

# THE MORNING CALL

## What drove Talen to change plans for Allentown headquarters?



*While Talen Energy will keep a presence in Allentown, the company will be moving from the Plaza at PPL Center into smaller offices.*



Anthony Salamone – August 18, 2017

ALLENTOWN — In December, Talen Energy CEO Ralph Alexander said the company would keep its headquarters in Allentown and open a “small office” near Houston.

Fast-forward to this week, when Alexander told employees in an email reviewed by The Morning Call that Talen’s Allentown headquarters would become a “center” and remain downtown, and the company will add a “second center” in The Woodlands, Texas, a Houston suburb. Indeed, Talen has listed both Allentown and The Woodlands as locations for the company in recent news releases.

So what changed, and are there benefits to having what Alexander called “two co-center locations?”

Todd Martin, spokesman for privately held Talen, did not respond to messages seeking comment, but several experts said Talen’s plans could be based on several factors.

Perhaps most important: Houston is the energy capital of the U.S., said John E. Shelk, president and CEO of Electric Power Supply Association in Washington D.C., an industry trade group. Shelk said many independent power producers such as Talen have a significant presence in Houston and elsewhere, depending on the location of their generation assets.

Allentown is a more convenient location for the operation of most of Talen’s 21 power plants, with just three in Texas, and one each in Arizona and Montana. The rest are in several eastern states, including six in Pennsylvania, where Talen became a stand-alone company in 2015 that was spun off from PPL Energy Supply. Talen sells the energy the plants generate to utilities and other mostly commercial customers. It has been a tough industry in recent years, beset by stagnant demand, low energy prices and tight profit margins.

John Boyd Jr., a site selection expert, said Talen’s office in The Woodlands will serve as a recruiting tool for new talent. It would be a “radical move” for Talen to ask its Allentown employees to relocate to Houston, he said.

“This is the nature of site selection, smaller sites in different states,” said Boyd, who owns The Boyd Co. Inc. of Princeton, N.J.

Boyd also said the move could increase Talen’s clout with congressional members from Texas.

Shelk disagreed, adding he couldn’t recall a company that moved its headquarters to gain clout with Congress.

“Certainly, there are so many energy companies, including power companies already in Texas, that one more wouldn’t stand out politically,” he said. “These days, with wholesale power prices at historic 20-year lows, the economics win out in making decisions large and small.”

John Wittman, spokesman for Texas Gov. Greg Abbott, said the state’s Office of Economic Development did not provide any incentives to lure Talen. He said besides Houston’s reputation as a mecca for energy companies, businesses are lured to the state because of low taxes, reasonable regulation and right to work laws, and a “world-class work force.”

Alexander, who is based in Houston, said in the email to employees Tuesday that the company will save \$7 million in annual building costs by opening the Woodlands location and shifting its Allentown headquarters from the Plaza at PPL Center to the soon-to-be-completed Tower 6 office building during the second quarter of 2018. Both sites are on Hamilton Street in center city Allentown.

Talen's Allentown move, which the company outlined as a "five-year commitment," coincides with the end of its lease at PPL Plaza, which is now mired in foreclosure.

At the same time, Talen plans to reduce its corporate head count in Allentown. At one time, Talen had about 500 employees at PPL Plaza; it's expected to be whittled down to fewer than 200 employees by Jan. 1, an employee told The Morning Call on the condition of anonymity. At one time, Talen occupied about 90 percent of the eight-story building PPL Plaza. It will take up two floors in the 12-story Tower 6 when it's completed next spring.

Alexander also told employees that while Talen has two "co-center locations," its true headquarters are at its business units and generating stations.

Upper Macungie Township attorney Buddy Lesavoy said Talen has a history in the Lehigh Valley, and its key people and systems are here.

"There's probably subtle differences between what is called headquarters ... but also having a substantial satellite presence in other parts of the country," said Lesavoy, whose practice includes corporate law.

Shelk agreed. "Nowadays," he said in an email, "we are all linked electronically."