performance. We inherit robust safety programs from our predecessor companies which have demonstrated dedication to sustaining safe cultures by achieving VPP Star status at a majority of our facilities.

We also believe value is a function of disciplined investment and continuous improvement in operating efficiency. We intend to make prudent investments to enable our plants to run at the most profitable times while ensuring safe, reliable operations. Additionally, we plan to continue our commitment to asset optimization and reducing operating costs. We believe that persistent focus on process improvement and innovative cost management is a key component to success.

Focus on cash returns. We run our business with a focus on producing strong cash flows in order to sustain our operations and fund growth opportunities. Capital allocation decisions are made on a cash return basis, as we

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believe this discipline is necessary to drive consistent long-term value creation for our stockholders. We believe that our proven management team, reliable, low-cost operating structure and strong commercial management of our plants enables us to invest in and grow the existing platform while enhancing overall cash flows and achieving attractive returns on investment.

Active hedging and commercial management. Hedging the fuel and output of our plants is primarily focused on providing margin and cash flow visibility on a one-year forward basis. We execute hedging and marketing strategies for the output of our facilities in both the wholesale and retail energy markets. We execute asset-based portfolio strategies to monetize inherent market volatility. We believe our hedging and commercial management strategy, in combination with a strong balance sheet, will provide a long-term advantage through cycles of higher and lower commodity prices. Finally, our lower level of financial leverage will allow us to absorb a greater degree of operating cash flow volatility, which will further allow our margin hedging program to have a shorter-term focus. We believe this will reduce hedging transaction volume and expenses, liquidity needs and hedge book complexity, which results in lower operating costs and greater financial flexibility.

Growth posture. We believe scale in the competitive power generation sector is an element of value creation. We expect to be able to leverage our management and operational systems to integrate additional assets and activities with relatively modest incremental cost. We intend to grow value through development and acquisitions that are complementary to our competitive strengths, with a focus on developed competitive markets that offer liquidity and price transparency. Additionally, as Talen Energy grows, our goal is to maintain a multi-fuel and multi-dispatch profile, as we believe this type of diversity is inherently valuable and provides an added measure of risk mitigation. We believe that our strong balance sheet and cash flow generation, combined with our current presence in attractive markets and our experienced, disciplined management team, positions Talen Energy favorably in its pursuit of value-enhancing growth opportunities.

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Our Key Markets

The substantial majority of our generation capacity is located in either PJM or ERCOT. We consider these regions to be among the most well-developed, transparent and liquid energy markets in the United States.

PJM

PJM is an RTO that coordinates the movement of wholesale electricity in all or parts of thirteen states and the District of Columbia. It is the largest competitive wholesale electricity market in the United States, dispatching more than 180,000 MW to more than 60 million people. The current mix of generating capacity within PJM is largely coal-dominated, with a significant number of nuclear and natural gas power plants rounding out the dispatch curve. As is the case in many markets in the United States, generating capacity within PJM is transitioning from a coal-dominated generation base to a mix that incorporates larger amounts of natural gas and renewable units, driven in large part by current and impending EPA regulations. The following map illustrates PJM by regions.

PJM benefits from a combination of stable demand growth, liquid trading hubs, limited energy import capacity and a wide range of available market products. Generation owners in PJM may earn energy, capacity and ancillary revenues. The PJM energy market consists of day-ahead and real-time markets. The day-ahead market is a forward market in which hourly prices are calculated for the next operating day based on offers, bids and bilateral obligations. The real-time market is a spot market in which energy is continuously bought and sold based on actual grid operating conditions.

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The PJM capacity market, known as RPM, is intended to ensure that resources are available when needed to keep the power grid operating reliably for customers. Under the RPM, PJM conducts a series of auctions. Most capacity is procured in the base residual auctions each May for the sale of generating capacity three years in advance of the delivery year. In these auctions, prices are set based on available capacity and other factors such as transmission constraints. The capacity market construct provides generation owners the opportunity for some revenue visibility on a multi-year basis. The following table presents PJM's published auction clearing prices for the periods indicated for the PJM sub-regions in which we operate.

Sub-region	2014/2015	2015/2016	2016/2017	2017/2018
PJM MAAC	\$ 136.50	\$ 167.46	\$ 119.13	\$ 120.00
PJM SWMAAC	\$ 136.50	\$ 167.46	\$ 119.13	\$ 120.00
PJM RTO	\$ 125.99	\$ 136.00	\$ 59.37	\$ 120.00

Recent developments have the potential to be supportive of future revenue opportunities for generation owners in PJM, including:

PJM added an enhanced Capacity Performance product to the capacity market structure to permit additional compensation for generation owners/operators to make the necessary investments to maintain system reliability in exchange for stronger performance requirements. The intent of the Capacity Performance product is to improve operational availability during periods of peak power system demand, such as extreme weather. Specifically, PJM's stated objectives of this product include fuel security through dependable fuel sources, high availability of generation resources and operational diversity. As it was approved by the FERC, Capacity Performance is expected to benefit generation owners like Talen Energy that own assets supplied by firm fuel commitments and have demonstrated reliability during peak load and extreme weather conditions;

PJM's recent changes to the VRR curve. The VRR curve is a downward-sloping demand curve used by PJM to model sufficient capacity resources for PJM and set capacity prices. The VRR curve supports PJM's objective of attracting and retaining adequate capacity resources to ensure grid reliability, providing an indication of incremental reliability and economic value of capacity at different planning reserve levels. PJM's recent changes include a shift in the VRR curve, which signifies an increase in demand and therefore price, offering potential upside to future capacity prices for PJM generators;

Recent developments that increase uncertainty associated with demand response's ability to participate in future capacity auctions, offering potential upside to future capacity prices for PJM generators; and

Potential rule changes affecting price formation including offer cap changes which may lead to higher energy market prices.

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ERCOT

ERCOT is an ISO that manages the flow of electricity from approximately 75,000 MW of installed capacity to 24 million Texas customers, representing 90% of the state's electric load and covering approximately 75% of its geography. ERCOT is an attractive wholesale electricity market with historically above-average demand growth, increasing price caps and an increasing reliance on flexible and quickly-dispatchable natural gas-fired assets. The Texas population and gross state product are currently expanding at well above the national average rate, spurred in part from significant growth in oil and gas development and associated petrochemical industry growth. ERCOT was established in September 1996 and is the oldest ISO in the United States. The following map illustrates ERCOT by regions.

As an energy-only market, ERCOT's market design is different from other competitive electricity markets in the United States. Other markets, including PJM, maintain a minimum reserve margin through regulated planning, resource adequacy requirements and/or capacity markets. In contrast, ERCOT's resource adequacy is predominately dependent on free market processes and energy market price signals. All electricity prices are subject to a system-wide offer cap, which was \$5,000/MWh in 2013. This offer cap increased to \$7,000/MWh in 2014 and to \$9,000/MWh in June 2015, providing a higher maximum marginal price. The system-wide offer cap has been reached on a number of occasions since 2011.

Transactions in ERCOT take place in two key markets: the day-ahead market and the real-time market. The day-ahead market is a voluntary forward energy market conducted the day before each operating day in which generators and purchasers of power may bid for one or more hours of energy supply or consumption. The day-ahead market also allows ERCOT and generators and purchasers of power to buy and sell ancillary services. The real-time market is a spot market in which energy may be sold in five-minute intervals.

Generation facilities in the region include efficient combined cycle natural gas-fired facilities, a large wind fleet and a mixture of environmentally compliant and older, non-compliant coal-fired assets. The combination of

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these assets has historically led to lower marginal cost of production during most periods, compared to other markets. However, the region has limited excess capacity to meet high demand days and the marginal facilities have high operating costs. Therefore, the marginal price of supply rapidly increases during periods of high demand. As a result, many generators benefit from these sporadic periods of scarcity pricing in which power prices increase significantly.

In addition to energy, ancillary services, such as non-spinning reserves, responsive reserves and regulation up/down, offer another potential revenue stream for market participants in order to maintain system reliability, which is impacted by the high concentration of wind capacity in ERCOT. These ancillary services provide network support from quick-start generation capacity that is able to reach full load operation in exceptionally short periods of time in order to help manage the impact of wind variability on the electricity grid. Such ancillary services have received increased compensation and exhibited higher offer floors in part because ERCOT has one of the highest concentrations of wind capacity in the United States, with over 12,000 MW of installed capacity.

Market Opportunity

The market for competitive power generation assets has been very robust over the past five years, and we expect a continuation of this trend, providing further opportunities to enhance our competitive scale. From 2010 to 2014, roughly 344 GW of competitive power generation capacity has been sold, with approximately 121 GW and 36 GW in PJM and ERCOT, respectively. The diverse nature of these transactions, encompassing both conventional (predominantly natural gas and coal) and renewable (predominantly wind and solar) generating facilities, aligns with our goal of maintaining a multi-fuel and multi-dispatch profile. The table below illustrates the volume of transactions in dollars and GWs from 2010 through 2014.

We believe that there will continue to be significant acquisition opportunities for competitive power generation assets in the United States, enabling us to grow our fleet and enhance shareholder value. Approximately 81 GW of operating capacity are owned by companies that operate both regulated utilities and competitive power generation assets, while approximately 40 GW are owned by private equity funds. Given the trend of separating competitive power generation assets from regulated utility assets, and the typically defined target holding period of private equity funds, we expected that a significant number of assets will come to market over the next several years.

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Asset	Location	Fuel Type	Ownership	Owned Capacity (MW) (1)	Commercial Operation Date		Region/ISO
Ironwood (2)	PA	Natural Gas	100%	660	2001		PJM
Lower Mt. Bethel	PA	Natural Gas	100%	538	2004		PJM
York	PA	Natural Gas	100%	47	1989		PJM
Martins Creek 3 & 4	PA	Natural Gas / Oil	100%	1,700	1975	1977	PJM
Peakers	PA	Natural Gas / Oil	100%	354	1967	1973	PJM
Bayonne	NJ	Natural Gas / Oil	100%	164	1988		PJM
Camden	NJ	Natural Gas / Oil	100%	145	1993		PJM
Pedricktown (3)	NJ	Natural Gas / Oil	100%	118	1992		PJM
Newark Bay	NJ	Natural Gas / Oil	100%	123	1993		PJM
Elmwood Park	NJ	Natural Gas / Oil	100%	71	1989		PJM
Susquehanna	PA	Nuclear	90%	2,245	1983	1985	PJM
Montour	PA	Coal	100%	1,504	1972	1973	PJM
Brunner Island	PA	Coal	100%	1,411	1961	1969	PJM
Brandon Shores	MD	Coal	100%	1,284	1984	1991	PJM
C.P. Crane (4)	MD	Coal	100%	404	1961	1967	PJM
Conemaugh	PA	Coal	16%	278	1970	1971	PJM
Keystone	PA	Coal	12%	211	1967	1968	PJM
H.A. Wagner		Coal / Natural Gas / Oil					
	MD		100%	982	1956	1972	PJM
Eastern Hydro (5)	PA	Hydro	100%	293	1910	1926	PJM
Colstrip 1 & 2	MT	Coal	50%	307	1975	1976	WECC
Colstrip 3	MT	Coal	30%	222	1984		WECC
Dartmouth	MA	Natural Gas / Oil	100%	83	1996		ISO-NE
Nueces Bay 7	TX	Natural Gas	100%	648	2010		ERCOT
Barney Davis 2	TX	Natural Gas	100%	646	2010		ERCOT
Barney Davis 1	TX	Natural Gas	100%	318	1974		ERCOT
Laredo 4	TX	Natural Gas	100%	92	2008		ERCOT
Laredo 5	TX	Natural Gas	100%	89	2008		ERCOT
Renewables (6)	NH, NJ, PA, VT	Renewables	100%	25	Various		Various
Total				14,962			

(1) Summer Rating at June 30, 2015. The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances. Does not reflect the sale or other disposition of between 1,300 and 1,400 MW of generating capacity that is required to obtain regulatory approval for the Talen Transactions. See The Talen Transactions Mitigation Plans.

(2)

We have agreed to sell our Ironwood plant. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Ironwood plant in the first quarter of 2016. See

Summary Recent Developments Ironwood Sale.

- (3) Pedricktown capacity includes capacity dedicated to serving landlord load (which has historically averaged 9 MW).
- (4) We have agreed to sell our Crane plant. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Crane plant in the first quarter of 2016. See The Talen Transactions Crane Sale.
- (5) Reflects Holtwood and Lake Wallenpaupack. We have agreed to sell our Holtwood and Lake Wallenpaupack facilities. Subject to receipt of regulatory approvals and other customary closing conditions, we expect to close the sale of the Holtwood and Lake Wallenpaupack facilities in the first quarter of 2016. See Summary Recent Developments Holtwood and Lake Wallenpaupack Sale.

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- (6) We have agreed to sell our renewables plants representing approximately 19 MW of capacity as shown herein. Subject to customary closing conditions, we expect to close the sale of these plants by the end of 2015. See Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Other Financial and Operational Developments Anticipated Disposition of Renewable Energy Business.

Power Supply

Talen Energy owned or controlled generating capacity (summer rating) of 14,962 MW at June 30, 2015. Generating capacity controlled by Talen Generation and other Talen Energy subsidiaries includes power obtained through Talen Energy Marketing's power purchase agreements.

Talen Energy's generation subsidiaries are exempt wholesale generators (EWGs) that sell electricity into wholesale markets. EWGs are subject to regulation by the FERC, which has authorized these EWGs to sell the electricity generated at market-based prices. A portion of this electricity is sold to Talen Energy Marketing under FERC-jurisdictional power purchase agreements. Susquehanna Nuclear is subject to the jurisdiction of the NRC in connection with the operation of its Susquehanna nuclear units. Certain of Talen Energy's other subsidiaries are subject to the jurisdiction of the NRC in connection with the operation of their fossil plants with respect to certain level and density monitoring devices. Certain operations of Talen Generation's subsidiaries are also subject to OSHA and comparable state statutes.

Fuel Supply

Oil and Natural Gas

Pennsylvania

Talen Generation's Martins Creek Units 3 and 4 burn both oil and natural gas. During 2014, 100% of the physical gas requirements for the Martins Creek units were purchased on the spot market using either delivered supply or a combination of spot market supply and short-term capacity and oil requirements were supplied from inventory and replenished by purchases made in the spot market. At December 31, 2014, there were no long-term agreements for oil or natural gas for these units.

Short-term and long-term gas transportation contracts are in place for approximately 38% of the maximum daily requirements of the Lower Mt. Bethel combined-cycle facility.

For Talen's Ironwood combined-cycle facility, Talen Energy Marketing has long-term transportation contracts that can deliver up to approximately 25% of Ironwood's maximum daily gas requirements. Daily gas requirements can also be met through a combination of short-term transportation capacity release transactions coupled with upstream supply.

In addition, Talen Energy Marketing has secured long-term natural gas supply for approximately 10% of the combined needs of Ironwood and Lower Mt. Bethel through 2016.

New Jersey and Texas

Sapphire's Bayonne, Camden, Pedricktown, Newark Bay, Elmwood and Dartmouth stations are co-fired with natural gas and oil. Natural gas is the primary fuel at each station. There are no long-term supply or pipeline capacity agreements for oil or natural gas for these units. Oil storage capability exists at each station and is replenished on a spot market basis.

Jade's Nueces Bay, Barney Davis and Laredo stations in Texas currently have a comprehensive gas supply agreement in place designed to cover 100% of the plants' requirements. See Certain Relationships and Related Party Transactions TrailStone Agreement. There are no long-term pipeline capacity contracts in place on the upstream interstate pipelines that serve these units.

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Coal

Pennsylvania

Talen Energy Marketing actively manages Talen Energy's coal requirements for the Pennsylvania plants by purchasing coal principally from mines located in northern Appalachia.

Coal inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues and other supplier or transporter operating difficulties. Talen Generation, by and through its agent Talen Energy Marketing, has agreements in place that satisfy the majority of projected coal needs for the Pennsylvania power plants through 2018 and will augment with spot market purchases, as needed.

A Talen Generation subsidiary owns a 12.34% interest in the Keystone plant and a 16.25% interest in the Conemaugh plant. Talen Generation owns a 12.34% interest in Keystone Fuels, LLC and a 16.25% interest in Conemaugh Fuels, LLC. The Keystone plant contracts with Keystone Fuels, LLC for its coal requirements, which provided 4.5 million tons of coal to the Keystone plant in 2014. The Conemaugh plant requirements are purchased under contract from Conemaugh Fuels, LLC, which provided 4.5 million tons of coal to the Conemaugh plant in 2014.

All wholly owned Talen Generation coal plants within Pennsylvania are equipped with Flue Gas Desulfurization equipment (FGD) or Scrubbers, which use limestone in their operations. Acting as agent for Talen Generation, Talen Energy Marketing has entered into limestone contracts with suppliers that will provide limestone for those plants through 2016. Annual limestone requirements range from approximately 400,000-500,000 tons.

Maryland

Talen Energy Marketing actively manages Talen Energy's coal requirements for the Maryland plants by purchasing coal principally from mines located in central and northern Appalachia and the western U.S.

Coal inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues and other supplier or transporter operating difficulties. Raven subsidiaries, by and through their agent Talen Energy Marketing, have agreements in place that satisfy the majority of projected coal needs for the Maryland power plants through 2018 and will augment with spot market purchases, as needed.

Coal is transported to the Maryland plants by rail car and/or barge service. See *Certain Relationships and Related Party Transactions* BargeCo Agreement.

The Brandon Shores station is equipped with FGD or Scrubbers, which use limestone in their operations. Acting as agent for a Raven subsidiary, Talen Energy Marketing has entered into limestone contracts with suppliers that will provide limestone for this plant through 2016.

Montana

Talen Montana owns a 30% interest in Colstrip Unit 3 and NorthWestern owns a 30% interest in Colstrip Unit 4. Talen Montana and NorthWestern have a sharing agreement that governs each party's responsibilities and rights

relating to the operation of Colstrip Units 3 and 4. Under the terms of that agreement, each party is responsible for 15% of the total non-coal operating and construction costs of Colstrip Units 3 and 4, regardless of whether a particular cost is specific to Colstrip Unit 3 or 4, and is entitled to take up to 15% of the available generation from Units 3 and 4. Each party is responsible for its own coal costs. Talen Montana, with the other

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Colstrip owners, is party to contracts to purchase 100% of its coal requirements with defined coal quality characteristics and specifications. Talen Montana, with the other Colstrip Units 1 and 2 owner, has a long-term purchase and supply agreement with the current supplier for Units 1 and 2, which provides these units 85% to 100% of their coal requirements (at owners' option) from January 2015 through December 2019. Talen Montana, with the other Colstrip Units 3 and 4 owners, has a long-term coal supply contract for Units 3 and 4, which provides these units 100% of their coal requirements through December 2019.

These units were originally built containing Scrubbers and Talen Montana has entered into a long-term contract to purchase the limestone requirements for these units. The contract extends through December 2030.

Nuclear

The nuclear fuel cycle consists of several material and service components: the mining and milling of uranium ore to produce uranium concentrates; the conversion of these concentrates into uranium hexafluoride, a gas component; the enrichment of the hexafluoride gas; the fabrication of fuel assemblies for insertion and use in the reactor core; and the temporary storage and final disposal of spent nuclear fuel.

Susquehanna Nuclear has a portfolio of supply contracts, with varying expiration dates, for nuclear fuel materials and services. These contracts are expected to provide sufficient fuel to permit Unit 1 to operate into the first quarter of 2020 and Unit 2 to operate into the first quarter of 2019. Susquehanna Nuclear anticipates entering into additional contracts to ensure continued operation of the nuclear units.

Federal law requires the U.S. government to provide for the permanent disposal of commercial spent nuclear fuel, but there is no definitive date by which a repository will be operational. As a result, it was necessary to expand Susquehanna nuclear plant's on-site spent fuel storage capacity. To support this expansion, PPL Susquehanna contracted for the design and construction of a spent fuel storage facility employing dry cask fuel storage technology. The facility is modular, so that additional storage capacity can be added as needed. The facility began receiving spent nuclear fuel in 1999. Susquehanna Nuclear estimates, under current operating conditions, that there is sufficient storage capacity in the spent nuclear fuel pools and the on-site spent fuel storage facility at the Susquehanna nuclear plant to accommodate spent fuel discharged through approximately 2017. If necessary, the on-site spent fuel storage facility can be expanded, assuming appropriate regulatory approvals are obtained, such that, together, the spent fuel pools and the expanded dry fuel storage facility will accommodate all of the spent fuel expected to be discharged through 2044, the current licensed life of the plant.

In 1996, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the Nuclear Waste Policy Act imposed on the DOE an unconditional obligation to begin accepting spent nuclear fuel on or before January 31, 1998. In January 2004, Susquehanna Nuclear filed suit in the U.S. Court of Federal Claims for unspecified damages suffered as a result of the DOE's breach of its contract to accept and dispose of spent nuclear fuel. In May 2011, Susquehanna Nuclear entered into a settlement agreement with the U.S. Government relating to Susquehanna Nuclear's lawsuit. The settlement included reimbursement of certain costs to store spent nuclear fuel at the Susquehanna nuclear plant incurred from 1998 through December 31, 2013, and Susquehanna Nuclear received payments for its claimed costs for those periods. In exchange, Susquehanna Nuclear waived any claims against the U.S. government for costs paid or injuries sustained related to storing spent nuclear fuel at the Susquehanna nuclear plant through December 31, 2013. In January 2014, Susquehanna Nuclear entered into a new agreement with the DOE to extend the settlement agreement on the same terms as the prior agreement for an additional three years to the end of 2016.

Franchises and Licenses

Talen Energy Marketing has a license from the DOE to export electric energy to Canada. Talen Energy Marketing also has a permit from the National Energy Board of Canada to export firm and interruptible energy from Canada to the United States.

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Susquehanna Nuclear operates Units 1 and 2 pursuant to NRC operating licenses that expire in 2042 for Unit 1 and in 2044 for Unit 2.

In 2008, a Talen Energy subsidiary, Bell Bend, LLC, submitted a COLA to the NRC for a new nuclear generating unit (Bell Bend) to be built adjacent to the Susquehanna nuclear plant. Also in 2008, the COLA was formally docketed and accepted for review by the NRC. Talen Energy does not expect the COLA review process with the NRC to be completed prior to 2018. See Note 4 to audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for additional information.

Holtwood, LLC, a subsidiary of Talen Generation that owns hydroelectric generating operations in Pennsylvania, operates the Holtwood and Wallenpaupack hydroelectric generating plants pursuant to FERC-granted licenses that expire in 2030 and 2045, respectively.

In connection with the relicensing of these generating facilities, applicable law permits the FERC to relicense the original licensee or license a new licensee or allow the U.S. government to take over the facility. If the original licensee is not relicensed, it is compensated for its net investment in the facility, not to exceed the fair value of the property taken, plus reasonable damages to other property affected by the lack of relicensing.

Employees

At June 30, 2015, Talen Energy and its subsidiaries had 5,128 full-time employees, 2,751 of which were represented by labor unions. These numbers include union employees of mechanical contracting subsidiaries and tend to fluctuate due to the nature of the mechanical contractors' business.

Legal Matters

We are involved in legal proceedings, claims and litigation in the ordinary course of business. We cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted. See Note 9 to the audited consolidated financial statements of Talen Energy Supply and Note 10 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus.

Sierra Club Litigation

In March 2013, the Sierra Club and MEIC filed a complaint in the U.S. District Court, District of Montana, Billings Division against Talen Montana and the other Colstrip Steam Electric Station (Colstrip) owners: Avista Corporation, Puget Sound Energy, Portland General Electric Company, NorthWestern Corporation and PacifiCorp. Talen Montana operates Colstrip on behalf of the owners. The complaint alleged certain violations of the Clean Air Act, including New Source Review, Title V and Opacity requirements and listed 39 separate claims for relief. The complaint requested injunctive relief and civil penalties on average of \$36,000 per day per violation, including a request that the owners remediate environmental damage and that \$100,000 of the civil penalties be used for beneficial mitigation projects.

In July 2013, the Sierra Club and MEIC filed an additional Notice of Intent to Sue, identifying additional plant projects that are alleged not to be in compliance with the Clean Air Act and, in September 2013, filed an amended complaint. The amended complaint dropped all claims regarding pre-2001 plant projects, as well as the plaintiffs' Title V and Opacity claims. It did, however, add claims with respect to a number of post-2000 plant projects, which effectively increased the number of projects subject to the litigation by about 40. Talen Montana and the other Colstrip owners filed a motion to dismiss the amended complaint in October 2013. In May 2014, the court dismissed the

plaintiffs' independent Best Available Control Technology claims and their Prevention of Significant Deterioration (PSD) claims for three projects, but denied the owners' motion to dismiss the plaintiffs' other PSD claims on statute of limitation grounds. In August 2014, the Sierra Club and MEIC filed a second amended complaint. This complaint includes the same causes of action articulated in the first amended

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complaint, but in regard to only eight projects done between 2001 and 2013. In September 2014, the Colstrip owners filed an answer to the second amended complaint. Discovery closed in the first quarter of 2015, and in April, the plaintiffs indicated they intend to pursue claims related to only four of the remaining projects. The case has been bifurcated as to liability and remedy, and the liability trial is currently set for March 2016. A trial date with respect to remedy, if there is a finding of liability, has not been scheduled. Talen Energy believes Talen Montana and the other owners have defenses to the allegations set forth in the amended complaint and will vigorously assert the same.

Notice of Intent to File Suit

In October 2014, Talen Energy received a notice letter from the Chesapeake Bay Foundation (CBF) alleging violations of the Clean Water Act and Pennsylvania Clean Streams Law at the Brunner Island generation plant. The letter was sent to Brunner Island, LLC and the PADEP and is intended to provide notice of the alleged violations and CBF 's intent to file suit in Federal court after expiration of the 60 day statutory notice period. Among other things, the letter alleges that Brunner Island, LLC failed to comply with the terms of its National Pollutant Discharge Elimination System permit and associated regulations related to the application of nutrient credits to the facility 's discharges of nitrogen into the Susquehanna River. The letter also alleges that PADEP has failed to ensure that credits generated from nonpoint source pollution reduction activities that Brunner Island, LLC applies to its discharges meet the eligibility and certification requirements under PADEP 's nutrient trading program regulations. If a lawsuit is filed by CBF, Talen Energy expects CBF to seek injunctive relief, monetary penalties, fees and costs of litigation.

Montana Regional Haze

In September 2012, the EPA Region 8 developed a regional haze Federal Implementation Plan (FIP) for Montana. The final FIP assumed no additional controls for Corette or Colstrip Units 3 and 4, but proposed stricter limits for Corette and Colstrip Units 1 and 2. Talen Montana was meeting these stricter permit limits at Corette without any significant changes to operations, although other requirements have led to the suspension of operations and retirement of Corette in March 2015. The stricter limits at Colstrip Units 1 and 2 would require additional controls to meet more stringent nitrogen oxides and sulfur dioxide limits, the cost of which could be significant. Both Talen Montana and environmental groups appealed the final FIP to the U.S. Court of Appeals for the Ninth Circuit where oral argument was heard in May 2014. On June 9, 2015, the Ninth Circuit issued a decision that vacated as arbitrary and capricious the portions of the FIP setting stricter emissions limits for Colstrip Units 1 and 2 and Corette. The Ninth Circuit upheld EPA 's decision not to require further emissions reductions at Colstrip Units 3 and 4. The Ninth Circuit opinion requires EPA to now reissue a FIP that is consistent with the opinion.

Colstrip Wastewater Facility Administrative Order on Consent

Talen Montana is party to an Administrative Order on Consent (AOC) with the MDEQ related to operation of the wastewater facilities at the Colstrip power plant. In September 2012, Earthjustice, on behalf of Sierra Club, MEIC, and the National Wildlife Federation, filed an affidavit under Montana 's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana 's Board of Environmental Review. Talen Montana elected to have this proceeding conducted in Montana state district court, and in October 2012, Earthjustice filed a petition for review in Montana state district court in Rosebud County. This matter was stayed in December 2012 pending the outcome of separate litigation where the same environmental groups challenged the AOC in a writ of mandamus. That litigation was resolved in May 2013 when defendants Talen Montana and MDEQ won their motions to dismiss the matter, and the environmental groups did not appeal. In April 2014, Earthjustice filed successful motions for leave to amend the petition for review and to lift the stay. Talen Montana and the MDEQ responded to the amended petition and filed partial motions to dismiss in July 2014, which were denied in October 2014. Discovery is ongoing, and a bench trial is set for April 2016.

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Competition

Since the early 1990s, there has been increased competition in U.S. energy markets because of federal and state competitive market initiatives. Although some states, such as Pennsylvania, Texas and Montana, have created a competitive market for electricity generation, other states continue to consider different types of regulatory initiatives concerning competition in the power and gas industries. Some states that were considering creating competitive markets have slowed their plans or postponed further consideration. In addition, states that have created competitive markets have, from time to time, considered new market rules and re-regulation measures that could result in more limited opportunities for competitive energy suppliers. Interest in re-regulation, however, has slowed due to recent declining power prices. As such, the markets in which we participate are highly competitive.

The power generation business is a regional business that is diverse in terms of industry structure and fundamentals. Demand for electricity may be met by generation capacity based on several competing generation technologies, such as natural gas-fired, coal-fired or nuclear generation, as well as power generation facilities fueled by alternative energy sources, including hydro power, synthetic fuels, solar, wind, wood, geothermal, waste heat and solid waste sources. We face competition in wholesale markets for available energy, capacity and ancillary services. Competition is impacted by electricity and fuel prices, congestion along the power grid, subsidies provided by state and federal governments for new generation facilities, new market entrants, construction of new generating assets, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. We primarily compete with other electricity suppliers based on our ability to aggregate generation supply at competitive prices from different sources and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities, ISOs and RTOs. Competitors in wholesale power markets include regulated utilities, industrial companies, NUGs, competitive subsidiaries of regulated utilities and other energy marketers. See *Risk Factors* *Risks Related to Our Business*, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Notes 11 and 15 to the audited consolidated financial statements of Talen Energy Supply included elsewhere in this prospectus for more information concerning the risks faced with respect to competitive energy markets.

Seasonality

The demand for and market prices of electricity and natural gas are affected by weather. As a result, our operating results in the future may fluctuate substantially on a seasonal basis, especially when more severe weather conditions such as heat waves or extreme winter weather make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned, the retail load served and the terms of contracts to purchase or sell electricity. See *Environmental Matters* below for additional information regarding climate change.

Environmental Matters

The following is a discussion of the more significant environmental matters. See Note 9 to the audited consolidated financial statements of Talen Energy Supply and Note 10 to the unaudited condensed consolidated financial statements of Talen Energy included elsewhere in this prospectus for additional information on environmental matters.

Climate Change & GHG Regulations

Physical effects associated with climate change, including changes in weather patterns and/or rainfall, could impact our generation assets and the electricity transmission and delivery systems it utilizes. Federal and state initiatives to prepare U.S. infrastructure for these impacts could result in binding obligations for energy suppliers. We cannot currently predict whether its businesses will experience these potential risks or estimate the cost of their related

consequences.

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Since President Obama's Climate Action Plan was released in June 2013, the EPA has proposed GHG regulations for new and existing power plants that could have a significant industry-wide impact, including potential significant impacts to our generating plants depending on outcomes related to the existing plant rule in particular. We are evaluating pre-publication versions of the EPA's final rules for implementing the existing plant requirements, which were issued on August 3, 2015, along with a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan.

Exemptions for Startup, Shutdown and Malfunction Events

In May 2015, the EPA released a final rule which prohibits states from exempting startup, shutdown and malfunction (SSM) events from compliance requirements in State Implementation Plans (SIPs). The rule sets forth findings that SSM provisions in the SIPs of the states that fail to meet the requirements, and issues a SIP call for each of those states. Affected states, including Texas and Montana, must submit revised provisions by November 22, 2016. Revisions to SIP or other regulations in other non-affected states where we operate could result from this action. The EPA's final rule is being challenged in federal appellate court.

Waters of the United States (WOTUS)

In June 2015, the EPA and the U.S. Army Corps of Engineers (Army Corps) published their final rule redefining the term WOTUS. The rule, which became effective on August 28, 2015 except in the 13 states that were granted a stay by the U.S. District Court for the District of North Dakota, identifies six types of categorically jurisdictional waters and two categories of waters for which case-by-case evaluations are needed to determine whether a significant nexus exists. The 13 states where the rule was stayed include Montana and Arizona. We are currently evaluating the rule, and while no material impacts to existing operations are anticipated, the redefinition could impact future development actions such as gas infrastructure expansions. The final rule is continuing to be challenged in federal court.

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs, imposing extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements and closure and post-closure care requirements on CCR impoundments and landfills that are located at active power plants and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous waste under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The CCR rule will become effective on October 19, 2015. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. We expect that our plants using surface impoundments for management and disposal of CCRs, or that previously managed CCRs and continue to manage wastewaters will be most impacted by this rule. Requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. We also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications, or to implement various compliance strategies. The final CCR rule is being challenged in federal court.

We continue to review the rule and are evaluating its financial and operational impact. During the six month period ended June 30, 2015, \$33 million of increases to existing AROs were recorded. Further changes to AROs may be required as estimates are refined and analysis of the rule continues as well as during the implementation of the rule.

Effluent Limitation Guidelines (ELGs) and Standards

In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA's review of available treatment

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technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELG regulations also contain some requirements that would affect the inspection and operation of CCR facilities, if finalized as proposed. The proposal contains several alternative approaches, some of which could significantly impact our coal-fired plants. The final regulation is expected to be issued in the fall of 2015. At the present time, we are unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant.

Clean Water Act/316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed considerable authority to make site-specific determinations under the rule, which requires existing facilities to choose between several options to reduce impingement and entrainment. Plants already equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial compliance costs. Plants equipped with once-through cooling water systems would likely require additional technology to comply with the rule. We are evaluating compliance strategies, but do not presently expect material compliance costs. The EPA's final rule is being challenged in federal court.

MATS

In February 2012, the EPA finalized the MATS rule requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015 with one- and two-year extension opportunities. The rule was challenged by industry groups and states, and was upheld by the D.C. Circuit Court of Appeals in April 2014. A group of states subsequently petitioned the U.S. Supreme Court to review this decision and on March 25, 2015 oral arguments were heard as to one issue whether or not EPA unreasonably refused to consider costs when determining whether the MATS regulation was appropriate and necessary. The U.S. Supreme Court issued its decision in June 2015 finding that the EPA acted unreasonably. The MATS Rule remains in effect pending further actions by the D.C. Circuit Court of Appeals and the EPA.

CSAPR

The EPA's CSAPR addresses the interstate transport of fine particulates and ozone by regulating emissions of sulfur dioxide and nitrogen oxide. In accordance with an October 2014 D.C. Circuit Court of Appeals decision, CSAPR establishes interstate allowance trading programs for sulfur dioxide and nitrogen oxide emissions from fossil-fueled plants in two phases: Phase 1 in 2015 and Phase 2 trading is expected to commence in 2017. Legal challenges to CSAPR are on-going in federal and state courts. Although we do not currently anticipate incurring significant costs to comply with these programs, changes in market or operating conditions could result in impacts that are higher than anticipated.

Regional Haze

The EPA's regional haze programs were developed under the Clean Air Act to eliminate man-made visibility degradation by 2064. Under the programs, states are required to make reasonable progress every decade, through the application, among other things, of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977. The primary power plant emissions affecting visibility are sulfur dioxide, nitrogen oxides and particulates. To date, the focus of regional haze regulation has been primarily in the western U.S.

As for the eastern United States, the EPA determined that region-wide reductions under the CSAPR trading program could, in most instances, be utilized under state programs to satisfy BART requirements for sulfur dioxide and nitrogen oxides. However, the EPA's determination is being challenged by environmental groups and others and, therefore, the future impacts of regional haze on our plants in the eastern U.S. cannot be meaningfully estimated at this time. See "Legal Matters" in Note 10 to the unaudited condensed consolidated

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financial statements of Talen Energy for information on a legal decision recently issued by the Ninth Circuit Court of Appeals in a case challenging EPA's final Regional Haze Federal Implementation Plan (FIP) for Montana.

National Ambient Air Quality Standards

In 2008, the EPA revised downward the National Ambient Air Quality Standard (NAAQS) for ozone. As a result, states in the ozone transport region (OTR), including Pennsylvania, Maryland, and New Jersey, are required by the Clean Air Act to impose additional reductions in nitrogen oxide emissions based upon reasonably available control technologies (RACT). In 2015, the PADEP is expected to finalize a RACT rule requiring some fossil-fueled plants to operate at more stringent nitrogen oxide emission rates. Maryland coal plants operated at reduced nitrogen oxide emission rates during the 2015 ozone season in order to comply with an emergency action issued by its Governor, and the MDE is developing post-2015 nitrogen oxide regulations for Maryland coal plants that could also be finalized by the end of 2015. MDE and the Governor of Maryland have been sued by some environmental groups on the grounds that the nitrogen oxide regulations developed under the previous administration, and later withdrawn, were a final agency action. In the near future, the EPA is again expected to revise downward the ozone standard as it proposed in November 2014. This could lead to further nitrogen oxide reductions for our fossil-fueled plants within the OTR. The EPA is under court order to finalize the standard by October 1, 2015. State and federal efforts to address interstate transport issues associated with ozone national ambient air quality standards, including increased pressure by state environmental agencies to further reduce nitrogen oxide emissions from plants with selective catalytic reduction, could potentially lead to further emission reductions.

In 2010, the EPA finalized a more stringent NAAQS for sulfur dioxide and required states to identify areas that meet the standard and areas that are in non-attainment . In July 2013, the EPA finalized non-attainment designations for parts of the country where attainment is due by 2018. States are working on designations for other areas pursuant to a consent decree between the EPA and Sierra Club approved on March 2, 2015, with 2017 or 2020 deadlines depending on which designation methodology (monitoring or modeling) is selected.

In December 2012, the EPA issued final rules that tighten the annual NAAQS for fine particulates. The rules were challenged by industry groups and upheld by the D.C. Circuit Court of Appeals in May 2014. Final designations for the 2012 particulate standard were published in January 2015, including non-attainment areas in Pennsylvania; however, the EPA recently approved a state implementation plan revision that improved this classification.

Until final rules are promulgated, non-attainment designations are finalized, and state compliance plans are developed, we cannot predict the ultimate outcome of the new NAAQS for ozone, sulfur dioxide and particulate matter on our fleet or plants.

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The following table sets forth certain information concerning directors and executive officers of Talen Energy. Ages are as of June 30, 2015.

Name	Age	Position
Paul A. Farr	48	President, Chief Executive Officer and Director
Jeremy R. McGuire	43	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Clarence J. Hopf, Jr.	58	Senior Vice President and Chief Commercial Officer
Timothy S. Rausch	50	Senior Vice President and Chief Nuclear Officer
James E. Schinski	56	Senior Vice President and Chief Administrative Officer
Paul M. Breme	44	Vice President, General Counsel and Corporate Secretary
Ralph Alexander	60	Director
Frederick M. Bernthal	72	Director
Edward J. Casey, Jr.	57	Director
Philip G. Cox	63	Director
Louise K. Goeser	61	Director
Stuart E. Graham	69	Chairman
Michael B. Hoffman	64	Director

Executive Officers

The executive officers of Talen Energy consist of the following executives.

Paul A. Farr, *President, Chief Executive Officer and Director*, has served as President and Chief Executive Officer of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Farr is also a director of Talen Energy. He served as President of PPL Energy Supply, LLC and PPL Generation, LLC from June 2014 until the completion of the Talen Transactions. He also previously served as Executive Vice President and Chief Financial Officer of PPL since April 2007 and, in that role, was instrumental in PPL's acquisition of \$14 billion in utility businesses through two major transactions that transformed PPL and provided a more stable foundation for future growth. He also served as Senior Vice President-Financial of PPL from 2006 through March 2007 and in the Controller role for PPL from August 2004 to 2006. Mr. Farr joined PPL in 1998 and served in various senior management roles, including for over three years as Chief Operating Officer of PPL Global, LLC, the PPL affiliate that, through its subsidiaries, owns and operates PPL's regulated electricity distribution businesses in the U.K. Prior to joining PPL, Mr. Farr served as an international project finance manager for Illinova Generating Company and as a certified public accountant at Price Waterhouse LLP and Arthur Andersen.

Jeremy R. McGuire, *Senior Vice President, Chief Financial Officer and Chief Accounting Officer*, has served as Senior Vice President and Chief Financial Officer of Talen Energy since the completion of the Talen Transactions in June 2015. On August 21, 2015, Mr. McGuire assumed the role of acting Chief Accounting Officer of Talen Energy, which he will hold until a permanent replacement is chosen to fill the vacancy created by the resignation of J. Matt Simmons, Jr., who resigned from Talen Energy effective August 21, 2015 to accept a position at another company. Mr. McGuire has 20 years of financing and strategic advisory experience, and led the strategic planning function at PPL from 2008 until the completion of the Talen Transactions. He led several competitive power generation transactions for PPL, both as buyer and seller, comprising 2,500 megawatts of capacity. With Mr. Farr, he also played a leading role in PPL's acquisition of \$14 billion in utility businesses. Prior to joining PPL in 2008, Mr. McGuire was an investment banker at Lehman Brothers since 2000, where he worked with regulated utilities, independent power

producers and private equity clients. Prior to joining Lehman Brothers, Mr. McGuire had more than five years of additional experience in the investment banking industry.

Clarence J. Hopf, Jr., *Senior Vice President and Chief Commercial Officer*, has served as Senior Vice President and Chief Commercial Officer of Talen Energy since the completion of the Talen Transactions in June

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2015. He served as Senior Vice President-Fossil and Hydro Generation for PPL Energy Supply, LLC from August 2014 until the completion of the Talen Transactions. Mr. Hopf has more than 30 years of experience in the electricity business, as well as expertise in risk management and credit issues. He began his career in power plant operations at PSI Energy in Indiana, where he advanced to supervisor of PSI's energy control center before the company merged with Cincinnati Gas and Electric to form Cinergy. He was supervisor of Cinergy's control center before becoming Director of Midwest Trading. Mr. Hopf advanced to Managing Director of Trading and Operations for Cinergy before joining Ameren Energy in 1999. He spent four years as a vice president at Ameren Energy, where he was responsible for an asset-backed operation similar to that of PPL. In 2003, Mr. Hopf became Vice President of Energy Trading for Goldman Sachs in New York, where he developed that company's 24-hour energy trading operation. Mr. Hopf joined PPL in October 2005 as Senior Vice President-Energy Marketing for PPL EnergyPlus, LLC. He was named president of PPL EnergyPlus, LLC in July 2006 before leaving the company to accept a position with PSEG as President of its energy marketing and trading subsidiary in 2008. He rejoined PPL EnergyPlus, LLC in 2012 and directed coal trading and supply, and later the wholesale marketing function, before being named Eastern Trading Vice President in March 2014.

Timothy S. Rausch, *Senior Vice President and Chief Nuclear Officer*, has served as Senior Vice President and Chief Nuclear Officer of Talen Energy since the completion of the Talen Transactions in June 2015. He served as PPL Generation, LLC's Senior Vice President and Chief Nuclear Officer, with responsibility for the Susquehanna nuclear plant, from July 2009 until the completion of the Talen Transactions. He has 25 years of experience in virtually all the disciplines of the nuclear power industry. He began his nuclear career with GPU Nuclear Corp. as an operator training instructor at the Oyster Creek plant in New Jersey. After moving to the Perry nuclear plant in Ohio, he served as emergency operations procedures coordinator, as supervisor of operations, as training manager, as quality manager, as manager of engineering and as manager of maintenance before being named plant general manager in 2002. In 2004, he accepted a position with Exelon Nuclear Corp. as design engineering director for that company's fleet of 17 nuclear units. In 2005, he was promoted to engineering director for the Exelon fleet, and then in 2006, he was named Site Vice President at that company's Oyster Creek plant.

James E. Schinski, *Senior Vice President and Chief Administrative Officer*, has served as Senior Vice President and Chief Administrative Officer of Talen Energy since the completion of the Talen Transactions in June 2015. He joined PPL Services in 2009 as Vice President-Chief Information Officer and served in that role until July 2014. From July 2014 until the completion of the Talen Transactions, he served in a Vice President role to assist Talen Energy senior management in the transition from PPL to Talen Energy. Prior to joining PPL, Mr. Schinski served as Chief Information Officer and Vice President of Human Resources for the Midwest Independent System Operator since 2004, where he was responsible for design, development, implementation and operation of technology systems for one of the country's largest electricity markets. He began his career as an engineer for the former Philadelphia Electric Company at the Limerick and Peach Bottom nuclear power plants.

Paul M. Breme, *Vice President, General Counsel and Corporate Secretary*, has served as Vice President, General Counsel and Corporate Secretary of Talen Energy since the completion of the Talen Transactions in June 2015. He joined PPL's Office of General Counsel in 2008 from the law firm of Cahill, Gordon & Reindel LLP in New York, where he specialized in corporate law and finance for two years. At PPL, he served as Counsel from 2008 to 2009, as Senior Counsel until 2012 and as Associate General Counsel from 2012 until the completion of the Talen Transactions. He previously worked in the legal department of CapitalSource, a Maryland-based finance company from 2001 until 2007, and began his legal career as an associate at the law firm of King & Spalding in Atlanta in 1999. He is a U.S. Army veteran and served as a first lieutenant for an armored tank battalion.

Directors

The board of directors of Talen Energy consists of the following directors, a majority of whom are not employees of Talen Energy or its affiliates and satisfy the independence requirements of the SEC and NYSE. We

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have listed below biographical information for each person who is currently a member of the board of directors of Talen Energy, in addition to Mr. Farr.

Ralph Alexander has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Alexander is a Partner of Riverstone. Riverstone is an energy and power-focused private equity firm founded in 2000. Before joining Riverstone in September 2007, Mr. Alexander served nearly 25 years in various positions with subsidiaries and affiliates of BP plc, one of the world's largest oil and gas companies. From June 2004 until December 2006, he served as Chief Executive Officer of Innovene, BP's \$20 billion olefins and derivatives subsidiary. From 2001 until June 2004, he served as Chief Executive Officer of BP's Gas, Power and Renewables and Solar segment and was a member of the BP group executive committee. Prior to that, Mr. Alexander served as a Group Vice President in BP's Exploration and Production segment and BP's Refinery and Marketing segment. He held responsibilities for various regions of the world, including North America, Russia, the Caspian, Africa, and Latin America. Prior to these positions, Mr. Alexander held various positions in the upstream, downstream and finance groups of BP. In addition to serving on the boards of a number of Riverstone portfolio companies and their affiliates, Mr. Alexander has served on the board of EP Energy Corporation since September 2013, the board of the general partner of Enviva Partners, LP since November 2013 and the board of Niska Gas Storage Partners LLC since December 2014. In addition, Mr. Alexander is currently Chairman of the Board of Polytech Institute of New York University. He previously served on the boards of Stein Mart, Inc. (2007-June 2014), KiOR, Inc. (2011-May 2013) and Amyris, Inc. (2007-July 2013). Mr. Alexander was appointed to our board of directors by the Riverstone Holders pursuant to the Stockholder Agreement described below. We believe Mr. Alexander's extensive experience with the energy industry enables him to provide critical insight and guidance to our management team and board of directors.

Frederick M. Bernthal has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Dr. Bernthal is the retired President of Universities Research Association (URA), a position he held from 1994 until March 2011. URA is a consortium of research universities engaged in the construction and operation of major research facilities on behalf of the U.S. Department of Energy and the National Science Foundation. Dr. Bernthal served from 1990 to 1994 as Deputy Director of the National Science Foundation, from 1988 to 1990 as Assistant Secretary of State for Oceans, Environment and Science, and from 1983 to 1988 as a member of the U.S. Nuclear Regulatory Commission. Dr. Bernthal served as a director of PPL from 1997 until the completion of the Talen Transactions. Having served as a member of the Nuclear Regulatory Commission and considering his governmental and leadership experience, Dr. Bernthal brings to our board of directors a unique point of view and knowledge vital to a company having nuclear operations.

Edward J. Casey, Jr. has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Casey is Chief Operating Officer, and sits on the board of directors, of Serco Group plc, a company that provides professional, technology and management outsourcing services to governments, international agencies and corporations. Before accepting his current position in 2013, Mr. Casey served as Chief Executive Officer of the U.S. subsidiary of Serco Group plc, Serco Inc., from 2005 to 2013 and has sat on the board of Serco Inc. since 2006, including serving as Chairman from 2006 to 2013. Before joining Serco Inc., Mr. Casey worked for nine years in the energy business, including as President and Chief Executive Officer of NP Energy Inc., an energy marketing business he founded and later sold; President and Chief Operating Officer of Tenneco Energy until it was sold to El Paso Energy; and as Group President and as Chief Financial Officer for LG&E Energy Corp. Previously, Mr. Casey worked over ten years in investment banking and private equity, including with The Blackstone Group and Fremont Group LLC. Mr. Casey was appointed to our board of directors by the Riverstone Holders pursuant to the Stockholder Agreement described below. We believe that Mr. Casey's extensive executive leadership experience, as well as his specific knowledge of the energy and financial services industries, enables him to provide critical insight and guidance to our management team and board of directors.

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Philip G. Cox has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Cox retired in April 2013 as Chief Executive Officer of International Power plc, a global independent power producer based in the United Kingdom. He was promoted to that position in 2003 after serving in his previous role of Chief Financial Officer, a position he held since 2000. Before joining International Power, Mr. Cox served as Senior Vice President-Operational Planning at Invensys plc from 1999 to 2000 and in several financial roles at Siebe PLC, including Chief Financial Officer, from 1989 to 1999. Before joining Siebe, he served in several senior roles in both public and private industry, after beginning his career with Price Waterhouse in 1973, where he qualified as a Chartered Accountant in 1976. He was awarded a CBE (Commander of the British Empire) for services to the energy industry in 2013. Mr. Cox serves as Chairman of Drax Group plc and Wm Morrison Supermarkets PLC. He previously served on the boards of International Power Ltd. (2003-April 2013); Meggitt PLC (2012-January 2015); Tractebel Energia S.A. (2011-March 2013); and Wincanton plc (2001 to 2009). He also served as a director of PPL from May 2013 until the completion of the Talen Transactions. Having served as the CEO and CFO of a global energy company, as well as in other leadership and accounting roles throughout his career, enabling Mr. Cox to provide critical insight into organizational and operational management, global business and financial matters to our board of directors.

Louise K. Goeser has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Ms. Goeser is President and Chief Executive Officer of Grupo Siemens S.A. de C.V. and is responsible for Siemens Mesoamérica. Siemens Mesoamérica is the Mexican, Central American and Caribbean unit of multinational Siemens AG, a global engineering company operating in the industrial, energy and healthcare sectors. Before accepting this position in March 2009, Ms. Goeser served as President and Chief Executive Officer of Ford of Mexico from January 2005 until November 2008. Prior to this position, she served as Vice President, Global Quality for Ford Motor Company, a position she had held since 1999. In that position, she was responsible for ensuring superior quality in the design, manufacture, sale and service of all Ford cars, trucks and components worldwide. Prior to 1999, she served as Vice President for Quality at Whirlpool Corporation and served in various leadership positions with Westinghouse Electric Corporation. She serves as a director of MSC Industrial Direct Co., Inc. Ms. Goeser also served as a director of PPL from 2003 until the completion of the Talen Transactions. Her years of demonstrated leadership and business experience in a variety of industry and international positions enable Ms. Goeser to bring to our board of directors valuable insight into global organizational and operational management crucial to a large public company.

Stuart E. Graham has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Graham is non-executive Chairman of Sweden-based Skanska AB, an international project development and construction company. He served as President and CEO of Skanska from 2002 to 2008, and served on its board of directors for the same period of time. He continued to serve as chairman of Skanska USA Inc., a U.S. subsidiary, until May of 2011. From 2000 to 2002, Mr. Graham served as Executive Vice President of Skanska responsible for business units in the United States, the United Kingdom, Hong Kong and Latin America. Mr. Graham's career spans over four decades in the construction industry, including the construction, and in one case, the operation of, power plants in the United States and Latin America. He is past chairman of the Engineering and Construction Governors Council of the World Economic Forum and founded the Engineering and Construction Risk Institute. He serves on the boards of Harsco Corporation and Skanska AB, of which he is non-executive Chairman. Mr. Graham also served as a director of PPL from 2008 until the completion of the Talen Transactions. Having served as the CEO of a global construction firm, Mr. Graham brings to our board of directors a strong mix of operational and organizational skills and global business expertise, as well as leadership experience from a variety of public company boards, all of which are critical to Talen Energy.

Michael B. Hoffman has served as a member of the board of directors of Talen Energy since the completion of the Talen Transactions in June 2015. Mr. Hoffman is a Partner of Riverstone, where he is principally responsible for

investments in power and renewable energy for Riverstone. Riverstone is an energy and power-focused private equity firm founded in 2000. Before joining Riverstone in 2003, Mr. Hoffman was senior

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managing director and head of the mergers and acquisitions advisory business of The Blackstone Group for 15 years, where he also served on the firm's principal group investment committee as well as its executive committee. Prior to joining Blackstone, Mr. Hoffman was a managing director and co-head of the mergers and acquisitions department at Smith Barney, Harris Upham & Co. In addition to serving on the boards of a number of Riverstone portfolio companies and their affiliates, Mr. Hoffman currently serves as a director of Pattern Energy, Inc., as a director of the general partner of Enviva Partners, LP, and is the Chairman of Onconova Therapeutics, Inc. Until December 31, 2011, Mr. Hoffman served as an executive officer of Amaizeingly Green Products GP Ltd., which filed an application for a receivership order in Canada with the Ontario Superior Court of Justice under section 243(1) of the Bankruptcy and Insolvency Act on December 3, 2012. Mr. Hoffman was appointed to our board of directors by the Riverstone Holders pursuant to the Stockholder Agreement described below. We believe Mr. Hoffman's experience with the energy industry and extensive investment banking experience enables him to provide critical insight and guidance to our management team and board of directors.

Board Composition and Director Independence

Our business and affairs are managed under the direction of our board of directors.

The majority of our directors are independent as determined in accordance with the requirements of the SEC and NYSE.

Under our amended and restated certificate of incorporation, our board of directors initially consists of eight directors and thereafter shall, subject to the terms of the Stockholder Agreement described below, consist of such number of directors as may be determined from time to time by resolution of the board of directors. Each director holds office until his or her successor has been duly elected and qualified or until his or her earlier death, resignation or removal. Board vacancies or newly created directorships would ordinarily be filled by the affirmative vote of a majority of our directors then in office, even if less than a quorum, or by a sole remaining director, though, pursuant to the Stockholder Agreement, the Riverstone Holders would be entitled to designate any replacement of a director originally designated by the Riverstone Holders.

Pursuant to the terms of the Transaction Agreement and the Stockholder Agreement entered into between the Riverstone Holders and Talen Energy, the board of directors will nominate for election two members designated by the Riverstone Holders until such time as the Riverstone Holders no longer own at least 25% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions, after which time the board of directors will nominate for election one member designated by the Riverstone Holders for so long as the Riverstone Holders beneficially own at least 10% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions. Messrs. Alexander and Hoffman were the designees of the Riverstone Holders pursuant to this provision. The Riverstone Holders also have the right to designate one independent member to be nominated by the board of directors for election to the board of directors for so long as the Riverstone Holders own at least 10% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions. The Riverstone Holders designee pursuant to this provision was Mr. Casey. If a director designated by the Riverstone Holders pursuant to these rights is not elected by the stockholders, the Riverstone Holders are entitled to designate another individual to become a member of the board of directors and the board of directors will take such action as is necessary to appoint such individual to become a member of the board of directors, including, if applicable, by increasing the size of the board of directors and appointing such individual to fill the newly created vacancy. Pursuant to the Stockholder Agreement, after the first date on which the Riverstone Holders no longer own at least 25% of the of the common stock of Talen Energy outstanding at the completion of the Talen Transactions, the Riverstone Holders will cause one of directors previously designated by them (other than the independent director) to resign from the board of directors. After the first date on which the Riverstone Holders no longer own at least 10% of the common stock of Talen Energy

outstanding at the completion of the Talen Transactions, the Riverstone Holders will cause the other non-independent director previously designated by them to resign from the board of directors, but the independent director previously

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designated by the Riverstone Holders shall continue to serve his or her term as a director, though the board of directors will not be required to re-nominate such independent director at the next election of directors.

Committees of the Board of Directors

Our board of directors has the following committees, each of which operates under a written charter that satisfies the applicable standards of the SEC and the NYSE and has been posted to our website.

Audit Committee

The Audit Committee, which consists of Dr. Bernthal, Mr. Casey, Mr. Cox and Ms. Goeser, has the responsibility for, among other things, assisting the board of directors in reviewing: our financial reporting and other internal control processes; our financial statements; the independent auditors' qualifications and independence; the performance of our internal audit function and independent auditors; and our compliance with legal and regulatory requirements and our code of business conduct and ethics.

The board of directors has determined that Mr. Cox qualifies as an audit committee financial expert as that term is defined in the rules and regulations of the SEC and that all members are financially literate under the NYSE rules. Mr. Cox chairs the Audit Committee.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee (CGNC), which consists of Mr. Casey, Mr. Graham and Ms. Goeser, has the responsibility for, among other things, reviewing and approving the compensation and benefits of our executive officers, directors and compensation consultants, as well as identifying and recommending candidates to the board of directors for election to our board of directors, reviewing the composition of the board of directors and its committees, developing and recommending to the board of directors corporate governance guidelines that are applicable to us and overseeing board of directors evaluations. Mr. Graham chairs the CGNC.

Nuclear Oversight Committee

The Nuclear Oversight Committee, which consists of Dr. Bernthal and Messrs. Alexander, Graham and Hoffman, has the responsibility, among other things, to assist the board of directors in the fulfillment of its responsibilities for oversight of Talen Energy's nuclear operations; to advise company management on nuclear matters; and to provide advice and recommendations to the board of directors concerning the future direction of the company and management performance related to nuclear operations. Dr. Bernthal chairs the Nuclear Oversight Committee.

Code of Ethics for Senior Executives and Financial Officers and Code of Business Conduct and Ethics

Talen Energy has adopted a single code of business conduct and ethics, which is applicable to all employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions, as well as to our board of directors. The code of business conduct and ethics requires our employees to avoid actions or relationships that might conflict or appear to conflict with their job responsibilities or our interests and to disclose their outside activities, financial interests or relationships that may present a possible conflict of interest or the appearance of a conflict to management or corporate counsel. The code of business conduct and ethics also applies to our directors, as applicable. The code of business conduct and ethics does not, by itself, prohibit transactions with our principal stockholders. A copy of the code of business conduct and ethics is available on our website. We will promptly disclose any substantive changes in or waiver of, together with reasons for any waiver

of, this code granted to our executive officers, including our

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principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions, as well as our directors, by posting such information on our website.

Compensation of Directors

This section contains a description of the material terms of our compensation arrangements for certain of our directors. Directors who are company employees, such as Mr. Farr, or employees of Riverstone (or any of its subsidiaries), currently Messrs. Alexander and Hoffman, do not receive any separate compensation for service on the Board of Directors or committees of the Board of Directors. All of our directors are reimbursed for the out-of-pocket expenses they incur in connection with their service as directors.

Annual Retainer. Directors who are not employees of Talen Energy or of Riverstone (or any of their respective subsidiaries) receive an annual retainer of \$235,000, of which a minimum of \$130,000 is mandatorily allocated in quarterly installments to each director's deferred stock account under a Directors Deferred Compensation Plan (the DDCP). The remaining \$105,000 portion of the annual retainer is paid in cash in quarterly installments to each director, unless voluntarily deferred to his or her stock account or to his or her deferred cash account under the DDCP (as discussed below with respect to all retainers).

Each deferred stock unit represents the right to receive a share of Talen Energy common stock and is fully vested upon grant but is not paid to the director until after retirement (as discussed below with respect to payments under the DDCP). Deferred stock units do not have voting rights but accumulate quarterly dividend equivalents, if any, which are reinvested in additional deferred stock units, which also are not paid to the director until retirement.

Retainer for Chairman of the Board. Talen Energy provides an additional annual cash retainer of \$150,000 to its Chairman of the Board, who is an independent director. This retainer is paid in quarterly installments unless voluntarily deferred under the DDCP.

Committee Chair Retainers. The Audit Committee Chair receives an additional annual cash retainer of \$20,000, which is paid in quarterly installments unless voluntarily deferred under the DDCP. Each other committee chair receives an additional annual cash retainer of \$15,000, which is paid in quarterly installments unless voluntarily deferred under the DDCP.

Directors Deferred Compensation Plan.

On June 1, 2015, the Talen Energy board of directors adopted the Talen Energy Directors Deferred Compensation Plan. Pursuant to the DDCP, directors who are not employees of Talen Energy or of Riverstone (or any of their respective subsidiaries), may elect to defer all or any part of the fees and any retainer that is not part of the mandatory stock unit deferrals. Under this plan, directors can defer cash compensation other than the mandatory deferrals into a deferred cash account or a deferred stock account. The deferred cash account is expected to earn a return as if the funds had been invested in one or more of the core investment options offered to employees under our deferred savings plan. These investment accounts include large, mid and small cap index and investment funds, international equity index funds, target date funds, bond funds and a stable value fund. Payment of the amounts allocated to a director's deferred cash account and accrued earnings, together with deferred stock units and accrued dividend equivalents, if any, will be deferred until after the director's separation from service with the Talen Energy board of directors or reaches an elected age, at which time the deferred cash and stock will be disbursed in one or more annual installments for a period of up to ten years, as previously elected by the director.

Table of Contents**EXECUTIVE COMPENSATION**

As described below, Talen Energy has made the following determinations with respect to the compensation of the executive officers. Information as to the historical compensation by PPL of certain persons who have become executive officers of Talen Energy upon the completion of the Talen Transactions is not indicative of the compensation of those executives following the completion of the Talen Transactions. Accordingly, Talen Energy has not included information regarding compensation and other benefits paid to those executives prior to completion of the Talen Transactions.

As described above, our board of directors has a CGNC. The CGNC oversees and determines the compensation of the Chief Executive Officer and other executive officers of Talen Energy and evaluates and determines the appropriate executive compensation philosophy and objectives for Talen Energy and the process for establishing executive compensation. The CGNC evaluates and determines the appropriate design of Talen Energy's executive compensation program and may make adjustments to the compensation arrangements currently contemplated and described below. The CGNC has retained Frederic W. Cook & Co., Inc. (FW Cook), an independent compensation consulting firm, to provide advice and support to the CGNC in the design and implementation of the executive compensation program for Talen Energy.

Compensation Philosophy

Our CGNC reviews and considers our compensation philosophy and may make adjustments as it determines are necessary or appropriate. Talen Energy's compensation philosophy aims to attract, retain, and motivate key leadership and talent by providing a high upside and downside opportunity that supports an overall emphasis on at-risk compensation versus guaranteed pay that is necessary for our sustained long-term growth while aligning executives with the interests of its stockholders.

Primary Elements of Direct Compensation from Talen Energy

Our executive compensation program consists of the following key elements:

Base Salary

Base salary is the fixed element of an executive officer's annual cash compensation and is intended to attract and retain highly qualified executives and to compensate for expected day-to-day performance. Each of our executive officers is paid a base salary. Factors that our CGNC considers in making determinations about the base salaries for our executive officers include the executive officer's position, responsibilities associated with the job scope, experience, expertise, value to the organization and market factors, salary levels of the other members of our executive team, and our overall compensation philosophy. The base salaries of our Chief Executive Officer and other executive officers are determined in accordance with these criteria.

The following table illustrates the annual base salaries for 2015 approved by the CGNC for the officers that are expected to be Talen Energy's named executive officers with respect to 2015.

Name	Position	Base Salary
Paul A. Farr	President and Chief Executive Officer	\$ 950,000

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Jeremy R. McGuire	Senior Vice President, Chief Financial Officer and Chief Accounting Officer	\$ 463,000
Timothy S. Rausch	Senior Vice President and Chief Nuclear Officer	\$ 489,745
James E. Schinski	Senior Vice President and Chief Administrative Officer	\$ 400,000
Clarence J. Hopf, Jr.	Senior Vice President and Chief Commercial Officer	\$ 400,000

Annual Cash Incentive Compensation

Our executive officers are also eligible for annual cash incentive awards, which are intended to motivate the executive officers to achieve identified short-term company and business unit performance goals, to reward the executive officers for superior individual achievements in attaining those goals, and to align executive officers

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interests with those of our stockholders. Our CGNC has established an annual incentive plan and annual bonus framework for our executive officers.

Long-Term Equity-Based Incentive Awards

Our executive officers are eligible to participate in our long-term equity incentive compensation programs, which will motivate executive officers to achieve long-term performance goals, encourage them to remain in the employ of Talen Energy, and ensure goal alignment with Talen Energy stockholders. The amount and timing of any long-term equity-based incentive compensation to be paid or awarded to our executive officers is determined by our CGNC. Any equity incentive awards granted, paid or awarded to our executive officers will generally be granted pursuant to our equity incentive plan, as discussed below under **Stock Incentive Plan**.

In connection with the consummation of the Talen Transactions, the CGNC approved certain long-term equity-based incentive awards to the expected named executive officers. The following table illustrates the grants of stock options, restricted stock units (RSUs) and performance units granted to the expected named executive officers under the Stock Incentive Plan (as described below). The awards of stock options and RSUs were granted effective as of June 8, 2015 and the awards of performance units were granted effective as of July 1, 2015. The dollar value of the stock options, RSUs and performance units that each expected named executive officer received are as follows:

Name	Stock Options	RSUs	Performance Units
Paul A. Farr	\$ 2,375,000	\$ 2,375,000	\$ 1,194,165
Jeremy R. McGuire	\$ 428,275	\$ 428,275	\$ 236,334
Timothy S. Rausch	\$ 318,334	\$ 318,334	\$ 382,347
James E. Schinski	\$ 320,000	\$ 320,000	\$ 234,906
Clarence J. Hopf, Jr.	\$ 360,000	\$ 360,000	\$ 148,512

The dollar values described above were converted into a number of shares covered by the relevant awards using (1) a Black-Scholes valuation, in the case of the stock option grants, and (2) the five-day average closing trading prices of our shares on June 1 through June 5, 2015, in the case of the RSU grants and the performance unit grants. The stock options vest over a period of three years one third at the end of each anniversary of the grant date. The RSUs vest three years after the grant date, and the underlying shares will be delivered within 30 days following the relevant vesting date. In addition, to the extent dividends are paid on Talen Energy common stock, recipients of RSUs will be entitled to receive additional RSUs equal to the number of whole shares of Talen Energy common stock that could have been purchased if the common stock underlying the RSUs were eligible to receive such cash dividend on the date that any dividends may be paid. The additional RSUs will be subject to the same terms and conditions applicable to the underlying RSUs. The performance units vest thirty months after the grant date, with the payout of shares ranging from 0% to 200% of the target number of shares covered by the awards based on our total shareholder return over the performance period relative to our designated peer group. To the extent that dividends are paid on Talen Energy common stock while the performance units remain outstanding, the number of shares underlying the performance units will be increased to reflect the value of such dividends, with such additional shares subject to the same payment terms and conditions as the underlying performance units.

With respect to base salaries, annual cash incentive compensation and any long-term incentive awards, our CGNC develops programs reflecting appropriate measures, goals, targets and business objectives based on Talen Energy's competitive marketplace and makes any adjustments to the proposed elements of compensation described above that it determines are necessary or appropriate in its sole discretion. Our CGNC also determines the appropriate additional benefits and perquisites, if any, that it will make available to executive officers.

Perquisites and Other Benefits

In addition to its direct compensation, which includes salary, annual cash incentive and long-term incentive opportunities, Talen Energy provides carefully selected executive perquisites, consistent with market practices,

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which serve a direct business interest, such as financial planning services to assist executive officers, who generally have more complex financial situations than most employees, and severance protection in the event of termination of employment under limited circumstances.

Executive officers of Talen Energy are eligible for company-paid financial planning services. These services include financial planning, tax preparation support and a one-time payment for estate documentation preparation. These services would be provided in recognition of time constraints on busy executives and their more complex compensation program that requires professional financial and tax planning. We believe that good financial planning by experts reduces the amount of time and attention that executive officers must spend on such issues. Such planning also helps ensure that the objectives of our compensation programs are met and not hindered by unexpected tax or other consequences.

Talen Energy also provides for an executive physical every two years, not to exceed a cost of \$5,000. The benefit is beneficial to both the employee and to the company through reduced costs. Executive physical examinations offer a more thorough and intensive health screening, are comprehensive and include tests for rare diseases.

Potential Payments upon Termination

Executive Severance Plan

On June 1, 2015 the Talen Energy board of directors adopted the Talen Energy Executive Severance Plan. This plan provides severance benefits for executive officers terminated for reasons other than for cause. The key features of the plan include: (1) 12 or 24 months (depending on position) of base pay; (2) an allowance for benefit continuation for 12 or for 24 months (depending on position); and (3) outplacement or career services support for 12 months, subject to a maximum of \$25,000, or for 24 months, subject to a maximum of \$50,000 (depending on position). Severance benefits payable under this program are conditioned on the executive officer agreeing to release the company from any liability arising from the employment relationship.

Change in Control Protections

It is expected that the Talen Energy board of directors will adopt change in control protections in the event that an executive is terminated in connection with a change in control.

The decision to establish any executive severance policy or enter into any individual agreements that provide change in control protections, and final terms of any such policy or agreements will be in the sole discretion of our CGNC and may differ from the policies described above.

The consequences of a termination of employment upon any equity awards granted to our executive officers will be determined by our CGNC and provided in our stock incentive plan and applicable award agreements.

Stock Incentive Plan

On June 1, 2015, the Talen Energy board of directors adopted the Talen Energy 2015 Stock Incentive Plan (Stock Incentive Plan). The following is a description of the purpose and the material provisions of the Stock Incentive Plan.

Purpose

The purpose of the Stock Incentive Plan is to aid us and our affiliates in recruiting and retaining key employees, directors and other service providers and to motivate those employees, directors and other service providers to exert their best efforts on our behalf and on behalf of our affiliates by providing incentives through

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the granting of stock options, stock appreciation rights (SARs), other stock-based awards, and other performance-based awards.

Shares Subject to the Plan

The total number of shares of common stock that may be issued under the Stock Incentive Plan is 5,630,000, and the maximum number of shares for which incentive stock options (ISOs) may be granted is 2,000,000. Additionally, the maximum number of shares for which stock options or SARs may be granted to any participant in one fiscal year is 2,000,000. The issuance of shares of our common stock or the payment of cash upon the exercise of an award or in consideration of the cancellation or termination of an award will reduce the aggregate number of shares available under the Stock Incentive Plan. If shares are not issued or are withheld from payment of an award to satisfy tax obligations with respect to the award, such shares will not be added back to the aggregate number of shares with respect to which awards may be granted under the Stock Incentive Plan, but rather will count against the aggregate number of shares with respect to which awards may be granted. When a stock option or SAR is granted under the Stock Incentive Plan, the number of shares subject to the stock option or SAR will be counted against the aggregate number of shares with respect to which awards may be granted under the Stock Incentive Plan as one share for every share subject to such stock option or SAR, regardless of the actual number of shares (if any) used to settle such stock option or SAR upon exercise. Shares of our common stock covered by awards that terminate or lapse without the payment of consideration may be granted again under the Stock Incentive Plan.

Administration

The Stock Incentive Plan is administered by the CGNC or such other committee of our board of directors to which it has delegated such authority (the Committee). The Committee is authorized to interpret the Stock Incentive Plan, to establish, amend and rescind any rules and regulations relating to the Stock Incentive Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Stock Incentive Plan, and may delegate such authority as it deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Stock Incentive Plan in the manner and to the extent the Committee deems necessary or desirable. The Committee will have the full power and authority to establish the terms and conditions of any award consistent with the provisions of the Stock Incentive Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

Eligible Participants

Participants in the Stock Incentive Plan are selected by the Committee from the employees, directors and other service providers of us and our affiliates. The selection of those persons within a particular class who will receive awards is entirely within the discretion of the Committee, although the Stock Incentive Plan is structured to allow grants to be made to employees, directors and other service providers of us and our affiliates.

Limitations

No award may be granted under the Stock Incentive Plan after the tenth anniversary of the effective date of the Stock Incentive Plan, but awards theretofore granted may extend beyond that date.

Options

The Committee may grant non-qualified stock options and ISOs, which will be subject to the terms and conditions as set forth in the Stock Incentive Plan, the related award agreement and any other terms, not inconsistent therewith, as

determined by the Committee; provided that all stock options granted under the Stock Incentive Plan are required to have a per share exercise price that is not less than 100% of the fair market value

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of our common stock underlying such stock options on the date an option is granted (other than in the case of options granted in substitution of previously granted awards), and all stock options that are intended to qualify as ISOs will be subject to the terms and conditions that comply with the rules as may be prescribed by Section 422 of the Code. The maximum term for stock options granted under the Stock Incentive Plan will be ten years from the initial date of grant. The purchase price for the shares as to which a stock option is exercised will be paid to us, to the extent permitted by the Committee, (1) in cash or its equivalent at the time the stock option is exercised, (2) in shares having a fair market value equal to the aggregate exercise price for the shares being purchased and satisfying any requirements that may be imposed by the Committee, so long as the shares will have been held for such period established by the Committee in order to avoid adverse accounting treatment, (3) partly in cash and partly in shares, (4) if there is a public market for the shares at such time, through the delivery of irrevocable instructions to a broker to sell the shares being obtained upon the exercise of the stock option and to deliver to us an amount out of the proceeds of such sale equal to the aggregate exercise price for the shares being purchased, or (5) through a net settlement feature. The repricing of stock options is prohibited without prior approval of our shareowners, unless otherwise permitted by applicable stock exchange listing rules. Dividend equivalent payments or units will not be awarded with respect to stock options.

SARs

The Committee may grant SARs independent of or in connection with a stock option. The exercise price per share of a SAR will be an amount determined by the Committee but in no event will such amount be less than 100% of the fair market value of a share on the date the SAR is granted (other than in the case of SARs granted in substitution of previously granted awards). Generally, each SAR will entitle the participant upon exercise to an amount equal to the product of (1) the excess of (A) the fair market value on the exercise date of one share of common stock, over (B) the exercise price per share, times (2) the number of shares of common stock covered by the SAR. As discussed above with respect to options, the repricing of SARs is prohibited under the Stock Incentive Plan without prior approval of our shareowners, unless otherwise permitted by applicable stock exchange listing rules.

Other Stock-based Awards (including Performance-based Awards)

In addition to stock options and SARs, the Committee may grant or sell awards of shares, restricted shares, restricted stock units, dividend equivalents and awards that are valued in whole or in part by reference to, or otherwise based on the fair market value of, shares of our common stock, including performance-based awards. The Committee, in its sole discretion, may grant awards which are denominated in shares or cash (such awards, Performance-based Awards), which awards may, but are not required to, be granted in a manner which is intended to be deductible by us under Section 162(m) of the Code. Such Performance-based Awards will be in such form, and dependent on such conditions, as the Committee will determine, including, without limitation, the right to receive, or vest with respect to, one or more shares of our common stock or the cash value of the award upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The maximum amount of a Performance-based Award that may be earned during each fiscal year during a performance period by any participant will be: (x) with respect to Performance-based Awards that are denominated in shares, 750,000 shares and (y) with respect to Performance-based Awards that are denominated in cash, \$4,000,000. The amount of the Performance-based Award actually paid to a participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. Performance-based Awards will be determined based on attainment of one or more of the following objective performance goals, as determined by the Committee: (1) earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (2) net income; (3) operating income; (4) earnings per share; (5) book value per share; (6) return on shareowners' equity (including total shareowners' return); (7) expense management; (8) return on investment before or after the cost of capital; (9) improvements in capital structure; (10) profitability of an identifiable business unit or product; (11) maintenance or improvement of profit margins; (12) stock price; (13) market share; (14) revenues or sales;

(15) costs; (16) cash flow (or free cash flow); (17) working capital; (18) changes in net assets (whether or not multiplied by a constant percentage

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intended to represent the cost of capital); (19) return on assets; (20) credit rating; (21) improvement in workforce diversity; (22) employee retention; (23) closing of corporate transactions; (24) strategic plan development and implementation; and (25) independent industry ratings or assessments.

Effect of Certain Events on Stock Incentive Plan and Awards

In the event of any stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or transaction or exchange of shares or other corporate exchange, any equity restructuring (as defined under FASB Accounting Standard Codification 718), or any distribution to shareowners of common stock other than regular cash dividends or any similar event, the Committee, in its sole discretion and without liability to any person, will make such substitution or adjustment, if any, as it deems to be reasonably necessary to address, on an equitable basis, the effect of such event, as to (i) the number or kind of common stock or other securities that may be issued as set forth in the Stock Incentive Plan or pursuant to outstanding awards, (ii) the maximum number of shares for which options or SARs may be granted during a fiscal year to any participant, (iii) the maximum amount of a Performance-Based Award that may be granted during a fiscal year to any participant, (iv) the exercise price of any award and/or (v) any other affected terms of such awards. In the event of a Change in Control (as defined in the Stock Incentive Plan), with respect to any outstanding awards then held by participants which are unexercisable or otherwise unvested or subject to lapse restrictions, the Committee may, but will not be obligated to, in a manner intended to comply with the requirements of Section 409A of the Code, (1) accelerate, vest, or cause the restrictions to lapse with all or any portion of an award, (2) cancel awards for fair value (as determined in the sole discretion of the Committee), which, in the case of stock options and SARs, may equal the excess, if any, of the value of the consideration to be paid in the Change in Control transaction to holders of the same number of shares subject to such stock options or SARs over the aggregate exercise price of such stock options or SARs, (3) provide for the issuance of substitute awards or (4) provide that the stock options or SARs will be exercisable for all shares subject thereto for a period of at least 30 days prior to the Change in Control and that upon the occurrence of the Change in Control, the stock options or SARs will terminate and be of no further force or effect. The Committee may cancel stock options and SARs for no consideration if the fair market value of the shares subject to such options or SARs is less than or equal to the aggregate exercise price of such stock options or SARs.

Forfeiture and Clawback

The Committee may, in its sole discretion, specify in an award or a policy that is incorporated into an award by reference that the participant's rights, payments, and benefits with respect to such award will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions contained in such award. Such events may include, but are not limited to, termination of employment for cause, termination of the participant's provision of services to us, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the participant, or adverse restatement of our previously released financial statements as a consequence of errors, omissions, fraud, or misconduct.

Nontransferability of Awards

Unless otherwise determined by the Committee, an award will not be transferable or assignable by a participant otherwise than by a will or by the applicable laws of descent and distribution.

Amendment and Termination

The Talen Energy board of directors may generally amend, alter or discontinue the Stock Incentive Plan, but no amendment, alteration or discontinuation will be made (1) without the approval of our shareowners (a) to increase the

number of shares reserved under the Stock Incentive Plan, (b) to modify the requirements for participation in the Stock Incentive Plan or (c) to the extent such shareowner approval is required by or desirable

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to satisfy the requirements of any applicable law, including the listing standards of the securities exchange, which is, at the applicable time, the principal market for the shares of our common stock; or (2) without the consent of a participant, if such action would materially adversely impair any of the rights or obligations under any award theretofore granted to the participant under the Stock Incentive Plan; provided, however, that the Committee may amend the Stock Incentive Plan in such manner as it deems necessary to permit the granting of awards meeting the requirements of the Code or other applicable laws, including, without limitation, to avoid adverse tax or accounting consequences to us or any participant.

Section 409A of the Code

The Stock Incentive Plan and awards issued under it will be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations, and no award will be granted, deferred, accelerated, extended, paid out or modified under the Stock Incentive Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a participant.

Short-Term Incentive Plan

In June 2015, the Talen Energy board of directors adopted the Talen Energy short-term incentive plan (the *STIP*). The purpose of the *STIP* is to advance the interests of us and our stockholders by providing incentives in the form of periodic cash bonus awards to certain senior executive employees of us and our affiliates, thereby motivating such executives to attain corporate performance goals under the *STIP* (described below) while preserving for the benefit of us and our affiliates the associated U.S. federal income tax deduction. Section 162(m) of the Code, imposes limitations on the amount of compensation expense that a publicly held corporation may deduct for income tax purposes.

The following is a brief summary of the terms of the *STIP*.

Administration

The *STIP* is administered by the CGNC (the *STIP Committee*). The *STIP Committee* has the exclusive authority to select the senior executives to be granted awards under the *STIP*, to determine the size and terms of the award, to modify the terms of any award that has been granted (except for any modification that would increase the amount of the award payable to an executive), to determine the time when awards will be made and the performance period to which they relate, to establish performance objectives in respect of such performance periods and to certify that such performance objectives were attained; provided, however, that any such action shall be consistent with the applicable provisions of Section 162(m) of the Code.

Participation

Awards may be granted to senior executives of Talen Energy and our affiliates who are covered employees, as defined in Section 162(m) of the Code, or who the *STIP Committee* anticipates may become covered employees. An executive to whom an award is granted is deemed to be a participant.

Awards under the STIP

A participant's award is determined based on the attainment of written performance goals approved by the *STIP Committee* for a performance period which is established by the *STIP Committee* while the outcome for that performance period is substantially uncertain and no more than 90 days after the commencement of that performance

period or, if less, the number of days which is equal to 25% of that performance period. The performance goals, which must be objective, are based upon one or more of the following criteria: (1) earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (2) net income; (3) operating income; (4) earnings per share; (5) book value per share; (6) return on shareholders' equity

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(including total shareholders' return); (7) expense management; (8) return on investment before or after the cost of capital; (9) improvements in capital structure; (10) profitability of an identifiable business unit or product; (11) maintenance or improvement of profit margins; (12) stock price; (13) market share; (14) revenues or sales; (15) costs; (16) cash flow (or free cash flow); (17) working capital; (18) changes in net assets (whether or not multiplied by a constant percentage intended to represent the cost of capital); (19) return on assets; (20) credit ratings; (21) improvement in workforce diversity; (22) employee retention; (23) closing of corporate transactions; (24) strategic plan development and implementation; and (25) independent industry ratings or assessments. The maximum amount of an award to any participant in the STIP with respect to a fiscal year of Talen Energy (or other designated performance period) shall be \$4,000,000.

The STIP Committee must determine whether the performance goals have been met with respect to any affected participant of the STIP and, if they have, so certify and ascertain the amount of the applicable award. No awards will be paid for that performance period until such certification is made by the STIP Committee. The amount of the award actually paid to any affected participant of the STIP may be less than the amount determined by the applicable performance goal formula, at the discretion of the STIP Committee.

Amendment and Termination of the STIP

The STIP Committee may at any time, or from time to time, suspend or terminate the STIP in whole or in part or amend it in such respects as the STIP Committee may deem appropriate. No amendment, suspension or termination of the STIP will, without the participant's consent, impair any of the rights or obligations under any award theretofore granted to a participant under the STIP.

Termination of Executive Deferred Compensation Plan

On June 1, 2015, the Talen Energy board of directors adopted the Talen Energy Executive Deferred Compensation Plan (the "EDCP"), which permitted participants to defer a portion or all of their cash compensation in excess of the estimated minimum legally required annual payroll tax withholding. On July 23, 2015, the EDCP was terminated by the Talen Energy board of directors in accordance with its terms and conditions. The Company distributed all amounts previously deferred under the EDCP to all of its participants in October 2015.

Supplemental Compensation Pension Plan

On June 1, 2015, the Talen Energy board of directors adopted the Talen Energy Supplemental Compensation Pension Plan. This plan is a non-qualified plan that applies to active employees of Talen Energy subsidiaries originally hired by PPL prior to January 1, 2012 who were vested in the corresponding PPL Retirement Plan. The benefit formula is the same as the Talen Energy Retirement Plan, but reflects compensation in excess of the IRS-prescribed limit. The plan benefit is calculated using all PPL and Talen Energy affiliated company service, not just service credited under the PPL or Talen Energy Retirement Plans. Upon retirement, this plan will only pay out the excess benefit above and beyond the Talen Energy Retirement Plan.

Table of Contents**PRINCIPAL STOCKHOLDERS**

The following table sets forth the beneficial ownership of our common stock as of the date of this prospectus, by (1) each person known by us to be the beneficial owner of five percent or more of the total outstanding shares of our common stock, (2) each of the individuals we expect to be our named executive officers with respect to 2015, (3) each of our directors and (4) all of our executive officers and directors as a group.

The SEC has defined beneficial ownership of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options or other rights held by that person that are exercisable or will become exercisable within 60 days after the date of this prospectus, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table.

The percentages reflect beneficial ownership as of September 15, 2015 as determined in accordance with Rule 13d-3 under the Exchange Act. The address for all beneficial owners in the table below is 835 Hamilton Street, Suite 150, Allentown, Pennsylvania 18101, except as otherwise noted.

Name and Address of Beneficial Owner	Common Stock Outstanding Immediately Prior to this Offering	
	Number of Shares Beneficially Owned	Percent of Class
5% or Greater Stockholders:		
Sapphire Power Holdings LLC	3,189,790 ⁽¹⁾	2.5% ⁽¹⁾
Raven Power Holdings LLC	25,459,633 ⁽¹⁾	19.8% ⁽¹⁾
C/R Energy Jade, LLC	16,325,235 ⁽¹⁾	12.7% ⁽¹⁾
Directors and Expected Named Executive Officers:		
Paul A. Farr	4,997	*
Jeremy R. McGuire	2,119	*
Clarence J. Hopf, Jr.	65	*
Timothy S. Rausch	4,659	*
James E. Schinski	1,312	*
Ralph Alexander		*
Frederick M. Bernthal		*
Edward J. Casey, Jr.		*
Philip G. Cox	1,072	*
Louise K. Goeser	6,940	*
Stuart E. Graham	2,510	*
Michael B. Hoffman		*
All directors and executive officers as a group (13 individuals)	23,995	*

* Represents less than 1%

(1) The address for Sapphire Power Holdings LLC, Raven Power Holdings LLC and C/R Energy Jade, LLC is 713 Fifth Avenue, 36th Floor, New York, NY 10019.

R/C Renewable Energy GP II, LLC exercises investment discretion and control over the shares of common stock beneficially owned by Sapphire Power Holdings LLC. R/C Renewable Energy GP II, LLC is managed by a six person board of managers of Pierre F. Lapeyre, Jr., David M. Leuschen, Ralph Alexander, Michael

B. Hoffman, Daniel D Aniello and Edward J. Mathias. Each member of the board of managers disclaims any beneficial ownership of the shares.

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Riverstone Energy GP V, LLC exercises investment discretion and control over the shares of common stock beneficially owned by Raven Power Holdings LLC. Riverstone Energy GP V, LLC is managed by a seven person board of managers of Pierre F. Lapeyre, Jr., David M. Leuschen, James T. Hackett, Michael B. Hoffman, N. John Lancaster, Jr., Andrew W. Ward, Mark G. Papa and one of E. Bartow Jones, Baran Tekkora or Robert Tichio. Each member of the board of managers disclaims any beneficial ownership of the shares.

C/R Energy GP III, LLC exercises investment discretion and control over the shares of common stock beneficially owned by C/R Energy Jade, LLC. C/R Energy GP III, LLC is managed by a 7 person managing committee of William E. Conway, Jr., Daniel D. Aniello, David M. Rubenstein, Edward J. Mathias, Pierre F. Lapeyre, Jr., David M. Leuschen and Michael B. Hoffman. Each member of the board of managers disclaims any beneficial ownership of the shares.

Table of Contents**SELLING STOCKHOLDERS**

The selling stockholders listed in the table below may from time to time offer and sell any or all shares of our common stock set forth below pursuant to this prospectus. When we refer to selling stockholders in this prospectus, we mean the persons listed in the table below, and the pledgees, donees, permitted transferees, assignees, successors and others who later come to hold any of the selling stockholders' interests in shares of our common stock other than through a public sale.

Certain selling stockholders may be deemed underwriters as defined in the Securities Act. Any profits realized by the selling stockholders may be deemed underwriting commissions.

The following table sets forth, as of the date of this prospectus, the name of the selling stockholders for whom we are registering shares for resale to the public, and the number of such shares that each such selling stockholder may offer pursuant to this prospectus.

Based on information provided to us by the selling stockholders and as of the date the same was provided to us, assuming that the selling stockholders sell all the shares of our common stock beneficially owned by them that have been registered by us and do not acquire any additional shares during the offering, the selling stockholders will not own any shares other than those appearing in the column entitled "Number of Shares Owned After the Offering." We cannot advise as to whether the selling stockholders will in fact sell any or all of such shares. In addition, the selling stockholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time and from time to time, the shares in transactions exempt from the registration requirements of the Securities Act after the date on which they provided the information set forth on the table below.

Name of Selling Stockholder	Number of Shares of our Common Stock Beneficially Owned Prior to This Offering	Number of Shares of our Common Stock That May Be Sold in This Offering	Number of Shares of our Common Stock Beneficially Owned After This Offering
Sapphire Power Holdings LLC	3,189,790 ⁽¹⁾	3,189,790	
Raven Power Holdings LLC	25,459,633 ⁽²⁾	25,459,633	
C/R Energy Jade, LLC	16,325,235 ⁽³⁾	16,325,235	

(1) The address for Sapphire Power Holdings LLC is 713 Fifth Avenue, 36th Floor, New York, NY 10019. R/C Renewable Energy GP II, LLC exercises investment discretion and control over the shares of common stock beneficially owned by Sapphire Power Holdings LLC. R/C Renewable Energy GP II, LLC is managed by a six person board of managers of Pierre F. Lapeyre, Jr., David M. Leuschen, Ralph Alexander, Michael B. Hoffman, Daniel D. Aniello and Edward J. Mathias. Each member of the board of managers disclaims any beneficial ownership of the shares.

(2) The address for Raven Power Holdings LLC is 713 Fifth Avenue, 36th Floor, New York, NY 10019. Riverstone Energy GP V, LLC exercises investment discretion and control over the shares of common stock beneficially

owned by Raven Power Holdings LLC. Riverstone Energy GP V, LLC is managed by a seven person board of managers of Pierre F. Lapeyre, Jr., David M. Leuschen, James T. Hackett, Michael B. Hoffman, N. John Lancaster, Jr., Andrew W. Ward, Mark G. Papa and one of E. Bartow Jones, Baran Tekkora or Robert Tichio. Each member of the board of managers disclaims any beneficial ownership of the shares.

- (3) The address for C/R Energy Jade, LLC is 713 Fifth Avenue, 36th Floor, New York, NY 10019. C/R Energy GP III, LLC exercises investment discretion and control over the shares of common stock beneficially owned by C/R Energy Jade, LLC. C/R Energy GP III, LLC is managed by a 7 person managing committee of William E. Conway, Jr., Daniel D Aniello, David M. Rubenstein, Edward J. Mathias, Pierre F. Lapeyre, Jr., David M. Leuschen and Michael B. Hoffman. Each member of the board of managers disclaims any beneficial ownership of the shares.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Related Person Transactions

Our board of directors has adopted a written related-person transaction policy to recognize the process the board of directors uses to identify potential conflicts of interest arising out of financial transactions, arrangements or relations between Talen Energy and any related persons. This policy applies to any transaction or series of transactions in which Talen Energy or a subsidiary is a participant, the amount exceeds \$120,000 and a related person has a direct or indirect material interest. A related person includes not only the Company's directors and executive officers, but others related to them by certain family relationships, as well as stockholders who own more than 5% of any class of Talen Energy's voting securities.

Under the policy, each related-person transaction is reviewed and approved or ratified by the disinterested independent members of our board of directors, other than any employment relationship or transaction involving an executive officer and any related compensation, which must be approved by the Compensation, Governance and Nominating Committee, or CGNC.

In connection with the review and approval or ratification of a related-person transaction, our board of directors, or the CGNC, as applicable, considers the relevant facts and circumstances, including:

the approximate dollar value involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related-person transaction;

whether the related-person transaction complies with the terms of Talen Energy's agreements governing its material outstanding indebtedness that limit or restrict Talen Energy's ability to enter into a related-person transaction;

whether the related-person transaction will be required to be disclosed in Talen Energy's applicable filings under the Securities Act or the Exchange Act; and

whether the related-person transaction constitutes a personal loan for purposes of Section 402 of the Sarbanes-Oxley Act.

In addition, in connection with any approval or ratification of a related-person transaction involving a non-employee director or nominee for director, the CGNC considers whether such transaction would compromise such director's status as: (1) an independent director under the New York Stock Exchange Listing Standards, including those rules applicable to board and committee service, and (2) an outside director under Section 162(m) of the Code or a nonemployee director under Rule 16b-3 under the Exchange Act, if such non-employee director serves on the CGNC, or (3) an independent director under Rule 10A-3 under the Exchange Act, if such non-employee director serves on the Audit Committee of our board of directors.

We collect information about potential related-person transactions in annual questionnaires to be completed by directors and executive officers. We also review any payments made by the company or its subsidiaries to each director and executive officer and their immediate family members, and to or from those companies that either employ

a director or an immediate family member of any director or executive officer. In addition, we review any payments made by the company or its subsidiaries to, or any payments received by the company and its subsidiaries from, any shareowner who owns more than 5% of any class of Talen Energy's voting securities. The Company's Legal Department determines whether a transaction requires review by our board of directors or the CGNC. Transactions that fall within the definition of the policy are reported to our board of directors or the CGNC. The disinterested independent members of our board of directors, or the CGNC, as applicable, review and consider the relevant facts and circumstances and determine whether to approve, deny or ratify the related-person transaction.

Table of Contents**Stockholder Agreement**

The Stockholder Agreement provides that the board of directors of Talen Energy (the "Talen Board") will nominate for election two members designated by the Riverstone Holders until such time as the Riverstone Holders no longer own at least 25% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions, after which time the Talen Board will nominate for election one member designated by the Riverstone Holders for so long as the Riverstone Holders beneficially own at least 10% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions. The Stockholder Agreement also provides that the Talen Board will nominate for election one independent member designated by the Riverstone Holders for so long as the Riverstone Holders own at least 10% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions. If a director designated by the Riverstone Holders pursuant to these rights is not elected by the stockholders of Talen Energy, the Riverstone Holders will be entitled to designate another individual to become a member of the Talen Board and the Talen Board will take such action as is necessary to appoint such individual to become a member of the Talen Board, including, if applicable, by increasing the size of the Talen Board and appointing such individual to fill the newly created vacancy. Pursuant to the Stockholder Agreement, after the first date on which the Riverstone Holders no longer own at least 25% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions, the Riverstone Holders will cause one of the directors previously designated by them (other than the independent director) to resign from the Talen Board. After the first date on which the Riverstone Holders no longer own at least 10% of the common stock of Talen Energy outstanding at the completion of the Talen Transactions, the Riverstone Holders will cause the other non-independent director previously designated by them to resign from the Talen Board, but the independent director previously designated by the Riverstone Holders shall continue to serve his or her term as a director, although the Talen Board will not be required to re-nominate such independent director at the next election of directors.

The Stockholder Agreement provides that, until six months after the date there is no director designated by the Riverstone Holders on the Talen Board and the Riverstone Holders are no longer entitled to designate directors to be nominated by the Talen Board for election, the Riverstone Holders will agree to cause each share of the common stock of Talen Energy beneficially owned by the Riverstone Holders to be voted in favor of all those persons nominated to serve as directors by the Talen Board. The Stockholder Agreement also contains a customary standstill agreement by the Riverstone Holders, which prohibits the Riverstone Holders from, among other things, acquiring additional shares of the common stock of Talen Energy, soliciting proxies to vote shares of the common stock of Talen Energy and acting alone or in concert with others to seek to control or influence the policies of Talen Energy.

Pursuant to the Stockholder Agreement, for so long as the Riverstone Holders are entitled to designate directors to be nominated by the Talen Board for election, the prior written consent of the Riverstone Holders shall be required for Talen Energy to take certain specified actions, including, among other things: (1) issuing shares of stock senior to the common in an amount greater than \$100 million, (2) declaring non-pro rata dividends, (3) certain acquisitions or dispositions where the amount of consideration exceeds 20% of the market capitalization of Talen Energy or any merger or consolidation of Talen Energy unless, in each case, such acquisition, disposition or merger is unanimously approved by the Talen Board (other than those directors designated by the Riverstone Holders (other than the independent director)), or (4) increase the size of the Talen Board.

Pursuant to the Stockholder Agreement, the Riverstone Holders are provided with demand registration rights and piggyback registration rights. The Stockholder Agreement provides that Talen Energy will pay certain expenses relating to such registrations and indemnify the registration rights holders against certain liabilities which may arise under the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

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Transition Services Agreement

In connection with the completion of the Talen Transactions, Talen Energy Supply entered into a Transition Services Agreement with Topaz Power Management, LP (TPM), an entity owned by affiliates of the Riverstone Holders.

The Transition Services Agreement sets forth the terms and conditions for the provision of certain business administration services (the Services) by TPM to Talen Energy Supply, from and following the date on which the Talen Transactions were consummated.

Unless terminated earlier by mutual agreement of TPM and Talen Energy Supply or under other enumerated circumstances, the Transition Services Agreement terminates on the date that the provider is no longer obligated to provide any Service pursuant to the Transition Services Agreement, but in any event no later than on January 31, 2016. In general, the fees for the Services allow TPM to recover its actual cost, with no margin or profit, for the provision of such services, including salary, hourly and overtime pay, bonuses, benefits and all other employee or labor related costs, retention payments for certain employees, overhead costs and taxes.

TPM is not required to provide any services pursuant to the Transition Services Agreement other than the Services.

TrailStone Agreement

A Talen Energy subsidiary is party to a gas supply contract with TrailStone NA Logistics LLC (TrailStone), an affiliate of the Riverstone Holders, under which TrailStone supplies natural gas to the Talen Energy Supply generation facilities located in ERCOT. The transactions currently in place under this contract are for the full requirements of these facilities up to specified limits through December 31, 2016, with pricing based on a market index plus certain additional charges.

BargeCo Agreements

Talen Energy subsidiaries are parties to certain agreements with Raven Power BargeCo LLC (BargeCo), an affiliate of the Riverstone Holders, pursuant to which BargeCo provides marine transportation and related services for certain of Talen Energy Supply's coal-fired generation facilities located in Maryland, including the loading, carriage and discharge of coal and the management, operation and maintenance of barges. The agreements are on a cost-reimbursable basis without markup. The agreements expire June 1, 2017 and may be terminated earlier by either party upon 60 days written notice. Additionally, in connection with the Talen Transactions the Riverstone Holders agreed that if at any time following the Talen Transactions, an affiliate of the Riverstone Holders that, directly or indirectly, owns the members' interests in BargeCo sells such members' interests in BargeCo to a third party or BargeCo sells its barges to a third party, then the Riverstone Holders shall cause the proceeds of any such sale to promptly be paid to Talen Energy.

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DESCRIPTION OF MATERIAL INDEBTEDNESS

Talen Energy Supply Revolving Facility

Concurrently with the consummation of the Talen Transactions, Talen Energy Supply entered into a credit agreement (the Credit Agreement) with Citibank, N.A., as administrative agent, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc., BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC, Bank of Tokyo-Mitsubishi UFJ Ltd. and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and the other agents and lenders from time to time party thereto. The Credit Agreement provides for a \$1.85 billion Revolving Facility, which matures on June 1, 2020.

Talen Energy Supply is the borrower under the Credit Agreement. The Credit Agreement includes capacity available for letters of credit and for short-term borrowings. In addition, the Credit Agreement also provides Talen Energy Supply with the option to raise incremental credit facilities (including an incremental facility that will provide Talen Energy Supply the option to increase the amount available under the Credit Agreement or additional term loan facilities by an aggregate amount of up to \$750 million, subject to additional increases upon achievement of a consolidated first lien net leverage ratio of 3.50:1.00), refinance the loans with debt incurred outside the Credit Agreement and extend the maturity date of the revolving credit commitments and loans and, if applicable, term loans, subject to certain limitations.

Interest rate and fees

Borrowings under the Revolving Facility bear interest, at Talen Energy Supply's option, at a rate equal to a margin over either (a) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 1/2 of 1.00% and (3) the LIBOR for a one-month interest period plus 1.00% or (b) a LIBOR determined by reference to the Reuters LIBOR for the interest period relevant to such borrowing. The margin for the Revolving Facility is 1.50% for base rate loans and 2.50% for LIBOR loans, subject to two step-downs of 0.25% each upon the achievement of a consolidated total net leverage ratio of less than 4.00 to 1.00 and less than 3.00 to 1.00, respectively.

In addition, Talen Energy Supply is required to pay a 0.375% commitment fee to the lenders under the Revolving Facility in respect of the unutilized commitments thereunder. Talen Energy Supply is also required to pay customary letter of credit fees.

Prepayments

Talen Energy Supply has the ability to voluntarily repay outstanding loans at any time without premium or penalty, other than a reimbursement of the lenders' redeployment costs in the case of prepayment of a LIBOR loan.

Guarantees and security

The obligations under the Credit Agreement are guaranteed by each wholly owned domestic subsidiary of Talen Energy Supply (such subsidiaries collectively referred to as the credit agreement guarantors) other than excluded subsidiaries. Excluded subsidiaries include, among other exceptions, unrestricted subsidiaries, captive insurance subsidiaries, not-for-profit subsidiaries, special purpose vehicles, immaterial subsidiaries, excluded project subsidiaries, specified subsidiaries and other subsidiaries to the extent a guarantee of which is prohibited by certain contracts. In addition, the Credit Agreement obligations are secured by first priority or equivalent security interests in (i) all the capital stock owned by, or other equity interests owned by, Talen Energy Supply and certain of Talen

Energy Supply s and the credit agreement guarantors direct or indirect wholly owned restricted domestic subsidiaries, and 65% of the voting stock (and 100% of the non-voting stock) of, or other equity interests of, each of the borrower s or any credit agreement guarantors direct wholly owned first-tier

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restricted foreign subsidiaries (of which there are presently none) and (ii) certain tangible and intangible assets of Talen Energy Supply (other than real property except for certain real property described in the Credit Agreement) and those of the credit agreement guarantors, in each case subject to certain exceptions and qualifications.

Talen Energy Supply has the ability to designate certain subsidiaries as unrestricted subsidiaries or excluded project subsidiaries utilizing investment capacity under the Credit Agreement.

The obligations under the Credit Agreement rank pari passu in right of payment with the obligations under the Secured Trading Facility described below.

Certain covenants and events of default

The Credit Agreement contains a number of significant negative covenants and customary events of default. Such covenants, among other things, limit or restrict, subject to certain exceptions, the ability of Talen Energy Supply and its restricted subsidiaries to:

incur additional indebtedness and make guarantees;

incur liens on assets;

engage in mergers or consolidations or fundamental changes;

sell assets;

pay dividends and distributions or repurchase our capital stock;

make investments, loans and advances, including acquisitions; and

engage in certain transactions with affiliates.

The Credit Agreement also requires Talen Energy Supply to maintain a senior secured net leverage ratio (as defined in the Credit Agreement) as of the last day of any fiscal quarter of less than or equal to 4.50 to 1.00.

The Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement and all actions permitted to be taken by a secured creditor.

Talen Energy Supply Senior Unsecured Notes

As of June 30, 2015, Talen Energy Supply had \$3,813 million aggregate principal amount of senior notes outstanding (including the 2019 Notes described below). The Talen Energy Supply senior notes are unsecured and are not guaranteed by any subsidiaries of Talen Energy Supply. The Talen Energy Supply senior notes range in maturity from 2015 to 2036 and, as of June 30, 2015, bear interest at a weighted average rate of 5.58%. The indenture governing the Talen Energy Supply senior notes, among other restrictions, limits Talen Energy Supply's ability to (1) sell assets; (2) merge, consolidate or sell all or substantially all of its assets; and (3) incur certain liens to secure indebtedness. The indenture governing the Talen Energy Supply senior notes does not limit the ability of Talen Energy Supply to incur additional indebtedness.

REset Put Securities

In October 2015, Talen Energy Supply's \$300 million of 5.70% REset Put Securities due 2035 (REPS) were subject to mandatory tender to the remarketing dealer. However, the remarketing dealer and Talen Energy Supply mutually agreed to terminate the remarketing dealer's right to remarket the REPS and, in accordance with the terms of the REPS, Talen Energy Supply repurchased the REPS at par. The total aggregate consideration paid to repurchase the REPS was \$434 million, which amount included \$300 million of principal and \$134 million of remarketing option value paid to the remarketing dealer. The termination payment to the remarketing dealer is expected to be recorded to earnings in the fourth quarter of 2015.

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2019 Notes

In connection with the completion of the Talen Transactions, RJS Power and its wholly owned subsidiary, RJS Power Holdings LLC, were merged with and into Talen Energy Supply. As a result, Talen Energy Supply assumed RJS Power Holdings LLC's \$1.25 billion aggregate principal amount of 5.125% senior notes due 2019 (the 2019 Notes). Upon such merger and in accordance with the indenture governing the 2019 Notes (the 2019 Notes Indenture), (1) the restrictive covenants in the 2019 Notes Indenture ceased to apply and were replaced with less restrictive covenants substantially similar to the covenants in the indenture governing Talen Energy Supply's existing senior notes and (2) all subsidiary guarantees with respect to the 2019 Notes were automatically released.

In addition, the Talen Transactions constituted a Merger Ratings Event as such term is defined in the 2019 Notes Indenture and, accordingly, the interest rate applicable to the 2019 Notes has been reduced from 5.125% per annum to 4.625% per annum.

In connection with Talen Transactions and Talen Energy Supply's assumption of the 2019 Notes, Talen Energy Supply, RJS Power Holdings LLC, RJS Power and the trustee under the 2019 Notes Indenture entered into a supplemental indenture to the 2019 Notes Indenture.

Secured Trading Facility

Talen Energy Marketing and Talen Energy Supply maintain an \$800 million secured energy marketing and trading facility (the Secured Trading Facility), whereby Talen Energy Marketing receives or will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The facility is for a five-year term that is subject to automatic extension each year under certain circumstances. The current term as so extended expires in November 2019. There were no obligations outstanding under this facility at June 30, 2015.

Certain of Talen Energy Marketing's obligations under the facility are guaranteed by Talen Energy Supply. Additionally, Montour and Brunner Island had previously guaranteed certain of Talen Energy Marketing's obligations under the facility and had granted mortgage liens on their respective generating facilities to secure any amount they may have owed under their guarantees. However, such Montour and Brunner Island guarantees and mortgage liens were released in connection with the Talen Transactions, and collateral in the form of letters of credit were provided to the counterparties in substitution. As described below, Talen Energy Supply is seeking to provide for the Secured Trading Facility to be secured by security interests in the same collateral (Credit Agreement Collateral) that secures the Credit Agreement, later this year.

The Secured Trading Facility contains covenants that among other things, limit or restrict, subject to certain exceptions, the ability of Montour and Brunner Island to incur indebtedness or liens on their generating facilities, the parties to engage in certain mergers or consolidations or fundamental changes and sell certain assets, and Talen Energy Supply to sell its interest in Montour and Brunner Island. The Secured Trading Facility also contains certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the collateral agent under the Secured Trading Facility will be entitled to take various actions, including the demand for payment of amounts due under the secured counterparty ISDA agreements and the Secured Trading Facility and all actions permitted to be taken by a secured creditor under such agreements.

In connection with the Talen Transactions and the Revolving Facility and the provision of collateral in the form of letters of credit, the secured counterparties entered into certain amendments to the Secured Trading Facility to permit incurrence of indebtedness and liens in connection with the Credit Agreement until the Company provides for

obligations to be secured by the Credit Agreement Collateral, or in one instance, until September 30, 2015 subject to automatic extension under certain conditions. The Company is seeking to amend the Secured Trading Facility to secure the counterparties thereunder with the Credit Agreement Collateral, to

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increase the amount of the facility to up to \$1.3 billion, to release Montour and Brunner Island as parties and make certain other changes in connection with the provision of such Credit Agreement Collateral as described above.

Tax Exempt Bonds

On September 1, 2015, Talen Energy Supply completed a remarketing of (i) \$100,000,000 principal amount of its Exempt Facilities Revenue Refunding Bonds, Series 2009A (PPL Energy Supply, LLC Project) (the 2009A Bonds), (ii) \$50,000,000 aggregate principal amount of its Exempt Facilities Revenue Refunding Bonds, Series 2009B (PPL Energy Supply, LLC Project) (the 2009B Bonds) and (iii) \$80,570,000 aggregate principal amount of its Exempt Facilities Revenue Refunding Bonds, Series 2009C (PPL Energy Supply, LLC Project) (the 2009C Bonds and, together with the 2009A Bonds and the 2009B Bonds, the Tax Exempt Bonds), each of which were issued by the Pennsylvania Economic Development Financing Authority on behalf Talen Energy Supply. Each series of Tax Exempt Bond was originally issued in 2009 and Talen Energy Supply received the proceeds from the original issuance of each series of Tax Exempt Bonds pursuant to a separate exempt facilities loan agreement, each of which was amended in connection with the September 2015 remarketing.

The 2009A Bonds bear interest at a fixed rate of 6.40% per annum and mature on December 1, 2038. The 2009A Bonds are not subject to mandatory purchase prior to their stated maturity date. The 2009A Bonds may be redeemed at the option of Talen Energy Supply on or after September 1, 2020 at a redemption price of 100% of the principal amount thereof plus interest accrued, if any, to the redemption date. The 2009B Bonds bear interest at a fixed rate of 5.00% per annum, mature on December 31, 2038 and will be subject to mandatory tender at a purchase price equal to the principal amount thereof plus accrued and unpaid interest on September 1, 2020. The 2009C Bonds bear interest at a fixed rate of 5.00% per annum, mature on December 1, 2037 and will be subject to mandatory tender at a purchase price equal to the principal amount thereof plus accrued and unpaid interest on September 1, 2020. The Tax Exempt Bonds are subject to extraordinary optional redemption prior to maturity. The Tax Exempt Bonds are also subject to special mandatory redemption upon a determination that the interest on the Tax Exempt Bonds would be included in the holders gross income for federal income tax purposes. Any such special mandatory redemption would also be at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest, if any, to the redemption date.

The payment of principal and interest on each series of Tax Exempt Bonds is secured by an unsecured promissory note of Talen Energy Supply corresponding to such series of Tax Exempt Bonds in a principal amount corresponding to the principal amount of such series of Tax Exempt Bonds. The promissory notes contain principal, interest and prepayment provisions corresponding to the principal, interest and redemption provisions of the respective series of Tax Exempt Bonds. Talen Energy Corporation does not guarantee Talen Energy Supply s obligations under the Tax Exempt Bonds, the exempt facilities loan agreements and/or the promissory notes referred to above.

Ironwood Senior Secured Notes

As of June 30, 2015, Talen Ironwood, LLC, a wholly owned indirect subsidiary of Talen Energy Supply, had \$43 million aggregate principal amount of senior secured notes outstanding. These notes mature in 2025 and bear interest at 8.857%. In connection with the sale of the Ironwood facility, Talen Energy expects to cause the Ironwood senior secured notes to be redeemed pursuant to the terms of the indenture governing the notes.

Debt Commitment for MACH Gen Acquisition

Talen Energy Supply has obtained a debt financing commitment sufficient to fund the cash purchase price of MACH Gen, LLC. See Summary Recent Developments MACH Gen Acquisition.

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DESCRIPTION OF CAPITAL STOCK

In connection with the Talen Transactions, we amended and restated our certificate of incorporation and our bylaws. The following is a description of the material terms of, and is qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws. Under Description of Capital Stock, we, us, our and company refer to Talen Energy Corporation and not to any of its subsidiaries.

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the DGCL. Our issued and outstanding authorized capital stock consists of 1,000,000,000 shares of common stock, par value \$0.001 per share, and 100,000,000 shares of preferred stock, par value \$0.001 per share. Unless our board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form.

Common Stock

Holder of shares of our common stock are entitled to one vote for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors. See Management Board Composition and Director Independence. The Riverstone Holders have certain rights pursuant to the Stockholder Agreement. See Certain Relationships and Related Party Transactions Stockholder Agreement. The holders of our common stock do not have cumulative voting rights in the election of directors.

The Holders of our common stock are entitled to receive, on a pro rata basis, dividends and distributions, if any, that the board of directors may declare out of legally available funds, subject to preferences that may be applicable to preferred stock, if any, then outstanding. Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution. All shares of our common stock currently outstanding are fully paid and non-assessable. The common stock is not subject to further calls or assessment by us. Holders of our common stock do not have preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock. The rights, powers, preferences and privileges of holders of our common stock are subject to those of the holders of any shares of our preferred stock we may authorize and issue in the future.

As of October 27, 2015, we had 128,508,921 shares of common stock outstanding and 54,422 holders of record of common stock.

Preferred Stock

Our board of directors has the authority, without further action by our stockholders, to issue shares of preferred stock from time to time in one or more series, and to fix by resolution, at the time of issuance of each of such series, the designations, powers, preferences, and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions, if any, of the shares of each such series. As of October 27, 2015, no shares of preferred stock were outstanding.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the common stock. Additionally, the issuance of preferred stock may adversely affect the holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could

have an adverse impact on the market price of our common stock.

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Dividends

The DGCL permits a corporation to declare and pay dividends out of surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by its board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, remaining capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Declaration and payment of any dividend is subject to the discretion of our board of directors.

Stockholder Meetings

Our amended and restated certificate of incorporation and amended and restated bylaws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by our board of directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that special meetings of the stockholders may be called only by the Chairman of our board of directors or by resolution of the board of directors. To the extent permitted under applicable law, we may conduct meetings by remote communications, including by webcast.

Voting

The affirmative vote of a majority of the shares of our common stock present, in person or by proxy, at the meeting and entitled to vote at any annual or special meeting of stockholders decide all matters voted on by stockholders, unless the question is one upon which, by express provision of law, under our amended and restated certificate of incorporation, or under our amended and restated bylaws, a different vote is required, in which case such provision controls. Directors are elected by a plurality of votes cast.

Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law

The provisions of our amended and restated certificate of incorporation and amended and restated bylaws and of the DGCL summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that you might consider in your best interest, including an attempt that might result in your receipt of a premium over the market price for your shares. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which could result in an improvement of their terms.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with super majority voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire us or otherwise effect a change in control of us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company.

We do not have a stockholder rights plan or any series of preferred stock designated in connection with such a plan.

Special Meetings of Stockholders

Our amended and restated certificate of incorporation and amended and restated bylaws provide that a special meeting of stockholders may be called only by the Chairman of our board of directors, if there be one, or by a resolution adopted by our board of directors, which may fix the date, time and place of the meeting.

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Stockholder Action by Written Consent

Our amended and restated certificate of incorporation provides that any action that may be taken at any meeting of stockholders may be taken by written consent of stockholders in lieu of a meeting if, and only if, the consent in writing is signed by all stockholders entitled to vote.

Removal of Directors

Our amended and restated certificate of incorporation provides that the affirmative vote of at least 66 $\frac{2}{3}$ % of the voting power of the stock outstanding and entitled to vote thereon is required to remove the directors.

Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. For any matter to be properly brought before a meeting, a stockholder must comply with advance notice requirements and provide us with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the directors then in office, even though less than a quorum, and not by the stockholders. Our amended and restated bylaws allow the presiding officer at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of our company.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Section 203 of the DGCL

In our amended and restated certificate of incorporation, we have elected not to be governed by Section 203 of the DGCL, as permitted under and pursuant to subsection (b)(3) of Section 203. Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's outstanding voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we are not subject to any anti-takeover effects of Section 203.

Corporate Opportunities

Our amended and restated certificate of incorporation provides that we, on our behalf and on behalf of our subsidiaries, renounce any interest or expectancy in, or in being offered an opportunity to participate in, corporate opportunities, that are from time to time presented to our stockholders, any director or any of their respective affiliates who acquire knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us or any other stockholder, even if the opportunity is one that we or our subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. Neither our stockholders, any

director nor any of their respective affiliates will generally be liable to us or any of our subsidiaries for breach of any duty by reason of the fact that such person pursues or acquires such corporate opportunity, directs such corporate opportunity to another person or fails to present such

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corporate opportunity, or information regarding such corporate opportunity, to us or our subsidiaries so long as such stockholder, director or any of their respective affiliates do not engage in such business or activity using confidential or proprietary information that was provided by or on behalf of Talen Energy. Stockholders are deemed to have notice of and consented to this provision of our amended and restated certificate of incorporation.

Dissenters Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders have appraisal rights in connection with a merger or consolidation of our company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Exclusive Forum

Our amended and restated certificate of incorporation provides that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is, with certain limited exceptions, the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having subject matter jurisdiction, in certain cases, and having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation. However, the enforceability of similar forum provisions in other companies certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

Our amended and restated bylaws provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL, subject to reimbursement in the event it is ultimately determined that the

individual s conduct did not meet the applicable standard of conduct to entitle the individual

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to indemnification under the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions to be included in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Amendments to our Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the affirmative vote of at least 66 $\frac{2}{3}$ % of the voting power of the stock outstanding and entitled to vote thereon is required to adopt, amend or repeal any provision of our amended and restated certificate of incorporation or our amended and restated bylaws.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Bank, National Association.

Listing

Our common stock is listed on the NYSE under the symbol TLN.

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CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of certain United States federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset.

A non-U.S. holder means a beneficial owner of our common stock (other than an entity treated as a partnership for United States federal income tax purposes) that is not for United States federal income tax purposes any of the following:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Code, and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, controlled foreign corporation, passive foreign investment company or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If an entity treated as a partnership for United States federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership of the common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Dividends

Dividends paid to a non-U.S. holder of our common stock generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net

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income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete an IRS Form W-8BEN or Form W-8BEN-E (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

Any gain realized on the sale or other disposition of our common stock generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a United States real property holding corporation for United States federal income tax purposes and certain other conditions are met.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% (or such lower rate as may be specified by an applicable income tax treaty) tax on the gain derived from the sale, which may be offset by United States source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% (or such lower rate as may be specified by an applicable income tax treaty) of its effectively connected earnings and profits, subject to adjustments.

We have not determined whether we are a United States real property holding corporation for United States federal income tax purposes. If we are or become a United States real property holding corporation, so long as our common stock continues to be regularly traded on an established securities market, only a non-U.S. holder who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period)

more than 5% of our common stock will be subject to United States federal income tax on the disposition of our common stock.

Federal Estate Tax

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

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Information Reporting and Backup Withholding

Information reporting will apply to the amount of dividends paid to a non-U.S. holder and any tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

Additional Withholding Requirements

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), a 30% United States federal withholding tax may apply to any dividends paid on our common stock and, for a disposition of our common stock occurring after December 31, 2018, the gross proceeds from such disposition, in each case paid to (i) a foreign financial institution (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a non-financial foreign entity (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under "Dividends," the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisor regarding these requirements and whether they may be relevant to your ownership and disposition of our common stock.

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SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict the effect, if any, future sales of shares of common stock, or the availability for future sale of shares of common stock, will have on the market price of shares of our common stock prevailing from time to time. The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate. See Risk Factors Risks Relating to Our Common Stock Sales of our common stock may negatively affect its market price.

As of September 15, 2015, we have a total of 128,508,921 shares issued and outstanding. The shares that may be sold pursuant to this prospectus will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described below. The remaining outstanding shares will be deemed restricted securities under the meaning of Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration, including the exemptions pursuant to Rule 144, which we summarize below.

We have filed two registration statements on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of common stock issued pursuant to our new stock incentive plan and directors deferred compensation plan. Such Form S-8 registration statements automatically became effective upon filing. Accordingly, subject to applicable vesting restrictions or lock-up restrictions (described below), shares registered under such registration statements are available for sale in the open market. The initial registration statements on Form S-8 cover 6,204,000 shares.

Registration Rights

In connection with the Talen Transactions, we entered into the Stockholder Agreement, which provides the Riverstone Holders demand registration rights and customary piggyback registration rights. The Stockholder Agreement also provides that we will pay certain expenses relating to such registrations and indemnify the registration rights holders against certain liabilities which may arise under the Securities Act. Securities registered under any such registration statement will be available for sale in the open market. See Certain Relationships and Related Party Transactions Stockholder Agreement.

Lock-up

Pursuant to the Stockholder Agreement, the Riverstone Holders are, subject to certain customary exceptions, restricted from transferring, directly or indirectly, the shares of our common stock held by them until November 28, 2015, 180 days after the closing date of the Talen Transactions.

Rule 144

In general, under Rule 144, as currently in effect, a person who is not deemed to be our affiliate for purposes of Rule 144 or to have been one of our affiliates at any time during the three months preceding a sale and who has beneficially owned the shares of common stock proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares of common stock without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares of common stock proposed to be sold for

at least one year, including the holding period of any prior owner other than our affiliates, then that person is entitled to sell those shares of common stock without complying with any of the requirements of Rule 144. Our shares of common stock that were delivered to the PPL shareholders in connection with the Distribution and who were not our affiliates are freely tradable without restriction or further

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registration under the Securities Act. In general, after acquiring beneficial ownership, under Rule 144, as currently in effect, our affiliates or persons selling shares of common stock on behalf of our affiliates are entitled to sell, within any three-month period, a number of shares of common stock that does not exceed the greater of (1) 1% of the number of shares of common stock then outstanding and (2) the average weekly trading volume of the shares of common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale. Sales under Rule 144 by our affiliates or persons selling shares of common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

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PLAN OF DISTRIBUTION

We are registering the shares covered by this prospectus to permit the selling stockholders to conduct public secondary trading of these shares from time to time after the date of this prospectus. We will not receive any of the proceeds of the sale of the shares offered by this prospectus. The aggregate proceeds to the selling stockholders from the sale of the shares will be the purchase price of the shares less any discounts and commissions. Each selling stockholder reserves the right to accept and, together with their respective agents, to reject, any proposed purchase of shares to be made directly or through agents.

The selling stockholders and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock offered by this prospectus on any stock exchange, market or trading facility on which the shares are traded. These sales may be at market prices prevailing at the time of sale or at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling the shares offered by this prospectus:

ordinary brokerage transactions and transactions in which the broker dealer solicits purchasers;

block trades in which the broker dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker dealer as principal and resale by the broker dealer for its account;

broker dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

sales in the over-the-counter market;

privately negotiated transactions;

underwritten transactions;

a combination of any such methods of sale; and

any other method permitted pursuant to applicable law.

In connection with these sales, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions that in turn may:

engage in short sales of shares of the common stock in the course of hedging their positions;

sell shares of the common stock short and deliver shares of the common stock to close out short positions;

loan or pledge shares of the common stock to broker-dealers or other financial institutions that in turn may sell shares of the common stock;

enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of shares of the common stock, which the broker-dealer or other financial institution may resell under the prospectus; or

enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

Broker dealers engaged by the selling stockholders may arrange for other brokers dealers to participate in sales. Broker dealers may receive commissions or discounts from the selling stockholders (or, if any broker dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. We have been informed by the selling stockholders that they do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. The selling stockholders may agree to indemnify any underwriter, broker-dealer or agent that participates in transactions involving sales of shares from certain

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liabilities, including liabilities arising under the Securities Act. We have agreed to register the shares for sale under the Securities Act and to indemnify the selling stockholders and each person who participates in an offering against certain civil liabilities, including certain liabilities under the Securities Act.

To our knowledge, there are currently no plans, arrangements or understandings between any selling stockholder and any underwriter, broker-dealer or agent regarding the sale of the shares by the selling stockholders. Upon our notification by a selling stockholder that any material arrangement has been entered into with an underwriter or broker-dealer for the sale of shares through a block trade, special offering, exchange distribution, secondary distribution or a purchase by an underwriter or broker-dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing certain material information, including the number of shares being offered, the name or names of any underwriters, dealers or agents, the public offering price, any underwriting discounts and other items constituting compensation to underwriters, dealers or agents.

In compliance with the guidelines of the Financial Industry Regulatory Authority, or FINRA, the aggregate maximum discount, commission or agency fees or other items constituting underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of the proceeds from any offering pursuant to this prospectus and any applicable prospectus supplement.

Any shares covered by this prospectus that qualify for sale under Rule 144 or Regulation D of the Securities Act may be sold under Rule 144 or Regulation D, as applicable, rather than under this prospectus. The shares covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The shares may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the shares may not be sold unless the shares have been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

There can be no assurance that the selling stockholders will sell any or all of the common stock offered under this prospectus.

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LEGAL MATTERS

The validity of the shares of Talen Energy common stock offered pursuant to this prospectus will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

The consolidated financial statements of PPL Energy Supply, LLC (now known as Talen Energy Supply, LLC) as of December 31, 2014 and 2013 and for each of the three years ended December 31, 2014 appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance on their report given on the authority of such firm as experts in accounting and auditing.

The consolidated and combined financial statements of RJS Generation Holdings LLC as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this registration statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our common stock being distributed as contemplated hereby. This prospectus is part of, and does not contain all of the information set forth in, the registration statement and the exhibits thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document referred to are summaries of the material terms of the respective contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved.

A copy of the registration statement, and the exhibits thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

We are subject to the information and periodic reporting requirements of the Exchange Act and, accordingly, will file annual reports containing financial statements audited by an independent public accounting company, quarterly reports containing unaudited financial statements, current reports, proxy statements and other information with the SEC. You may inspect and copy these reports, proxy statements and other information at the public reference facilities maintained by the SEC at the address noted above. You also may obtain copies of this material from the Public Reference Room of the SEC as described above, or inspect them without charge at the SEC's website. You also may access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and any amendments to those forms) through our website at www.talenenergy.com. Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this prospectus as an inactive textual reference only. The information found on our website is not part of this prospectus or any report filed with or furnished to the SEC.

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GLOSSARY

The following are definitions of certain terms used in this prospectus except as otherwise indicated:

Adjusted EBITDA means EBITDA, as further adjusted for certain items, including unrealized (gain) loss on derivative contracts, ARO accretion, stock-based compensation, NDT fund (gain) loss and other items not considered indicative of ongoing operating performance.

AOCI means accumulated other comprehensive income or loss.

ARO means asset retirement obligation.

baseload generation means the output provided by nuclear, coal, hydroelectric and qualifying facilities for demand that occurs continuously.

basis when used in the context of derivatives and commodity trading, means the commodity price differential between two locations, products or time periods.

Brunner Island means Brunner Island, LLC, formerly PPL Brunner Island, LLC, a Delaware limited liability company and a subsidiary of Talen Generation that owns generating operations in Pennsylvania, or where the context requires, the Brunner Island generating plant.

CCR means coal combustion residuals, which include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act means federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COBRA means Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

Code means the Internal Revenue Code of 1986, as amended.

COLA means the license application for a combined construction permit and operating license from the NRC for a nuclear plant.

Colstrip means the Colstrip Steam Electric Station, the four unit, approximately 2,100 MW net coal-fired generating plant located in Montana that is jointly owned by Talen Montana and the other Colstrip owners.

Colstrip owners means Avista Corporation, Puget Sound Energy, Inc., Portland General Electric Company, NorthWestern, PacifiCorp. and Talen Montana, which jointly own Colstrip.

Combination or Contribution means the contribution by the Riverstone Holders of RJS Power to Talen Energy in exchange for shares of Talen Energy common stock.

Company means Talen Energy Corporation.

Credit Agreement means the credit agreement with Citibank, N.A., as administrative agent, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc., BNP Paribas Securities Corp., Credit Suisse

Securities (USA) LLC, Bank of Tokyo-Mitsubishi UFJ Ltd. and RBC Capital Markets, as joint lead arrangers and joint bookrunners, and the other agents and lenders from time to time party thereto, and Talen Energy Supply, as borrower, dated as of June 1, 2015, which provides for a revolving loan facility consisting of a \$1.85 billion revolving loan facility maturing in five years from the date thereof.

CPSG means Constellation Power Source Generation, Inc.

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CRRs means congestion revenue rights, which are financial instruments established to manage price risk related to electricity transmission congestion that entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion between two pricing locations, known as source and sink.

CSAPR means Cross-State Air Pollution Rule.

Distribution means the pro rata distribution immediately prior to the consummation of the Merger of all the then outstanding shares of HoldCo common stock to the shareholders of PPL.

Dodd-Frank Act means the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law in July 2010.

DOE means Department of Energy, a U.S. government agency.

DOJ means Department of Justice, a U.S. government agency.

DR means demand response, a program designed to induce, through the use of incentive payments, retail electricity consumers to lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.

EBITDA means net income adjusted for depreciation, amortization, interest expense and income taxes.

ELG means Effluent Limitations Guidelines.

EPA means Environmental Protection Agency, a U.S. government agency.

ERCOT means The Electric Reliability Council of Texas, operator of the electricity transmission network and electricity energy market in most of Texas.

Exchange Act means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

FERC means Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

FERC Order means the order of the FERC dated December 18, 2014 approving the Talen Transactions pursuant to Section 203 of the Federal Power Act.

Fitch means Fitch Inc., a credit rating agency.

FTRs means financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion that entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion between two pricing locations, known as source and sink.

GAAP means U.S. Generally Accepted Accounting Principles.

GHGs means greenhouse gases.

HoldCo means Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the spinoff transaction. HoldCo is a wholly owned direct subsidiary of Talen Energy and is the sole member of Talen Energy Supply.

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HRCO means a heat rate call option, which is a contract for the financial purchase and sale of power based on a floating price of natural gas at a predetermined location using a predetermined conversion factor required to turn the fuel input into electricity.

IBEW means International Brotherhood of Electrical Workers.

intermediate and peaking generation means the output provided by oil- and natural gas-fired units that generally do not run on an on-going basis or run when there is a high demand.

Ironwood Acquisition means the acquisition in April 2012, in which Talen Ironwood Holdings, LLC, an indirect, wholly owned subsidiary of Talen Energy Supply, acquired from a subsidiary of The AES Corporation all of the equity interests of AES Ironwood, L.L.C. (subsequently renamed Talen Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed Talen Prescott, LLC), which together own and operate the Ironwood Facility.

Ironwood Facility means a natural gas combined-cycle unit in Lebanon, Pennsylvania with a summer rating of approximately 660 MW.

IRS means the Internal Revenue Service, a U.S. government agency.

ISO means Independent System Operator.

ISO-NE means ISO New England, operator of the electricity transmission network and electricity energy market in all or parts of Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire and Maine.

Jade means Jade Power Generation Holdings LLC, a Delaware limited liability company and a subsidiary of Talen Energy Supply that owns generating operations in Texas; provided that, when used in the audited consolidated financial statements of RJS Power and the unaudited condensed consolidated financial statements of RJS Power, **Jade** means C/R Energy Jade, LLC.

kWh means kilowatt-hour, basic unit of electrical energy.

LIBOR means London Interbank Offered Rate.

MATS means Mercury and Air Toxics Standards.

MDE means Maryland Department of Environment.

MDEQ means Montana Department of Environmental Quality.

MEIC means Montana Environmental Information Center.

Merger means the merger of Merger Sub with and into HoldCo, with HoldCo continuing as the surviving company, which occurred as part of the Talen Transactions on June 1, 2015.

Merger Event has the meaning specified in Description of Material Indebtedness.

Merger Ratings Event has the meaning specified in Description of Material Indebtedness.

Merger Sub means Talen Energy Merger Sub, Inc., a Delaware corporation, which was merged with and into HoldCo as part of the Talen Transactions on June 1, 2015.

MMBtu means one million British Thermal Units.

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Moody's means Moody's Investors Services, Inc., a credit rating agency.

Montour means Montour, LLC, formerly PPL Montour, LLC, a Delaware limited liability company and a subsidiary of Talen Generation that owns generating operations in Pennsylvania, or where the context requires, the Montour generating plant.

MW means megawatts, one thousand kilowatts.

MWh means megawatt hours, one thousand kilowatt-hours.

NAAQS means National Ambient Air Quality Standards.

NDT means Susquehanna Nuclear, LLC's nuclear plant decommissioning trust.

NERC means North American Electric Reliability Corporation.

NorthWestern means NorthWestern Corporation, a Delaware corporation doing business as NorthWestern Energy.

NPNS means the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception may receive accrual accounting treatment.

NRC means Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

NUGs means non-utility generators, generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

NYSE means the New York Stock Exchange.

OCI means other comprehensive income or loss.

OSHA means the Occupational Safety and Health Administration.

Opacity means the degree to which emissions reduce the transmission of light and obscure the view of an object in the background. There are emission regulations that limit the opacity of power plant stack gas emissions.

PADEP means the Pennsylvania Department of Environmental Protection, a state government agency.

PJM means PJM Interconnection, L.L.C., operator of the electricity transmission network and electricity market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PLR means Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PPL means PPL Corporation, the former indirect parent holding company of all Talen Energy companies except for RJS subsidiaries.

PPL Brunner Island means PPL Brunner Island, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania. Upon completion of the Talen Transactions, PPL Brunner Island was renamed Brunner Island, LLC.

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PPL Electric means PPL Electric Utilities Corporation, a Pennsylvania corporation and a public utility subsidiary of PPL and former affiliate of Talen Energy engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electricity supply to its retail customers in this area as a PLR.

PPL Energy Funding means PPL Energy Funding Corporation, a Pennsylvania corporation and a subsidiary of PPL and the parent holding company of PPL Global, LLC and other subsidiaries, including, prior to the completion of the Talen Transactions, PPL Energy Supply.

PPL EnergyPlus means PPL EnergyPlus, LLC, a Pennsylvania limited liability company and a subsidiary of Talen Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets. Upon completion of the Talen Transactions, PPL EnergyPlus was renamed Talen Energy Marketing, LLC.

PPL Energy Supply means PPL Energy Supply, LLC, a Delaware limited liability company, now known as Talen Energy Supply, LLC, an indirect subsidiary of Talen Energy.

PPL Generation means PPL Generation, LLC, a Delaware limited liability company and a subsidiary of Talen Energy Supply that owns and operates U.S. generating facilities through various subsidiaries. Upon completion of the Talen Transactions, PPL Generation was renamed Talen Generation, LLC.

PPL Holtwood means PPL Holtwood, LLC, a Delaware limited liability company and a subsidiary of PPL Generation that owns hydroelectric generating operations in Pennsylvania. Upon completion of the Talen Transactions, PPL Holtwood was renamed Holtwood, LLC.

PPL Ironwood means PPL Ironwood LLC, a Delaware limited liability company and an indirect subsidiary of PPL Generation that owns generating operations in Pennsylvania. Upon completion of the Talen Transactions, PPL Ironwood was renamed Talen Ironwood, LLC.

PPL Montana means PPL Montana, LLC, a Delaware limited liability company and an indirect subsidiary of PPL Generation that generates electricity for wholesale sales in Montana and the Pacific Northwest. Upon completion of the Talen Transactions, PPL Montana was renamed Talen Montana, LLC.

PPL Montour means PPL Montour, LLC, a Delaware limited liability company and a subsidiary of PPL Generation that owns generating operations in Pennsylvania. Upon completion of the Talen Transactions, PPL Montour was renamed Montour, LLC.

PPL Services means PPL Services Corporation, a Delaware corporation and a subsidiary of PPL that provides services to PPL and its subsidiaries.

PPL Susquehanna means PPL Susquehanna, LLC, a Delaware limited liability company and a subsidiary of PPL Generation that owns a nuclear-powered generating station. Upon completion of the Talen Transactions, PPL Susquehanna was renamed Susquehanna Nuclear, LLC.

PP&E means property, plant and equipment.

PSEG means Public Service Electric and Gas Company.

PUC means Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

PUCT means Public Utility Commission of Texas, the state agency that represents and protects the public interests in regard to public utility rates, operations and services and provides oversight of competitive markets and compliance enforcement of statutes and rules for the electric and telecommunication industries in Texas.

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PURPA means the Public Utility Regulatory Policies Act of 1978, legislation passed by the U.S. Congress to encourage energy conservation, efficient use of resources and equitable rates.

Raven means Raven Power Generation Holdings LLC, a Delaware limited liability company and a subsidiary of Talen Energy Supply that owns generating operations in Maryland; provided that, when used in the audited consolidated financial statements of RJS Power and the unaudited condensed consolidated financial statements of RJS Power, **Raven** means Raven Power Holdings LLC.

RCRA means The Resource Conservation and Recovery Act of 1976, as amended.

RECs means Renewable Energy Credits.

Revolving Facility means the revolving loan facility under the Credit Agreement.

Regional Haze Program means the EPA program that requires states to develop and implement air quality protection plans to reduce pollution that causes visibility impairment in national parks and wilderness areas.

RFC means ReliabilityFirst Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

Riverstone means Riverstone Holdings LLC, a Delaware limited liability company.

Riverstone Holders means Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC, affiliates of Riverstone that formerly owned RJS Power and contributed RJS Power to Talen Energy on June 1, 2015 in exchange for 35% of Talen Energy's common stock.

RJS means Raven, Jade and Sapphire, collectively.

RJS Power means RJS Generation Holdings LLC, a Delaware limited liability company and former parent of RJS that was contributed by the Riverstone Holders to Talen Energy on June 1, 2015 in exchange for 35% of Talen Energy's common stock. Following the contribution, RJS Power was merged into Talen Energy Supply.

Sapphire means Sapphire Power Generation Holdings LLC, a Delaware limited liability company and a subsidiary of Talen Energy Supply that owns generating operations in Massachusetts, New Jersey and Pennsylvania; provided that, when used in the audited consolidated financial statements of RJS Power and the unaudited condensed consolidated financial statements of RJS Power, **Sapphire** means Sapphire Power Holdings LLC.

Sarbanes-Oxley Act means the Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

Scrubber means an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC means the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible for protecting investors and maintaining the integrity of the securities markets.

Securities Act means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

Separation Agreement means the Separation Agreement, dated as of June 9, 2014, as amended, among PPL, HoldCo, Talen Energy, Talen Energy Supply, Raven, Jade and Sapphire.

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SERC means SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

SIFMA Index means the Securities Industry and Financial Markets Association Municipal Swap Index.

SMGT means Southern Montana Electric Generation & Transmission Cooperative, Inc., a Montana cooperative and purchaser of electricity under a long-term supply contract with Talen Energy Marketing that was terminated effective April 1, 2012.

SNCR means selective non-catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases using ammonia.

Spark Spread means a measure of gross margin representing the price of power on a per MWh basis less the equivalent measure of the natural gas cost to produce that power. This measure is used to describe the gross margin of Talen Energy and its subsidiaries' competitive natural gas-fired generating fleet. This term is also used to describe a derivative contract in which certain Talen Energy subsidiaries may sell power and buy natural gas on a forward basis in the same contract.

Stockholder Agreement means the Stockholder Agreement entered into by Talen Energy and the Riverstone Holders as of June 1, 2015.

Susquehanna Nuclear means Susquehanna Nuclear, LLC, formerly PPL Susquehanna, LLC, a Delaware limited liability company and a subsidiary of Talen Generation that owns a nuclear-powered generating station.

SWMAAC means Southwest Mid-Atlantic Area Council, which consists of Baltimore Gas and Electric Company and Potomac Electric Power Co.

S&P means Standard & Poor's Ratings Services, a credit rating agency.

Talen Energy means Talen Energy Corporation, a Delaware corporation.

Talen Energy Marketing means Talen Energy Marketing, LLC, formerly PPL EnergyPlus, LLC, a Pennsylvania limited liability company and a subsidiary of Talen Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets.

Talen Energy Supply means Talen Energy Supply, LLC, formerly PPL Energy Supply, LLC, a Delaware limited liability company and an indirect subsidiary of Talen Energy.

Talen Generation means Talen Generation, LLC, formerly PPL Generation, LLC, a Delaware limited liability company and a subsidiary of Talen Energy Supply that owns and operates generating facilities through various subsidiaries primarily in Pennsylvania.

Talen Ironwood means Talen Ironwood, LLC, formerly PPL Ironwood, LLC, a Delaware limited liability company and an indirect subsidiary of Talen Generation that owns generating operations in Pennsylvania.

Talen Montana means Talen Montana, LLC, formerly PPL Montana, LLC, a Delaware limited liability company and an indirect subsidiary of Talen Generation that owns generating operations in Montana.

Talen Transactions has the meaning ascribed to it in the section The Talen Transactions.

Tolling agreement means agreement whereby the owner of an electricity generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

TPM means Topaz Power Management, LP, an affiliate of Riverstone and the entity that managed RJS Power's assets prior to the Contribution, and following the Contribution provides services to Talen Energy Supply pursuant to a TSA.

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Transaction Agreement means the Transaction Agreement, dated as of June 9, 2014, among PPL, HoldCo, Talen Energy, Talen Energy Supply, Merger Sub, Raven, Jade and Sapphire, as amended.

Transition Services Agreement or **TSA** means as applicable, the Transition Services Agreement, dated June 1, 2015, by and between PPL and Talen Energy Supply and the Transition Services Agreement, dated May 4, 2015, by and between Talen Energy Supply and TPM.

VaR means value-at-risk, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level.

VPP Star status means the highest level of recognition in the DOE Voluntary Protection Program, a DOE program established to promote safety and health excellence through cooperative efforts among labor, management and government at the DOE contractor sites.

WECC means Western Electricity Coordinating Council, operator of the electricity transmission network and electricity energy market in all or parts of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Texas, Utah, Washington and Wyoming and the provinces of Alberta and British Columbia in Canada and the northern portion of Baja California in Mexico.

Volumetric risk means the risk that the actual load volumes provided under full-requirement sales contracts could vary significantly from forecasted volumes.

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Report of Independent Registered Public Accounting Firm

The Board of Managers and Sole Member of PPL Energy Supply, LLC

We have audited the accompanying consolidated balance sheets of PPL Energy Supply, LLC and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Energy Supply, LLC and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

February 23, 2015

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31****PPL Energy Supply, LLC and Subsidiaries***(Millions of Dollars)*

	2014	2013	2012
Operating Revenues			
Unregulated wholesale energy	\$ 1,808	\$ 2,909	\$ 3,976
Unregulated wholesale energy to affiliate	84	51	78
Unregulated retail energy	1,243	1,027	844
Energy-related businesses	601	527	448
Total Operating Revenues	3,736	4,514	5,346
Operating Expenses			
Operation			
Fuel	1,196	1,049	965
Energy purchases	209	1,171	1,821
Other operation and maintenance	1,007	1,026	997
Loss on lease termination (Note 4)		697	
Depreciation	297	299	272
Taxes, other than income	57	53	55
Energy-related businesses	573	512	432
Total Operating Expenses	3,339	4,807	4,542
Operating Income (Loss)	397	(293)	804
Other Income (Expense) net	30	32	19
Interest Expense	124	159	158
Income (Loss) from Continuing Operations Before Income Taxes	303	(420)	665
Income Taxes	116	(159)	236
Income (Loss) from Continuing Operations After Income Taxes	187	(261)	429
Income (Loss) from Discontinued Operations (net of income taxes)	223	32	46
Net Income (Loss)	410	(229)	475
Net Income (Loss) Attributable to Noncontrolling Interests		1	1
Net Income (Loss) Attributable to PPL Energy Supply Member	\$ 410	\$	