

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re:	:	Chapter 11
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NEW MACH GEN, LLC, <u>et al.</u> ,	:	Case No. 18-11368 (___)
	:	
Debtors. ¹	:	(Joint Administration Pending)
	:	
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**DECLARATION OF JOHN CHESSER IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, John Chesser, hereby declare under penalty of perjury:

1. I am the Chief Financial Officer (“CFO”) of New MACH Gen, LLC (“New MACH Gen”) and each of the other above-captioned debtors and debtors in possession (each, a “MACH Gen Entity” or “Debtor” and, collectively, the “MACH Gen Entities,” “MACH Gen” or the “Debtors”).

2. By way of introduction, I am an executive with nearly twenty years of experience. I joined New MACH Gen as CFO on June 22, 2017. Since January 2017, I have held and continue to hold the title of Vice-President of Finance and Supply Chain at Talen Energy Supply, LLC (“Talen Energy”), an owner of 16,000 megawatt in generating capacity in the United States, including New MACH Gen. Previously, I was Vice-President of Finance and Treasurer of Terraform Power and Terraform Global, an owner of 4,000 megawatt of solar and wind generating capacity in the United States, Canada, China, India and Brazil. Prior roles included PricewaterhouseCoopers LLP and General Motors. I have held various financial roles

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: New MACH Gen, LLC (4920), MACH Gen GP, LLC (6738), Millennium Power Partners, L.P. (6688), New Athens Generating Company, LLC (0156), and New Harquahala Generating Company, LLC (0092). The Debtors’ principal offices are located at 1780 Hughes Landing, Suite 800, The Woodlands, Texas 77380.

in accounting, treasury, FP&A, tax, and corporate development. In addition, I have experience in the operation, development, and financing of power generation and other energy businesses. I am generally familiar with MACH Gen's day-to-day operations, businesses, financial affairs, and books and records.

3. Concurrently with the filing of this declaration (this "Declaration") on the date hereof (the "Petition Date"), each of the MACH Gen Entities filed a voluntary petition for relief (collectively, the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware. Each of the MACH Gen Entities is operating its business and managing its properties as a debtor in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. To date, no creditors' committee has been appointed in the Chapter 11 Cases by the Office of the United States Trustee for the District of Delaware (the "United States Trustee"). No trustee or examiner has been appointed in the Chapter 11 Cases.

4. MACH Gen is also filing concurrently with this Declaration the *Joint Prepackaged Chapter 11 Plan of New MACH Gen, LLC and Its Affiliated Debtors and Debtors in Possession*, dated as of June 4, 2018 (as it may be amended, supplemented, restated, or modified from time to time, the "Plan"),² as well as a disclosure statement for the Plan (as it may be amended, supplemented, restated, or modified from time to time, the "Disclosure Statement"). As further discussed below, the Plan provides for the comprehensive restructuring of MACH Gen's balance sheet and the transfer of certain assets to MACH Gen's prepetition first lien lenders (the "Restructuring"). The Chapter 11 Cases are being commenced following the solicitation of the Plan, which MACH Gen seeks to have confirmed by the Court. As described

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Plan or the RSA (as defined below), as applicable.

below, all holders who voted on the Plan have voted unanimously to accept the Plan, and the Plan provides for all third party non-voting classes, including general unsecured creditors, to be paid in full or otherwise rendered unimpaired.

5. To operate effectively and minimize certain of the potential adverse effects of the commencement of the Chapter 11 Cases, MACH Gen has requested certain relief in “first day” applications and motions filed with the Court (collectively, the “First Day Pleadings”). As described below, MACH Gen seeks by the First Day Pleadings to, among other things, (i) establish certain administrative procedures to promote a seamless transition into and through the Chapter 11 Cases, (ii) ensure the continuation of its business operations and cash management system without interruption, (iii) obtain debtor-in-possession financing and use cash collateral in the operation of its businesses, (iv) preserve valuable relationships with trade vendors and other creditors whose claims are not expected to be impaired by the Chapter 11 Cases, and (v) schedule a combined hearing for the Court to consider the adequacy of the Disclosure Statement, approval of MACH Gen’s prepetition solicitation procedures, and confirmation of the Plan. As further discussed below, I am familiar with the contents of each of the First Day Pleadings, and I believe MACH Gen would suffer immediate and irreparable harm absent the ability to continue its business operations as sought in the First Day Pleadings.

6. I submit this Declaration, pursuant to Rule 1007-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, to provide an overview of MACH Gen, its businesses and the Chapter 11 Cases, as well as to support MACH Gen’s chapter 11 petitions and the First Day Pleadings. Except as otherwise indicated herein, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of MACH Gen’s senior management and

MACH Gen’s advisors, my review of relevant documents, or my opinion based on my experience, knowledge, and information concerning MACH Gen’s operations and financial condition. In making this Declaration, I have relied in part on information and materials that MACH Gen’s personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and/or for my benefit in preparing this Declaration. I am authorized to submit this Declaration on behalf of MACH Gen, and, if called upon to testify, I would testify competently to the facts set forth herein.

7. Parts I through IV of this Declaration provide an overview of the businesses, organizational structure, and capital structure of MACH Gen. Part V provides an overview of the circumstances leading to the commencement of the Chapter 11 Cases. Part VI provides an overview of the RSA and prepetition solicitation of the Plan, and Part VII summarizes the First Day Pleadings and the bases for the relief sought therein.

I. MACH Gen’s Businesses and Operations

8. MACH Gen owns and manages a portfolio of three natural gas-fired electric generating facilities located in the United States: (1) a 1,080 MW facility located in Athens, New York that achieved commercial operation on May 5, 2004 (the “Athens Facility”); (2) a 1,092 MW facility located in Maricopa County, Arizona, that achieved commercial operation on September 11, 2004 (the “Harquahala Facility”); and (3) a 360 MW facility, located in Charlton, Massachusetts, that achieved commercial operation on April 12, 2001 (the “Millennium Facility,” and collectively with the Athens Facility and the Harquahala Facility, the “Facilities”).

9. MACH Gen generates revenues through the sale of energy, capacity, and ancillary services from the Facilities through various arrangements, including into relevant power markets pursuant to energy management agreements (each, an “Energy Management Agreement”) with reputable energy managers (the “Energy Managers”), currently its affiliate Talen Energy

Marketing, LLC (“Talen Marketing”) (for the Athens and Millennium Facilities) and EDF Energy Services, LLC (for the Harquahala Facility).³ The Facilities dispatch electricity into three power markets, two of which are served by independent system operators (“ISOs”). Specifically, the Athens Facility dispatches power into the region managed by the New York ISO, the Harquahala Facility into the region served by the Western Electricity Coordinating Council, and the Millennium Facility into the region managed by ISO New England. Each of the Facilities utilizes advanced frame “501G” combustion turbine generating technology and equipment supplied by leading manufacturers.

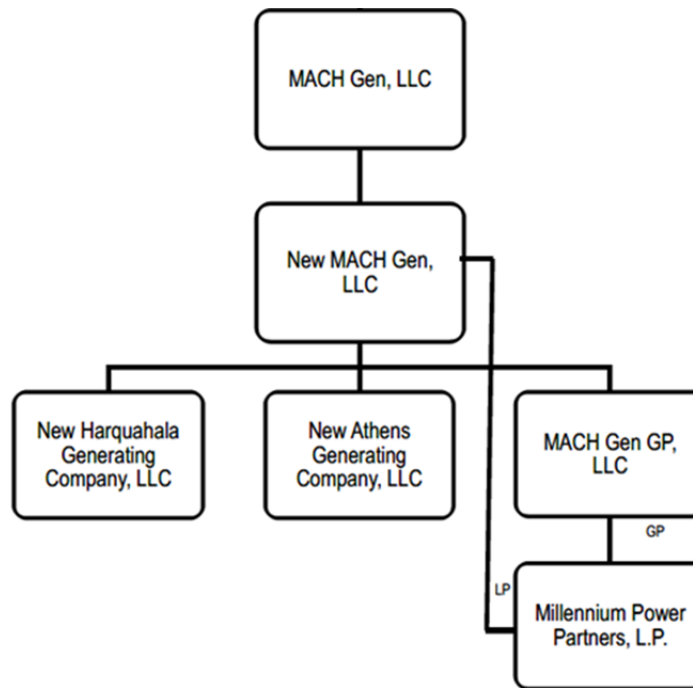
II. Corporate History and Organizational Structure

10. In November 2015, Talen Energy acquired MACH Gen, LLC (“Old MACH Gen”) for approximately \$1.175 billion (including assumption of indebtedness). Old MACH Gen is the direct parent company of New MACH Gen and is not a Debtor in the Chapter 11 Cases. New MACH Gen, in turn, is the direct or indirect parent company of the following project-owning Debtors: (1) New Athens Generating Company, LLC (“New Athens”), the current owner of the Athens Facility; (2) New Harquahala Generating Company, LLC (“New Harquahala”), the current owner of the Harquahala Facility; and (3) Millennium Power Partners, L.P. (“Millennium Power” and, together with New Athens and New Harquahala, the “Project Debtors”), the current owner of the Millennium Facility. New Athens and New Harquahala are both wholly and directly owned by New MACH Gen. Millennium Power is also wholly owned

³ The Energy Management Agreements with Talen Marketing terminated on February 20, 2018. However, Talen Marketing continues to provide services with respect to the Athens and Millennium Facilities on terms substantially similar to those set forth under the terminated Energy Management Agreements, generally pursuant to monthly extensions. Prior to the commencement of preparation for these Chapter 11 Cases, New Athens and Millennium Power were in discussions to enter into new Energy Management Agreements with a third party energy manager, following which Talen Marketing would no longer serve as energy manager. These discussions are expected to resume during or promptly after Chapter 11 Cases.

by New MACH Gen, in part directly and in part indirectly through MACH Gen GP, LLC (a wholly and directly owned subsidiary of New MACH Gen) (“MACH Gen GP”).

11. Set forth below is the prepetition corporate organizational structure of MACH Gen. Each entity depicted is a Debtor other than MACH Gen, LLC.



12. Prior to the acquisition by Talen Energy, New MACH Gen was formed to own and operate the other MACH Gen Entities as a result of the court-approved prepackaged chapter 11 bankruptcy cases of Old MACH Gen and the MACH Gen Entities (other than New MACH Gen), Case No. 14-10461 (MFW) *et seq.* (the “Prior Chapter 11 Cases”). In the Prior Chapter 11 Cases, MACH Gen reduced its funded indebtedness from approximately \$1.6 billion to approximately \$1 billion while paying unsecured creditors in full and issuing 93.5% of new equity in reorganized MACH Gen to former holders of second lien debt and 6.5% of new equity in reorganized MACH Gen to existing equity holders. The restructuring of MACH Gen pursuant to the Prior Chapter 11 Cases became effective on April 28, 2014.

III. Management and Operations

13. MACH Gen is party to various consulting, operations, maintenance, and other similar agreements, under which affiliates and third parties provide essential services and personnel to meet the business, commercial, and technical needs of MACH Gen and the Facilities. Among these agreements are the Energy Management Agreements, agreements for the supply of equipment and services, warranty contracts, and operations and maintenance agreements.

14. Under agreements with each Project Debtor, daily operations and maintenance of the Facilities is handled by third party contractors, and maintenance, parts, labor, and material for combustion turbine and generators for planned and unplanned outages at the Facilities are provided by Siemens Energy, Inc. (f/k/a Siemens Power Generation, Inc.). In addition, under the Energy Management Agreements, the Energy Managers, on behalf of the applicable Project Debtor, solicit and enter into energy transactions, schedule, bid, and dispatch energy from the Facilities into distribution systems and coordinate with transmission providers. The Energy Managers assist MACH Gen in identifying commercial strategies to maximize the value of the Facilities' generation and gas transmission capacity and identifying, soliciting, and executing transactions beyond the day-ahead market. In an effort to procure fuel for the Facilities at the lowest cost possible, the Energy Managers deal with all market participants, for and on behalf of each Facility, from a credit standpoint and act as the applicable Project Debtor's counterparty in purchasing natural gas.

IV. Prepetition Indebtedness

15. First Lien Credit Facility. New MACH Gen has long-term material debt obligations consisting of outstanding loans and letters of credit issued under a first lien secured credit facility (the "First Lien Credit Facility") pursuant to that certain Amended and Restated

First Lien Credit and Guaranty Agreement, dated as of June 4, 2018 (as may be amended, amended and restated, supplemented, modified, extended, renewed restated and/or replaced at any time prior to the Petition Date, the “A&R First Lien Credit Agreement”), among New MACH Gen, as borrower, each of MACH Gen GP, LLC, Millennium Power Partners, L.P., New Athens Generating Company, LLC and New Harquahala Generating Company, LLC, as guarantors, CLMG Corp., as First Lien Collateral Agent and Administrative Agent, Beal Bank USA, as a Revolving Credit Lender, the Initial Revolving Issuing Bank and a Term B Lender, and Beal Bank, SSB, as a Term B Lender (together with Beal Bank USA, the “First Lien Lenders”).

16. The A&R First Lien Credit Agreement amended and restated that certain First Lien Credit and Guaranty Agreement dated as of April 28, 2014 (as amended, amended and restated, supplemented, modified, extended, renewed restated and/or replaced at any time prior to the effectiveness of the A&R First Lien Credit Agreement, the “First Lien Credit Agreement”), which was implemented in connection with New MACH Gen’s emergence from the Prior Chapter 11 Cases and was outstanding when Talen Energy acquired New MACH Gen in November 2015.

17. The A&R First Lien Credit Agreement provides, among other things, (a) a term loan facility in an aggregate principal amount of up to approximately \$482 million, and (b) a \$200 million working capital revolving credit facility, which was subsequently reduced to \$160 million. The revolving credit facility also includes a \$50 million sub-facility for the issuance of letters of credit. The term loan facility matures on July 10, 2022 and the revolving credit facility matures on July 10, 2021.⁴

⁴ In connection with the execution of the A&R First Lien Credit Agreement, New MACH Gen obtained an option to enter into an additional amendment to the A&R First Lien Credit Agreement to obtain a short-term \$5 million

18. As security for the obligations arising under the A&R First Lien Credit Agreement, New MACH Gen granted first priority liens and security interests in substantially all of its assets and property, including the property of and the equity interests in MACH Gen GP, LLC, Millennium Power Partners, L.P., New Athens Generating Company, LLC and New Harquahala Generating Company, LLC.

19. The A&R First Lien Credit Agreement, among other things, (1) defers all required payments under the First Lien Credit Facility until the earliest of (a) the Effective Date, (b) the date falling one hundred eighty (180) days after any of New MACH Gen or the Guarantors (as defined in the A&R First Lien Credit Agreement) file for bankruptcy under chapter 11 of the Bankruptcy Code, (c) thirty (30) days after the entry of the DIP Interim Order (or such later date as the Required Lenders (as defined in the DIP Credit Agreement) may approve) if the DIP Final Order has not been entered prior to the expiration of such period, (d) the occurrence of a Termination Date (as defined in the DIP Interim Order and the DIP Final Order) pursuant to clause (ii) of the definition thereof and (e) the date of termination of the RSA (defined below), (2) adjusted the amount of interest accruing under the First Lien Credit Facility (including the principal amount deemed to be outstanding under the First Lien Credit Facility for purposes of calculating interest thereon) on and after September 29, 2017, and (3) assessed a fee, which fee is payable solely to the extent the Restructuring becomes effective and will be converted into the Term C loan facility under the New First Lien Facilities.

20. Prepetition Amounts Outstanding Under the A&R First Lien Credit Agreement.
Under the A&R First Lien Credit Agreement, as of June 4, 2018, (a) First Lien Term Loan

emergency loan (the "Emergency Loan Amendment") from the First Lien Lenders prior to the commencement of the Chapter 11 Cases to provide emergency liquidity. New Mach Gen did not ultimately enter into the Emergency Loan Amendment.

Claims of approximately \$465 million in aggregate principal amount and approximately \$25 million in accrued interest remain outstanding, (b) First Lien Revolver Claims of approximately \$160 million in aggregate principal amount (including issued letters of credit) and approximately \$6.5 million in accrued interest, fees, expenses and other amounts remain outstanding and (c) the Exit Fee (as defined therein) of approximately \$50 million remains outstanding. As of June 11, 2018, the First Lien Revolving Credit Facility was fully drawn and no commitments remained unused.

V. Circumstances Leading to Commencement of the Chapter 11 Cases

21. As noted above, in November 2015, Talen Energy acquired Old MACH Gen, the parent company of New MACH Gen, for approximately \$1.175 billion (including assumption of indebtedness). At the time of acquisition, the Project Debtors appeared to be substantial optimization opportunities with compelling future projections. At acquisition closing, MACH Gen was party to the First Lien Credit Agreement with the First Lien Lenders. Specifically, MACH Gen had approximately \$475 million outstanding under the secured term loan and approximately \$103 million drawn against the \$160 million revolving credit facility. Furthermore, MACH Gen had issued approximately \$31 million in letters of credit. Despite the highly-leveraged nature of the business at acquisition, Talen Energy forecasted MACH Gen to generate \$120 million of EBITDA and \$30 million in free cash flow in 2016, the first full year following closing.

22. Unfortunately, and concurrent with industry-specific events that created a challenging operating environment adversely impacting MACH Gen and its competitors, the 2016 results significantly underperformed with a net loss of approximately \$589.8 million. During 2016, the overall cash balance of MACH Gen grew by \$80,000, which includes an advance from Talen Energy of \$14.5 million. Talen Energy had planned to refinance MACH

Gen's outstanding debt and also intended for the newly acquired Project Debtors to bear administrative expenses, but was prevented from doing so when the Project Debtors – New Athens in particular – encountered unforeseen obstacles. The financial model for New Athens assumed a low price for gas, specifically because the Constitution Pipeline proposed for Pennsylvania and New York was anticipated to enter service in 2016. The pipeline was ultimately delayed because New York State did not issue required water permits. Litigation stemming from non-issuance of permits has prevented the pipeline from being constructed, and it is now not expected to enter service until at least 2019. Gas and transmission constraints at New Athens, which were not reflected in the acquisition model, also significantly impacted cash flow.

23. Furthermore, poor market conditions in the Desert Southwest proved difficult for New Harquahala, which continued to operate at an approximately \$10 million per year cash loss. Following the closing of Talen Energy's acquisition of Old MACH Gen, it was also discovered that MACH Gen had unpaid long term service agreement costs that were not reflected in the original acquisition forecast. Additionally, restrictions in the First Lien Credit Agreement prevented MACH Gen from hedging its expected margins, which resulted in underperformance when market conditions were impacted by external factors, such as weather.

24. When Talen Energy was taken private in 2016, a combination of new and existing managers were installed at both Talen Energy and New MACH Gen, as well as the Project Debtors and MACH Gen GP. Thereafter, management conducted a detailed review of all aspects of the businesses, identifying significant liquidity constraints for the businesses in 2017. This followed from 2016 underperformance in conjunction with very poor winter market conditions in Q1 of 2017. In recognition of the highly-leveraged nature of MACH Gen's balance sheet and then-current financial position, MACH Gen's management undertook discussions with the First

Lien Lenders in March 2017, which resulted in the Fourth Amendment to the First Lien Credit and Guaranty Agreement, giving MACH Gen the ability to continue drawing on the revolver.

25. Despite additional funds from the revolver, the businesses continued to face challenges. New Athens showed lower than expected capacity margins due to lower prices in the New York ISO. Lower market prices led to energy margin underperformance at both New Athens and New Millennium in the summer of 2017. Likewise, a micro-burst storm in August 2017 significantly damaged the transmission line of the New Harquahala plant, which resulted in further market losses. Simultaneously, MACH Gen faced significant interest expenses due to the leveraged nature of its balance sheet, which, in combination with the underperforming plants, further impacted MACH Gen's available liquidity.

26. In attempts to address these issues, management took a number of actions, including efforts to significantly reduce overall future debt service obligations. In connection with this, MACH Gen entered into discussions with the First Lien Lenders in August 2017 regarding a potential restructuring of the First Lien Credit Facility.

VI. The RSA and Prepetition Solicitation of the Plan

27. *The Restructuring Support Agreement*. MACH Gen and its advisors continued to engage extensively with the First Lien Lenders through the fall of 2017 and spring of 2018 in an attempt to consensually restructure the First Lien Credit Facility. After months of good faith and arms'-length negotiations, MACH Gen and the First Lien Lenders agreed in principle to the Restructuring, pursuant to which (1) MACH Gen would transfer New Harquahala to the First Lien Lenders in exchange for, among other things, a reduction of \$150 million of prepetition indebtedness outstanding under the First Lien Credit Facility (subject to the terms and conditions of the Plan, including the Harquahala Reorganization Annex, and the New First Lien Facilities (defined below)), (2) the remainder of the First Lien Credit Facility would be refinanced through

new first lien credit facilities (the “New First Lien Facilities”) anticipated to be in an aggregate principal amount of approximately \$513 million, consisting of a \$10 million new revolving first lien credit facility, a new term B loan facility anticipated to be in an aggregate principal amount of approximately \$448 million, and a new term C loan facility anticipated to be in an aggregate principal amount of approximately \$55 million, and (3) Talen Energy and its affiliates would provide additional new financing to MACH Gen on a second lien basis, consisting of a new second lien revolving facility anticipated to be in an aggregate principal amount of approximately \$25 million and a new second lien letter of credit facility which will be used to collateralize letters of credit issued under the New First Lien Facilities. The Restructuring is expected to eliminate approximately \$95 million in debt under the First Lien Credit Facility. MACH Gen, including New Harquahala, will emerge from the Chapter 11 Cases, in each case, a stronger company, with a sustainable capital structure that is better aligned with MACH Gen’s present and future operating prospects.

28. On June 4, 2018, each of the MACH Gen Entities, Old MACH Gen (as the Consenting Equity Holder), the First Lien Lenders (as the Consenting First Lien Lenders), Talen Energy (solely for certain purposes as set forth in the RSA), and Talen Investment Corporation (solely for certain purposes as set forth in the RSA) entered into the Restructuring Support Agreement (the “RSA”), pursuant to which the MACH Gen Entities, the Consenting First Lien Lenders, and the Consenting Equity Holder agreed, subject to the terms and conditions set forth therein, to, inter alia, support, vote to accept (to the extent applicable), and to implement the Restructuring through the Chapter 11 Cases and the Plan.⁵ Pursuant to the Plan, it is

⁵ After exploring the possibility of implementing the Restructuring on an out-of-court basis, MACH Gen ultimately determined that commencing the Chapter 11 Cases in order to implement the Restructuring through the Plan was in the best interests of MACH Gen and its various stakeholders.

contemplated that all claims and interests with respect to the MACH Gen Entities other than claims under the First Lien Credit Facility and interests in New Harquahala will be either paid in full on the effective date of the Plan or otherwise rendered unimpaired.⁶

29. Prepetition Solicitation of the Plan. In accordance with the RSA, on June 4, 2018, MACH Gen began soliciting votes on the Plan by instructing its voting agent, Prime Clerk LLC (“Prime Clerk”), to distribute a solicitation package containing the Disclosure Statement, including the Plan and other exhibits thereto, and one or more ballots, as applicable, to each holder of an impaired claim that is entitled to vote – i.e. the First Lien Revolver Claims and the First Lien Term Loan Claims (each as defined in the Plan) – determined as of the voting record date of June 5, 2018.

30. Following the occurrence of the voting deadline on June 5, 2018, Prime Clerk informed MACH Gen that solicited holders had timely submitted a ballot and that each impaired class had voted unanimously to accept the Plan:⁷

Class	Timely received ballots		Percentage of timely received ballots		
	Accepting (% of total solicited)	Rejecting	Accepting	Rejecting	
First Lien Revolver Claims	\$ amount ⁸	\$132,953,263.52 (100%)	None	100%	0%
	# of holders	1 (100%)	None	100%	0%
First Lien Term Loan Claims	\$ amount	\$465,114,835.06 (100%)	None	100%	0%
	# of holders	2 (100%)	None	100%	0%

⁶ In the event of a First Lien Step-In Scenario (as defined in the Plan), interests in New Harquahala would be rendered unimpaired and interests in New MACH Gen would be cancelled.

⁷ In accordance with the prepetition solicitation procedures, because the Plan is considered a separate chapter 11 plan with respect to each MACH Gen Entity, the votes in each class were counted with respect to each MACH Gen Entity’s chapter 11 plan.

⁸ The amount indicated for the First Lien Revolver Claims reflects the total loan commitment, including both outstanding and undrawn amounts as of the voting record date.

31. Contemporaneously herewith, MACH Gen is filing a motion, described in greater detail below, seeking entry of an order (i) scheduling a combined hearing for the Bankruptcy Court to consider approval of the Disclosure Statement and the prepetition solicitation procedures, as well as confirmation of the Plan, and (ii) establishing related objection and other deadlines, with the goal of emerging from the Chapter 11 Cases as soon as practicable following the anticipated receipt of applicable regulatory approvals and, in any case, within the milestones contemplated by the RSA.

VII. First Day Pleadings

32. Concurrently with its chapter 11 petitions, MACH Gen is filing the following First Day Pleadings:

(i) Administrative Pleadings

- a. MACH Gen's Motion for Entry of Order Directing Procedural Consolidation and Joint Administration of Chapter 11 Cases ("Joint Administration Motion"); and
- b. MACH Gen's Application for Entry of Order Authorizing Employment and Retention of Prime Clerk LLC as Claims and Noticing Agent, Effective *Nunc Pro Tunc* to the Petition Date ("Prime Clerk Application").

(ii) Operational and RSA-Related Pleadings

- a. Debtors' Motion for Entry of Interim and Final Orders (i) Authorizing Continued Maintenance of Prepetition Bank Accounts and Payment of Related Prepetition Obligations, (ii) Authorizing Continued Use of Existing Cash Management System, (iii) Authorizing Continued Use of Existing Business Forms, and (iv) Authorizing the Continuation of Intercompany Transactions ("Cash Management Motion");
- b. MACH Gen's Motion for Entry of Order Authorizing MACH Gen to Pay Unpaid Prepetition Premiums Associated with Prepetition Insurance Policies in Ordinary Course of Business ("Insurance Motion");
- c. Debtors' Motion for Entry of Interim and Final Orders (i) Approving Debtors' Proposed Form of Adequate Assurance of Payment, (ii) Establishing Procedures for Resolving Additional Adequate Assurance Requests, and (iii) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service ("Utilities Motion");

- d. Debtors' Motion for Entry of Order Authorizing the Debtors to Pay Certain Prepetition Taxes and Related Obligations ("Taxes Motion");
- e. Debtors' Motion for Entry of Interim and Final Orders Authorizing Payment of Certain Prepetition Claims in Ordinary Course of Business ("All-Trade Motion")
- f. MACH Gen's Motion for Entry of (i) Order (a) Scheduling Combined Hearing on Adequacy of Disclosure Statement and Confirmation of Plan, (b) Approving Form and Manner of Notice of Combined Hearing and Commencement of Chapter 11 Cases, (c) Establishing Procedures for Objecting to Disclosure Statement or Plan, (d) approving prepetition solicitation procedures, and (e) conditionally directing the United States Trustee not to convene section 341 meeting of creditors; (ii) order, (a) approving adequacy of disclosure statement and (b) confirming plan; and (iii) order authorizing assumption of the Restructuring Support Agreement ("Scheduling and Confirmation Motion"); and
- g. Debtors' Motion for Interim and Final Orders (i) Authorizing New MACH Gen to Obtain Postpetition Financing, (ii) Authorizing Use of Cash Collateral, (iii) Granting Liens and Super-Priority Claims, and (iv) Granting Adequate Protection to Prepetition First Lien Lenders, (v) Scheduling a Final Hearing, and (vi) Granting Related Relief ("DIP Motion").

33. As noted above, the relief sought in the various First Day Pleadings would allow MACH Gen to, among other things, (i) establish certain administrative procedures to promote a seamless transition into and through chapter 11, (ii) ensure the continuation of its business operations and cash management system without interruption, (iii) obtain debtor-in-possession financing and use cash collateral in the operation of MACH Gen's businesses, (iv) preserve valuable relationships with trade vendors and other creditors whose claims are not expected to be impaired by these Chapter 11 Cases; and (v) schedule a combined hearing for the Court to consider the adequacy of the Disclosure Statement, approval of MACH Gen's prepetition solicitation procedures, and confirmation of the Plan.

34. I have reviewed each of the First Day Pleadings or had their contents explained to me, and I believe MACH Gen would suffer immediate and irreparable harm absent the ability to continue its business operations as sought in the First Day Pleadings. In my opinion, approval of the relief sought in the First Day Pleadings will be critical to MACH Gen's efforts to reorganize

through these Chapter 11 Cases efficiently and with minimized disruptions to its business operations, thereby permitting MACH Gen to preserve and maximize value for the benefit of all stakeholders and successfully emerge from chapter 11 as a more competitively-positioned going concern.

35. Several of the First Day Pleadings request authority to pay certain prepetition claims. I am told by MACH Gen's advisors that Bankruptcy Rule 6003 provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent relief is necessary to avoid immediate and irreparable harm." In light of this requirement, MACH Gen has limited its requests for immediate authority to pay prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to MACH Gen and its estates. Consequently, certain aspects of the relief sought in the First Day Pleadings will be deferred for consideration at a later hearing, as indicated therein.

36. Any capitalized term used in this Part VII but not defined herein shall have the meaning ascribed to that term in the relevant First Day Pleading.

a. Joint Administration Motion

37. MACH Gen seeks entry of an order directing the procedural consolidation and joint administration of these Chapter 11 Cases. Specifically, MACH Gen requests that the Court maintain one file and one docket for all of the jointly-administered cases under the case of New MACH Gen, LLC, and that each of the MACH Gen Entities' chapter 11 cases be administered under a consolidated caption. MACH Gen further requests that the Court determine that the consolidated caption satisfies the requirements set forth in section 342(c)(1) of the Bankruptcy Code. MACH Gen also requests that an entry be entered on the docket of each of the MACH

Gen Entities' chapter 11 cases, other than the chapter 11 case of New MACH Gen, LLC, to reflect the joint administration of these Chapter 11 Cases.

38. Given the integrated nature of MACH Gen's operations and the fact that the MACH Gen Entities have jointly proposed a prepackaged chapter 11 plan, I believe joint administration of these Chapter 11 Cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders in these Chapter 11 Cases will affect each MACH Gen Entity. I believe the entry of an order directing the joint administration of these Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections. Joint administration also will allow the United States Trustee and all parties in interest to monitor these Chapter 11 Cases with greater ease and efficiency.

39. Moreover, I do not believe joint administration will adversely affect the MACH Gen Entities' respective constituencies, because MACH Gen seeks only joint administration for procedural purposes and not substantive consolidation of MACH Gen's estates. I believe parties in interest will not be harmed by the relief requested but, instead, will benefit from the cost reductions associated with joint administration.

b. Prime Clerk Application

40. MACH Gen seeks entry of an order authorizing the employment and retention of Prime Clerk as the Claims and Noticing Agent in MACH Gen's chapter 11 cases, effective nunc pro tunc to the Petition Date, as set forth in section 156(c) of the Judicial Code and the proposed order.

41. MACH Gen has obtained and reviewed engagement proposals from at least two other court-approved claims and noticing agents to ensure selection through a competitive process. Based on all engagement proposals obtained and reviewed, MACH Gen determined

that Prime Clerk's rates are competitive and reasonable given Prime Clerk's quality of services and expertise.

42. MACH Gen anticipates that there will be in excess of 1000 entities to be noticed. In view of the number of anticipated claimants and the complexity of MACH Gen's businesses, I believe that the appointment of Prime Clerk is both necessary and in the best interests of MACH Gen's estates and creditors because MACH Gen will be relieved of the burdens associated with the Claims and Noticing Services. Accordingly, MACH Gen will be able to devote their full attention and resources to maximize value for its stakeholders and facilitate the orderly administration of these Chapter 11 Cases.

43. Pursuant to MACH Gen's request, Prime Clerk has agreed to serve in its capacity as Claims and Noticing Agent from the Petition Date with assurances that MACH Gen would seek approval of its employment and retention, effective nunc pro tunc to the Petition Date, so that Prime Clerk may be compensated for its pre-application services. I believe that no party in interest will be prejudiced by the granting of the nunc pro tunc employment, because Prime Clerk will provide valuable services to MACH Gen's estates in the interim period.

c. Cash Management Motion

44. The Debtors seeks entry of interim and final orders: (i) authorizing the Debtors to maintain their existing bank accounts, a waiver of certain operating guidelines relating to bank accounts, and the payment of related prepetition obligations (ii) authorizing the Debtors to continue using their Cash Management System, (iii) authorizing the Debtors to continue to use their existing business forms, (iv) authorizing the continuation of certain intercompany transactions.

45. In the ordinary course of its business, MACH Gen uses their cash management system to collect, transfer, and disburse funds generated from their operations, and to facilitate

cash monitoring, forecasting, and reporting (the “Cash Management System”), comparable to the centralized systems used by similarly-situated companies to manage the cash of several operating units in a cost-effective, efficient manner.

46. The Cash Management System comprises 16 deposit, disbursement and investment accounts maintained by MACH Gen (collectively, the “Bank Accounts”) at multiple banking and financial institutions (collectively, the “Banks”).

47. The flow of funds among the Bank Accounts is subject to the terms of the Security Deposit Agreement, dated as of April 28, 2014, by and among New MACH Gen as Borrower, MACH Gen GP, LLC, New Athens Generating Company, LLC, New Harquahala Generating Company, LLC, and Millennium Power Partners, L.P. as Guarantors, CLMG Corp. as First Lien Collateral Agent, and Citibank, N.A. as Depository (as amended, the “Security Deposit Agreement”).

48. Pursuant to the Security Deposit Agreement, all revenues and cash receipts generated by the Debtors, including, without limitation, from the sale of power, capacity or electrical energy, the resale of fuel, interest and other income earned on amounts in the Bank Accounts or proceeds from positive financial settlements under hedging arrangements, are ultimately deposited into the Revenue Account, which functions as the Debtors’ primary operating account. In addition, subject to certain exceptions, borrowings under the Debtors’ term loan facilities generally enter the Cash Management System by way of wire transfers into the Revenue Account.

49. On a periodic basis, funds from the Revenue Account are electronically transferred to other Bank Accounts as directed by a withdrawal certificate delivered by New MACH Gen to the First Lien Collateral Agent and the Depository under the Security Deposit

Agreement, including, without limitation, into special purpose accounts, such as the Operating Account, First Lien Payment Accounts, Debt Service Reserve Account, General Reserve Account, and Prepayment Account.

50. The Operating Account is the primary account from which the Debtors fund costs relating to the maintenance, administration and operation of the Facilities. Costs funded from the Operating Account include, without limitation, major maintenance expenses, expenses under long-term service and spare parts agreements, fuel costs, transmission costs, taxes and fees, payments under the Operating Agreements, payments under leases, personnel costs, insurance costs, and other expenses incurred in the ordinary course of the Debtors' business (collectively, "O&M Costs"). In addition, transfers from the Operating Account are made into the Local Accounts maintained in connection with each of the Facilities, as directed by a withdrawal certificate. Funds in the Local Accounts may be used to fund O&M Costs and certain other operating, repair, rebuilding or restoration costs for the associated Facility. Under the Security Deposit Agreement, the balance on deposit in any Local Account is not permitted to exceed \$1 million at any time, and transfers into each account are limited to an aggregate of \$1 million in any calendar month.

51. In the ordinary course of business, the Banks charge, and the Debtors pay, honor, or allow the deduction from the appropriate Bank Accounts, certain service charges, and other fees, costs, and expenses (collectively, the "Bank Fees"). During 2017, the Debtors estimate that they paid approximately \$4,000 in Bank Fees on average each month, depending on transaction volume. The Debtors estimate that there were approximately \$10,000 in prepetition Bank Fees outstanding on the Petition Date (collectively, with any other prepetition Bank Fees for prepetition transactions that are charged postpetition, the "Prepetition Bank Fees"). The

Debtors' inability to pay the Prepetition Bank Fees or to continue to pay the Bank Fees in the ordinary course of business postpetition could hinder its ability to manage the Cash Management System to the detriment of the Debtors' estates.

52. MACH Gen utilizes numerous preprinted business forms in the ordinary course of their business (including, without limitation, letterhead, purchase orders, invoices, and checks), including in connection with its Cash Management System. I understand from my discussions with MACH Gen's advisors that MACH Gen would be required under the United States Trustee Guidelines to incur the expense and delay of ordering entirely new business forms referencing the MACH Gen Entities' status as debtors in possession absent relief from the Court. I believe MACH Gen's continued ability to use its pre-existing business forms without such a reference would minimize expenses to its estates.

53. In connection with the daily operation of the Cash Management System, as funds are disbursed throughout the Cash Management System and as business is transacted between and among the Debtors and their Energy Managers, at any given time there may be intercompany claims between and among the Debtors and their Energy Managers.

54. All fund transfers are tracked in the Debtors' accounting system and can ascertain, trace, and account for all intercompany transactions (the "Intercompany Transactions"). Items recorded in the intercompany accounts include: (a) receivables from the asset manager invoices; (b) cash deposits; (c) insurance payments; and (d) draw requests. Under the current systems, the Debtors will be able to track and segregate postpetition intercompany transfers. If the Intercompany Transactions were to be discontinued, the Cash Management System and the Debtors' operations would be unnecessarily disrupted, to the detriment of the Debtors and its estates.

55. I understand from MACH Gen's advisors that the United States Trustee Guidelines require a debtor in possession to, among other things: (a) establish one debtor in possession bank account for all estate monies required for the payment of taxes, including payroll taxes; (b) close all existing bank accounts and open new debtor in possession accounts; (c) maintain a separate debtor in possession account for cash collateral; and (d) obtain checks that bear the designation "debtor in possession" and reference the bankruptcy case number and type of account on such checks. Given that MACH Gen's business and financial affairs require the collection, disbursement, and movement of funds through its 16 Bank Accounts, enforcement of this provision of the United States Trustee Guidelines during these Chapter 11 Cases would severely disrupt MACH Gen's operations.

56. Continued use of the Cash Management System will facilitate MACH Gen's chapter 11 cases by, among other things, avoiding administrative inefficiencies and expenses associated with disrupting this system and minimizing delays in the payment of postpetition obligations. I do not believe that parties in interest will be harmed by the maintenance of the existing Cash Management System because MACH Gen employs appropriate mechanisms and internal control procedures to prevent unauthorized payments on account of obligations incurred before the Petition Date. As such, I believe maintaining the Cash Management Systems is in the best interests of MACH Gen's estates.

57. In the ordinary course of business, MACH Gen conducts transactions through electronic wire transfers and other similar methods. In addition, MACH Gen's customer receipts are routinely received through wire transfer payments. If MACH Gen's ability to conduct transactions by debit, wire, ACH transfer, or other similar methods is impaired, MACH Gen may

be unable to perform under certain contracts, its business operations may be unnecessarily disrupted, and its estates will incur additional and unnecessary costs.

58. I do not believe that parties in interest will be prejudiced if MACH Gen is authorized to continue to use its business forms, substantially in the form existing immediately before the Petition Date, because parties doing business with the MACH Gen Entities will likely be aware of their status as debtors in possession and, thus, changing business forms would be unnecessary and unduly burdensome.

59. Based on my discussions with MACH Gen's advisors, I believe the benefits of extending MACH Gen's time to comply with section 345(b) of the Bankruptcy Code by 60 days (or such further time as the United States Trustee may agree) will outweigh any harm to MACH Gen's estates. During the extension period, MACH Gen will contact each Bank that is a party to a Uniform Depository agreement with the United States Trustee, provide such Banks with each of the MACH Gen Entities' tax identification numbers, and identify each of its Bank Accounts at such Banks as being held by a debtor in possession. The Debtors' deposits and investments are prudent and designed to yield the maximum reasonable net return on the funds deposited or invested, taking into account the safety of such deposits and investments. MACH Gen operates sophisticated businesses that are highly regulated at the federal, state, and local levels, and MACH Gen holds its funds at reputable, stable banking institutions and monitor their cash flows and position on a daily basis.

60. Requiring MACH Gen to modify its Cash Management System to strictly adhere with the deadline to comply with the requirements established by section 345(b) of the Bankruptcy Code will distract the company's management, slow MACH Gen's forward-motion, and cause its estates to incur potentially substantial costs unnecessarily to the detriment of

creditors, all while MACH Gen is preparing to prosecute a prepackaged plan with unanimous support.

61. MACH Gen, through Talen Energy, tracks (and will continue to track) all fund transfers in its accounting system and can ascertain, trace, and account for all Intercompany Transactions. If the Intercompany Transactions were to be discontinued, the Cash Management System and the Debtors' business would be disrupted to the detriment of the Debtors' estates. Accordingly, the Debtors respectfully submits that the continued performance of Intercompany Transactions in the ordinary course is in the best interest of its estates and, therefore, the Debtors should be permitted to continue such performance without need for further Court order.

d. Insurance Motion

62. In connection with the operation of their businesses, the Debtors maintain various insurance policies (the "Insurance Policies") that provide coverage for, among other things, property, general liability, automobile liability, pollution, terrorism, umbrella coverage, directors' and officers' coverage, and excess liability.

63. For the policy period of 2018 through 2019,⁹ the total annualized premiums under the Insurance Policies allocated to the Debtors will equal approximately \$2,200,000. The Insurance Policies, which the Debtors have obtained through third-party insurance carriers (collectively, the "Insurance Carriers"), and their corresponding premium amounts calculated on an annualized basis, are listed on Exhibit A attached to the Insurance Motion.

64. Prior to the Petition Date, Talen Energy, on behalf of its subsidiaries, including the Debtors, entered into a Commercial Premium Finance Agreement with FIRST Insurance

⁹ As shown in Exhibit A of the Insurance Motion, the Insurance Policies do not have a single uniform policy period. Instead, the Insurance Policies generally begin on April 1, 2018 and conclude in April, May or June 2019.

Funding, a division of Lake Forest Bank & Trust Company, N.A. to finance premiums totaling \$18,064,030.87 for certain property and casualty insurance policies. The total amount financed under the policy is \$16,633,064.49, which includes a finance charge of \$238,618.83 based on an annual interest rate of 3.43%. As described in more detail below, only a small portion of this amount has been allocated to the Debtors, since the Debtors share such insurance with certain of their non-Debtor affiliates.

65. Talen Energy made a down payment of \$1,874,631.48 pursuant to the Premium Finance Agreement and has made 2 installment payments, leaving 7 installment payments of \$1,874,631.48, of which only \$238,843.13 is allocated to Debtor entities. As of the Petition Date, Talen is current on its monthly payments, and there is no outstanding balance. The Premium Financing Agreement grants to the Premium Financing Company security interests in the financed policies and any additional premiums required under the financed policies.

66. Because the Insurance Policies includes coverage for multiple insureds (which include both Debtors and non-Debtors), Talen allocates the costs of insurance premiums to the various insureds based upon three methodologies. First, for all Insurance Policies other than for automobile and property coverage, Talen allocates the insurance premiums and charges based upon the generating capacity (in MW) of each insured. Second, for all automobile insurance coverage, Talen allocates the costs of such policies based upon the number of automobiles owned by each entity.¹⁰ Finally, for all property insurance, Talen allocates insurance premiums and charges based upon “total insurable value” for each entity, which is the full replacement cost value of the covered property and, in certain cases, the entity’s loss history. As a result of the

¹⁰ For the avoidance of doubt, “Insurance Obligations” may include payments made to Talen based upon the costs of the Insurance Policies allocated to each of the Debtors.

allocation process, each insured reduces its overall insurance expense and pays only its proportionate cost for such insurance.

67. I believe that continuation of the Insurance Policies, and thus, the continued payment under the Premium Financing Agreement, as well as the ability to enter into new Insurance Policies, are essential to preserving the value of the Debtors' businesses, properties, and assets. Additionally, in many cases, the coverage provided by the Insurance Policies is required by applicable regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements set forth in the United States Trustee's Operating Guidelines and Reporting Requirements for Debtors in Possession and Trustees. I believe that if the Debtors do not continue to perform their obligations under the Insurance Policies and the Premium Financing Agreement, the Debtors' coverage under the Insurance Policies could be voided. I believe this would cause serious and irreparable harm to the Debtors' businesses and restructuring efforts, as the Debtors would likely be exposed to increased costs and risks of loss.

68. Accordingly, I believe that the relief sought through the Insurance Motion is necessary for the Debtors to continue operating their businesses in chapter 11 without disruption and is in the best interest of the Debtors, their estates, creditors, stakeholders, and other parties in interest.

e. Utilities Motion

69. The Debtors seek entry of an interim order and a final order (i) approving the Debtors' proposed form of adequate assurance of postpetition payment to utility companies; (ii) establishing procedures for resolving any additional assurance request; and (iii) prohibiting utility companies from altering, refusing, or discontinuing service to the Debtors.

70. In connection with the operation of its business, MACH Gen obtains electricity, telephone, water, waste disposal, and other similar services (collectively, the “Utility Services”) from a number of utility companies or their brokers (collectively, the “Utility Companies”).

71. To the best of MACH Gen’s knowledge, there are no defaults or arrearages with respect to MACH Gen’s undisputed invoices for prepetition Utility Services. On average, prior to the Petition Date, the Debtors spent approximately \$500,000 each month on account of Utility Services. Accordingly, the Debtors estimate that their cost for Utility Services during the next 30 days (not including any deposits to be paid) will be approximately \$550,000. To the best of the Debtors’ knowledge, Arizona Public Service, which provides electricity services to one of the Debtors’ facilities, is the only Utility Company that currently holds deposits associated with several of the Debtors’ accounts. Such deposit is in the amount of \$88,280.

72. MACH Gen intends to pay postpetition obligations owed to the Utility Companies in a timely manner. I believe cash held by MACH Gen and the cash generated in the ordinary course of business will provide sufficient liquidity to pay MACH Gen’s Utility Service obligations in accordance with prepetition practice.

73. To provide additional assurance of payment, MACH Gen proposes to deposit into a bank account \$250,000 (the “Utility Deposits”), which represents an amount equal to approximately two weeks of the cost of Utility Services for each Utility Company, calculated based on the average monthly cost of the Utility Services from June 2017 to May 2018. Based on my discussions with MACH Gen’s advisors, I believe that the Utility Deposits, in conjunction with MACH Gen’s ability to pay for future utility services in accordance with prepetition practice (collectively, the “Proposed Adequate Assurance”), constitutes sufficient adequate assurance to the Utility Companies in full satisfaction of section 366 of the Bankruptcy Code.

74. I believe the Utility Companies are adequately assured against any risk of nonpayment for future services. The Adequate Assurance Deposit, coupled with MACH Gen's ongoing ability to meet obligations as they come due in the ordinary course, provides assurance of MACH Gen's payment of its future obligations. Moreover, termination of the Utility Services could seriously hamper MACH Gen's electric generation capabilities.

f. Taxes Motion

75. The Debtors seeks entry of an order authorizing, but not directing, MACH Gen to remit and pay certain prepetition taxes, governmental assessments, and fees.

76. In the ordinary course of business, MACH Gen incurs franchise taxes and fees, property taxes, and other taxes, fees, assessments, and charges described in this Motion (collectively, the "Taxes"). MACH Gen remits the Taxes to various state and local governments, including taxing and licensing authorities (collectively, the "Taxing Authorities"). Taxes are remitted and paid by MACH Gen through checks and electronic transfers that are processed through its banks and other financial institutions. MACH Gen estimates that approximately \$3.9 million in Taxes were owed as of the Petition Date will become due and owing to the Taxing Authorities after the Petition Date.

77. MACH Gen incurs state and local taxes imposed on the purchase of certain out-of-state goods and services and various other state or local taxes, charges, fines, penalties, and fees, including, without limitation, any amounts required to be incurred, or collected pursuant to applicable law ("State Taxes and Other Charges"). MACH Gen is required to remit the State Taxes and Other Charges to the relevant Taxing Authorities on a periodic basis. MACH Gen estimates that approximately \$50,000 in State Taxes and Other Charges relating to the prepetition period will become due and owing after the Petition Date.

78. MACH Gen also has property tax obligations to Taxing Authorities for its real and personal property holdings (the “Property Taxes”). MACH Gen estimates that approximately \$3.85 million in Property Taxes relating to the prepetition period are due or will become due and owing after the Petition Date.

79. MACH Gen’s ability to pay the Taxes is critical to its continued and uninterrupted operations. If certain Taxes remain unpaid, Taxing Authorities may seek to recover such amounts directly from MACH Gen’s directors or officers, thereby distracting them from the administration of MACH Gen’s chapter 11 cases. I believe any collection action on account of such claims, and any ensuing liability, would distract MACH Gen to the detriment of all parties in interest. I believe the dedicated and active participation of MACH Gen’s officers and personnel operating the Facilities and in steering MACH Gen through this prepackaged plan process is integral to MACH Gen’s continued operations, essential to MACH Gen’s orderly administration and, ultimately, the success of the Plan. Moreover, because these claims will be paid in full if the Plan is confirmed, only the timing of the payments is at stake.

g. All-Trade Motion

80. MACH Gen seeks entry of an interim order and a final order authorizing, but not directing, the payment of the liquidated, noncontingent, and undisputed prepetition Payable Claims of the Prepetition Creditors who will be treated as unimpaired for purposes of the Plan and permitted payment in full in cash, including trade vendors, common carriers, and service providers, as they come due in the ordinary course of business.

81. In the ordinary course of its business, MACH Gen incurs numerous obligations to various creditors that provide MACH Gen with a variety of resources and services that are necessary for the continued operation of MACH Gen’s business. MACH Gen estimates that, as of the Petition Date, it owes a total of approximately \$6,800,000 on account of liquidated,

noncontingent, and undisputed prepetition claims (the “Payable Claims”) of third-party creditors who will be treated as unimpaired for purposes of the Plan,¹¹ including, without limitation, trade vendors, common carriers, and service providers (the “Prepetition Creditors”).¹²

82. In the ordinary course of business, the Debtors are party to certain operation and management agreements pursuant to which third party contractors provide critical services at the Facilities. Such services include, but are not limited to, providing facility personnel, developing site-specific operations and management procedures and maintenance programs, identifying goods and services providers, purchasing required tools and equipment to maintain the facility, maintaining facility books and records, and making recommendations for capital improvements.

83. A large portion of the Payable Claims are due under that certain term warranty contract, by and between Debtor New Athens Generating Company, LLC and Siemens Energy, Inc. (“Siemens”), dated July 25, 2016 (the “Athens Warranty Contract”), whereby Siemens provides maintenance and repairs as necessary to the Facility located in Athens, New York (the “New Athens Facility”). Specifically, in February of 2018, the New Athens Facility experienced an unscheduled outage, (the “New Athens Outage”) which negatively impacted business operations and required various inspections, support, and program parts from Siemens. All of the Siemens work relating to the New Athens Outage was provided pursuant to the Athens

¹¹ MACH Gen believes that the only unimpaired claims outstanding as of the Petition Date are, and that all Payable Claims constitute, “General Unsecured Claims” (as defined in the Plan). See Section I.B. of the Disclosure Statement, “Summary of Classification and Estimated Recoveries of Claims and Interests Under Plan.” Nonetheless, the relief sought in the All-Trade Motion is with respect to all Payable Claims, irrespective of any Payable Claim’s actual or deemed classification under the Plan, so long as such Payable Claim’s status as unimpaired and entitlement to payment in full in cash under the Plan is not in dispute – *i.e.*, as a General Administrative Expense, Priority Non-Tax Claim, Other Secured Claim, or General Unsecured Claim (each as defined in the Plan).

¹² For the avoidance of doubt, the scope of the All-Trade Motion and the relief requested therein does not apply to any prepetition claim for which MACH Gen seeks authority to pay pursuant to a separate “first-day” motion filed by MACH Gen; such claims shall not be considered “Payable Claims” for purposes of the All-Trade Motion.

Warranty Contract. The total remaining costs becoming due and payable to Siemens in the ordinary course of business by the Debtors for the New Athens Outage are approximately \$12,000,000 million. Certain insurance policies available to the Debtors and available credits under the Athens Warranty Contract may reduce the cash outlay ultimately required of the Debtors. Specifically, to the extent that the insurance proceeds are received into the Debtors' bank accounts for the purpose of covering the Athens Outage, the Debtors will remit proceeds to Siemens. The Debtors seek authority to remit insurance proceeds received on account of the New Athens Outage and to pay the remaining balance due as a Payable Claim.

84. Further, MACH Gen estimates that an additional \$14,740,000 in Payable Claims will become due and owing during the pendency of these Chapter 11 Cases. MACH Gen seeks authority to pay the Payable Claims as they become due in the ordinary course of MACH Gen's business.

85. Given the highly regulated industry in which MACH Gen operates its business, I believe it is essential that MACH Gen maintain and develop relationships with certain vendors that supply unique or essential resources and services to MACH Gen, especially given the remoteness of the location of some of the Facilities. I believe authorization to pay the Payable Claims in the ordinary course of business is necessary in order to minimize disruption to MACH Gen's operations and to ensure uninterrupted operations and to allow for a seamless transition through these Chapter 11 Cases, for the benefit of all parties in interest.

86. Moreover, MACH Gen has solicited and received from each of the classes impaired under the Plan unanimous acceptance for the Plan. In light of the overwhelming support for the Plan demonstrated by its stakeholders, I am optimistic that the Plan will be confirmed within a reasonable time following the Petition Date. Because the Payable Claims are

unimpaired under the Plan, the relief requested would merely expedite the treatment and distribution to the Prepetition Creditors that they would otherwise be entitled to receive upon consummation of the Plan. Given the strong likelihood that holders of the Payable Claims will be paid in full anyway, I believe the mere timing difference is warranted in order to avoid the risk of deteriorating relationships with suppliers, vendors and others.

87. I believe the relief sought is vital for MACH Gen's successful reorganization. If MACH Gen cannot pay the Prepetition Creditors, the negative impact would be almost immediate. I believe certain of the Prepetition Creditors, on whom MACH Gen depends, would immediately withdraw services and cease to provide necessary resources. Such an occurrence would impair a successful reorganization and hamper viability following MACH Gen's emergence from chapter 11. The uninterrupted supply of resources and services, on current trade terms, and the continuing support of its vendors, are imperative to the ongoing operations and viability of MACH Gen.

88. I believe the relief requested preserves the value of MACH Gen's estates by: (i) ensuring that MACH Gen has access to the resources and services that it needs to continue operations and (ii) enabling MACH Gen to maintain good relationships with the Prepetition Creditors; which inure to the benefit of the reorganized MACH Gen Entities when they emerge from chapter 11.

89. So long as the Prepetition Creditors agree to continue supplying MACH Gen postpetition under current trade terms, I believe MACH Gen will avoid unnecessary expense during these Chapter 11 Cases. Current trade terms will help MACH Gen maintain its liquidity and will facilitate its ability to sustain operations while reorganizing. I believe such terms also allow MACH Gen to avoid the inherent operational inefficiencies of paying cash on demand and

managing billing processes for numerous vendors that might require cash in advance or shorten their trade terms to less than a week.

90. I believe paying the Payable Claims in the ordinary course of business renders a benefit to MACH Gen's estates both monetarily and operationally by preserving liquidity and enabling MACH Gen to operate smoothly during these Chapter 11 Cases. Further, because the Payable Claims are unimpaired under the Plan, the relief requested simply provides the treatment the Payable Claims are entitled to under the Plan on an expedited timetable. Because MACH Gen hopes to reorganize as efficiently as possible and minimize its duration in chapter 11, I believe that under these circumstances, approval of the requested relief is appropriate and necessary.

91. Given the backdrop of these prepackaged Chapter 11 Cases, I believe the relief requested is appropriate inasmuch as such relief will enable MACH Gen to move towards expeditious confirmation of the widely-supported Plan with the least possible disruption or harm to its business. I believe that no parties in interest will be prejudiced by the relief requested, as the Payable Claims are limited to claims that are to be unimpaired under the Plan. I believe the relief requested merely expedites the treatment and distribution that is afforded to Payable Claims under the Plan and protects MACH Gen's business and preserve the value of MACH Gen's estates. Based on the foregoing, I believe the relief requested is necessary and appropriate, is in the best interests of its estates and creditors, and should be granted in all respects.

h. Scheduling and Confirmation Motion

92. MACH Gen seeks entry of the Scheduling Order:
- (a) scheduling the Combined Hearing on the adequacy of the Disclosure Statement and confirmation of the Plan;
 - (b) approving the form and manner of the Combined Notice of the Combined Hearing and commencement of the Chapter 11 Cases;
 - (c) establishing the procedures for objecting to the adequacy of the Disclosure Statement or to confirmation of the Plan;
 - (d) approving the Solicitation Procedures;
 - (e) conditionally directing the United States Trustee not to convene a Creditors' Meeting; and
 - (f) scheduling a hearing on the Debtors' request to assume the RSA pursuant to section 365(a) of the Bankruptcy Code.
93. Specifically MACH Gen requests that the Court schedule certain key dates and

deadlines related to the Combined Hearing consistent with the following proposed schedule:

Key Dates and Deadlines	Proposed Schedule
Voting Record Date	June 4, 2018
Voting Deadline	June 5, 2018
Petition Date	June 11, 2018
Combined Notice Mailing Date	June 14, 2018
Deadline to File Second Day Pleadings	June 18, 2018
Objection Deadline for RSA Assumption Order and final orders for First Day Pleadings	June 26, 2018
Objection Deadline for Second Day Pleadings	14 days following service of the Second Day Pleadings

Plan Supplement Filing Date	July 3, 2018
Second Day Hearing (including RSA Assumption Order)	July 9, 2018
Confirmation / Disclosure Statement Objection Deadline	July 12, 2018
Deadline to Object to Assumption and Assignment of Executory Contracts and Unexpired Leases	July 12, 2018
Reply Deadline	July 17, 2018
Combined Hearing	July 19, 2018

94. MACH Gen also requests that, after appropriate notice, the Court enter (i) the Confirmation Order, approving the adequacy of the Disclosure Statement and confirming the Plan, and (ii) the Assumption Order, approving their assumption of the RSA.

95. Based on my discussions with MACH Gen's advisors, I believe that a combined hearing is appropriate in these chapter 11 cases. First, a combined hearing will promote judicial economy. Second, an expedient chapter 11 process will maximize the benefits of MACH Gen's restructuring to its stakeholders, by (a) enabling MACH Gen to minimize any adverse effects the chapter 11 filings may have upon MACH Gen's businesses and going-concern value, (b) allowing for prompt distributions, and (c) minimizing administrative expenses to its estates.

96. MACH Gen seeks to move these chapter 11 cases forward as expediently as possible. I believe setting the Combined Hearing no later than approximately July 19, 2018 will maximize the likelihood that the Confirmation Order will have become final and non-appealable under Bankruptcy Rule 8002 by the time all other conditions to consummation of the Plan are expected to be satisfied, enabling MACH Gen to promptly consummate the terms of the Plan,

minimize the disruption to MACH Gen's business, and avoid the costs and business risks associated with a more protracted chapter 11 process.

97. MACH Gen's significant stakeholders, who voted unanimously to accept the Plan, support scheduling the Combined Hearing as soon as possible. While MACH Gen does not expect significant objections given the broad support among MACH Gen's stakeholders for the Plan and the fact that many classes are unimpaired, I believe the proposed period of time within which to object to the Disclosure Statement or Plan will provide parties in interest with ample time to file objections, to the extent they wish to do so.

98. I believe that the Solicitation Procedures will provide adequate notice of the time for filing and serving objections to, and the date and time of the hearing on, the adequacy of the Disclosure Statement or confirmation of the Plan, and, accordingly, MACH Gen is requesting that the Court approve such Solicitation Procedures as adequate.

99. I believe that the proposed schedule for the Combined Hearing, including the establishment of the Objection Deadline, is in the best interests of all parties in interest in these chapter 11 cases. This schedule is intended to minimize the disruption to MACH Gen's businesses and avoid the costs associated with lengthy chapter 11 proceedings.

100. I also believe that the Court should authorize MACH Gen to assume the RSA. The RSA is essential to the Debtors' restructuring efforts. The RSA was intensively negotiated among MACH Gen and the prepetition lenders at arms' length over a period of several months. The resulting agreement provides the framework for an expeditious and value-enhancing restructuring and binds the MACH Gen's key stakeholders to support that restructuring. Indeed, as required by the RSA, holders of Class 3A First Lien Revolver Claims and Class 3B First Lien Term Loan Claims have voted unanimously to accept the Plan, thus positioning MACH Gen for

prompt consummation of a consensual Plan. Absent timely consummation of the Plan consistent with the RSA, MACH Gen would have to restart their negotiations relating to a plan of reorganization, which would prolong the time spent in chapter 11 and increase costs to MACH Gen's estates. In order to comply with the RSA's milestones, MACH Gen must obtain an order approving its assumption within 30 days of the Petition Date. In short, the RSA represents MACH Gen's best opportunity to successfully restructure and maximize the value of their estates. Accordingly, MACH Gen respectfully requests that that Court authorize the assumption of the RSA as an exercise of sound business judgment.

i. DIP Motion

101. The Debtors seeks entry of interim and final orders (i) authorizing it to obtain postpetition financing, (ii) authorizing the use of cash collateral, (iii) granting liens and super-priority claims, and (iv) granting adequate protection to its prepetition first lien lenders.

102. The Debtors have set forth the material terms of the Interim Order in compliance with the Local Rules. MACH Gen believes, having consulted with its advisors, that the DIP Facility represents the best option available to address its immediate liquidity needs because, in part, it is an essential component of a broader restructuring transaction contemplated by the RSA and the Plan, which has the received unanimous support from all of MACH Gen's voting classes, and represents the only viable financing available.

103. The DIP Facility, together with use of Cash Collateral, will enable the Debtors to operate its business in the ordinary course and seek to obtain confirmation of, and implement, the Plan. I believe that this will preserve and enhance the value of the Debtors' estates for the benefit of all parties in interest. I believe implementation of postpetition financing will be viewed favorably by the Debtors' customers and vendors, thereby promoting a successful reorganization.


104. Without access to the proposed DIP Facility and use of Cash Collateral, I believe MACH Gen will be forced to cease operations and will not be able to consummate the Plan. In contrast, the value of the Prepetition Secured Parties' interest in their Prepetition Collateral will be preserved, if not increased, by the DIP Facility and use of Cash Collateral because it ensures the uninterrupted continuation of MACH Gen's operations and its continued upkeep of the Prepetition Collateral.

105. MACH Gen believes that the stay modifications set forth in the motion are ordinary and standard features of postpetition debtor financing facilities and reasonable and fair under the present circumstances.

106. Absent authorization from the Court to obtain secured credit, as requested, on an interim basis pending the Final Hearing, MACH Gen will be immediately and irreparably harmed. Accordingly, I believe the interim relief requested is critical to preserving and maintaining the going concern value of MACH Gen and facilitating their reorganization efforts.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: 6/11/18, 2018



John Chesser
Chief Financial Officer
New MACH Gen, LLC, et al.