

**REDACTED**  
Division 10-1

Request:

**CONFIDENTIAL REQUEST**

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■ [REDACTED]

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Response:

Counsel for PPL, PPL RI, National Grid USA, Narragansett, and the R.I. Division of Public Utilities and Carriers Advocacy Section (the "Division Advocacy Section") met and conferred regarding the breadth and scope of certain data requests. After that meet and confer, the Division Advocacy Section sent a letter, dated June 22, 2021, advising that PPL, PPL RI, National Grid USA, and Narragansett can "use sound judgment and the rule of reason in crafting responses and providing responsive documents." The Division Advocacy Section also advised in the June 22, 2021 letter that PPL, PPL RI, National Grid USA, and Narragansett "consider the Advocacy Section's goal of protecting ratepayers when determining scope and relevancy." Based on the

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scope and nature of this request, PPL and PPL RI have applied the rule of reason and used sound judgment in limiting the scope of this response, and have considered the Division Advocacy Section's goal of protecting ratepayers in developing this response.

The referenced presentation was prepared for informational purposes for the PPL Finance Committee with respect to the sale of PPL's United Kingdom business. The presentation was prepared to inform the PPL Finance Committee of the potential uses of the sales proceeds based upon the various potential sale scenarios of the UK business. One of the scenarios involved the potential acquisition of Narragansett and was based upon financial information provided by National Grid during the due diligence being conducted at that time. The presentation did not contain an analysis of future capital investments, retail rates cases or increases, or a cost reduction analysis for Narragansett.

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Request:

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Response:

PPL and PPL RI has not performed an analysis comparing the costs estimates in Attachment PPL-DIV-1-54-1 with the earlier forecasts contained in Attachments PPL-DIV 1-2-1 through 1-2-3.

Division 10-3

Request:

Referencing National Grid's responses to questions DIV 7-53 and DIV 7-54:

- a. Has PPL determined what previous capital or O&M spending on GMP and AMF will be rendered obsolete based on modifications PPL intends to make to these programs?
- b. National Grid has spent over \$15 million on GMP, how much of this investment will be left stranded or will not be used and useful as PPL moves forward with its GMP plan?

Response:

- a. PPL has not yet determined what previous capital or O&M spending by Narragansett on its Grid Modernization Plan ("GMP") and Advanced Metering Functionality ("AMF") will be rendered obsolete based on modifications PPL may make to these programs. PPL and PPL RI refer to their responses to data requests Division 2-8, 2-46, 2-47, 7-43 (Supplemental), 7-45, 7-52, and OER 1-21 for information regarding PPL and PPL RI's approach to evaluating the existing GMP and AMF plans and investments and developing their proposed plans.
- b. PPL and PPL RI refer to their response to data request Division 7-52.

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Division 10-4

Request:

Attachment PPL-DIV 1-54-1 (at 2-3) explains that the estimated costs are to operate Narragansett after the transition, or a 'steady state'. What are the estimated duplicative operating costs expected to be incurred during the transition period?

Response:

Costs to be incurred during the transition period were not evaluated as a part of this analysis. The analysis prepared estimates of steady state operating costs, without considering transition period costs. PPL does anticipate that some duplicative costs will exist during the transition period, but the level of costs that would be duplicative has not been assessed at this time. For example, PPL intends for Narragansett's gas control system to operate under the National Grid Transition Services Agreement ("TSA") for 24 months. PPL expects to stand up its own Rhode Island gas control function during the TSA period to allow time for the extensive gas control operator training required to safely and effectively operate the system subsequent to the TSA exit. This scenario could create costs that may be viewed as duplicative.

PPL will evaluate on a case-by-case basis what transition costs will be included in the revenue requirement of a future rate case. PPL RI does not intend to seek cost recovery for expenses that may duplicate expenses for which National Grid or Narragansett has already sought recovery through base rates. That said, PPL RI may seek to recover portions of its transition period operating costs to the extent that PPL RI can demonstrate the incremental benefits of these transition costs.

Division 10-5

Request:

Attachment PPL-DIV 1-54-1 states (at 12): “[i]n total, PPL has identified 1,298 positions that will support the Rhode Island utility, inclusive of both management (414) and union (884) employees.”

- a. What is PPL's estimate of the incremental number of employees directly assigned to Narragansett compared to the current number of employees FTEs) either directly assigned or supporting proposed organizations under the current National Grid structure? Please provide these comparisons for each of the seven proposed organizations reporting to the new President;
- b. State whether all identified positions be physically located in Rhode Island;
- c. Provide a comparison of average PPL salaries for management and union positions to National Grid average salaries for the same positions;
- d. Explain why PPL applied its average salaries for positions that will be located in another region that are expected to have higher costs and salaries;
- e. Provide analysis performed of regional differences in salaries;
- f. State whether PPL believes that National Grid employees will accept average PPL salaries.
- g. Is PPL offering a bonus or incentive to National Grid employees that will be hired to support the Rhode Island utility? If so, provide each position, amount of eligible bonus or incentive, and recovery mechanism.
- h. Is PPL offering a bonus or incentive to current PPL employees that will be provided if the Transaction closes? If so, provide each position, amount of eligible bonus or incentive, and recovery mechanism.
- i. Is PPL offering a bonus or incentive to National Grid employees that will be provided if the Transaction closes? If so, provide each position, amount of eligible bonus or incentive, and recovery mechanism.
- j. What are the anticipated upfront costs to hire and onboard the 1,298 positions? Identify categories of costs including relocation.

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Response:

- a. PPL developed its estimate of direct employees to support Narragansett based on the experience and expertise of PPL functional leaders. As a part of on-going integration planning, PPL functional leadership teams have had regular discussions with National Grid functional leadership teams to understand the specific requirements of operating the Rhode Island business. The number of employees directly assigned or supporting Narragansett today under National Grid ownership is not known. Because of the operating model differences between National Grid and PPL, a functional comparison of staffing levels between National Grid's current support and PPL's anticipated support has not been performed.
- b. It is currently anticipated that all positions identified in the analysis will be based in Rhode Island. While staffing estimates and their intended home office location could change through the transition period, PPL currently expects all identified positions to be based in Rhode Island.
- c. National Grid has not provided average salaries for positions supporting Rhode Island. PPL did review the benefits structure and pay bands in place at National Grid and determined that the pay bands for comparable roles in place at PPL were comparable to the pay bands in place at National Grid. The utilization of average salaries was determined to be a reasonable methodology to estimate labor costs to be incurred under PPL ownership.
- d. PPL applied average salaries as a reasonable method to estimate labor costs under PPL ownership. As indicated in response to DIV 10-5(c), benefit and pay structures between PPL and National Grid were reviewed and deemed comparable.
- e. An analysis of regional differences in salaries has not been performed. PPL and PPL RI refer to responses to data requests DIV 10-5(b) and DIV 10-5(c) for the rationale for the utilization of average PPL salaries.
- f. PPL does not expect National Grid employees to accept average PPL salaries. The purpose of this analysis was to estimate the direct operational labor cost of Narragansett under PPL ownership and as indicated in responses to data requests DIV 10-5(c) and DIV 10-5(d) average salaries were determined to be a reasonable method. As a part of the integration planning process, a separate staffing and selection process will be applied to offer salaries commensurate to the role being performed.
- g. PPL is not offering a bonus or incentive to National Grid employees that will be hired to support the Rhode Island utility.

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- h. PPL does plan on providing bonuses to employees that have worked on the acquisition of Narragansett contingent upon the closing of the transaction. PPL has not determined the amount or range of any potential bonus, nor the specific employees eligible for the bonus. PPL does not plan on seeking any recovery for the payment of any bonuses related to the transaction.
- i. PPL is not offering a bonus or incentive to National Grid employees that will be provided if the Transaction closes.
- j. Currently, PPL is anticipating providing relocation support to two National Grid employees who will be hired to support the Rhode Island utility.



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Division 10-6

Request:

Referencing Attachment PPL-DIV-1-54-1 at 8, provide a breakdown of additional capital investments related to facilities and equipment required to support the Rhode Island operations. Indicate the type of investment, location, cost, proposed year(s) of implementation/construction, and recovery mechanism.

Response:

The purpose of this analysis was to develop a steady state estimate of the operational costs to support Narragansett under PPL ownership. Capital investments were not considered as a part of this analysis and are not reflected in the analysis presented. PPL does expect to make capital investments in facilities and equipment to support Rhode Island operations in areas that may include a training facility, customer care center, gas control center and electric distribution control center. The specific plans for these facilities investments, including expected cost and timing are currently under development. PPL anticipates that the recovery mechanism for these investments will be proposed as part of future rate filings.

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Division 10-7

Request:

Attachment PPL-DIV-1-54-1 at 17, note 4 seems to imply that incremental IT and other infrastructure investment is needed to support the proposed operating model. Please provide details on the nature and amount of these investments and how these would be allocated to the gas and electric operations.

Response:

Currently, Narragansett is supported by an integrated National Grid IT environment and, as such, very few IT applications are anticipated to convey at the close of the Transaction. To enable the exit from the Transition Services Agreement ("TSA"), PPL will need to make IT investments to be able to support the Rhode Island utility. Specific project details are under development, but PPL currently anticipates projects including, but not limited to, Customer Service, SCADA, Cybersecurity, Work Management, Finance, Engineering Tools/GIS and HR systems. The allocation between electric and gas has not been determined but the potential recovery of these investments will be developed as part of future rate proceedings.

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Division 10-8

Request:

Referencing Attachment PPL-DIV-1-54-1 at 20, please provide all analysis and work papers to support the PPL cost to operate the Narragansett electric business of \$53.9M.

Response:

PPL and PPL RI refer to Attachment PPL-DIV 9-86-1.

Division 10-9

Request:

Attachment PPL-DIV-1-54-1 at states (at 19): “[t]he establishment of a dedicated Rhode Island electric organization that applies PPL’s operating practices results in slightly lower costs relative to National Grid.” What are the specific operating practices that PPL will apply? How are they different from National Grid Rhode Island? What National Grid Rhode Island practices will be displaced, modified, or enhanced to produce the cost savings? How did PPL quantify and assign a cost reduction due to these practices?

Response:

PPL and PPL RI refer to their responses to data requests Division 2-1, 6-1(c), 7-41, 7-42, 9-91 and Attachment PPL-DIV 1-54-1 (Supplement).

PPL did not specifically compare National Grid’s specific operating practices to PPL’s specific operating practices on a practice-by-practice basis, nor did PPL specifically identify any National Grid operating practices that may be displaced, modified or enhanced in determining cost savings. Rather, PPL quantified its operating costs by building its operating model from a “bottom up” perspective. Accordingly, PPL did not identify any specific cost savings or cost reductions from the differences between any specific operating practices. Instead, the estimated lower costs relative to National Grid are the result of the total build-up of PPL’s costs based on PPL’s operating model applying PPL’s operating practices, as compared to the current actual operating costs provided by National Grid under its current operating model and operating practices.

Division 10-10

Request:

Referencing Attachment PPL-DIV-1-54-1 at 25:

- a. Did PPL consult with National Grid to determine if PPL's operating model and cost assumptions were comprehensively assessed, reasonable, and estimated at a level that would enable the Rhode Island utility to continue meeting operational needs? If not, how has PPL acquired the depth of knowledge necessary to understand the Rhode Island operational needs, particularly given the outstanding 118 related tasks in the TSA?
- b. PPL states that it PPL "...believes the implementation of a dedicated organization to serve the customers of Rhode Island with a renewed focus on local control and management, and safe, reliable operations will not increase costs to operate Narragansett." Setting aside pass-through costs mentioned on page 3, can PPL commit to not increase costs to operate Narragansett?

Response:

- a. Throughout the integration planning process, PPL integration leaders have met with National Grid integration leaders to understand the specific requirements of operating Narragansett. Functional integration teams have been established to identify Day 1 requirements, the required transition services and the operating practices employed today by National Grid. These integration planning discussions have served as input to the decisions that PPL subject matter experts ultimately reached, including decisions with respect to the reasonableness of the operating model and the cost assumptions. PPL believes those decisions will continue to meet the operational needs of the Rhode Island utility. PPL and PPL RI also refer to their response to data request Division 9-90.
- b. The purpose of this analysis was to estimate the costs to operate Narragansett under PPL ownership as compared to National Grid. Attachment PPL-DIV 1-54-1 is not a budget for PPL costs in future years; it is a cost comparison based on the best information currently available and estimates generated from that information. Further, Attachment PPL-DIV 1-54-1 demonstrates an overall expectation that the costs to operate Narragansett, as a whole, will be lower under PPL RI ownership. As reflected in Attachment PPL-DIV 1-54-1, the differences in the operating models between PPL and National Grid USA are expected to result in increases to costs in certain cost categories, but decreases to costs in other cost categories.

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Division 10-11

Request:

With the understanding that PPL's estimated cost as reflected in Attachment PPL-DIV-1-54-1 is to establish a new organizational structure and operating design as opposed to National Grid's cost to carry forward an existing model, has PPL assumed any cost contingencies? If so, identify those cost contingencies; if not, explain why not.

Response:

As described in Attachment PPL-DIV-1-54-1, PPL's analysis of its anticipated costs to operate the Rhode Island utility included estimates for direct labor, direct non-labor, allocations and allocated depreciation based on PPL's intended operating model and understanding of the specific requirements to operate the Rhode Island utility. As part of this analysis, there were instances where PPL's judgment was applied to reflect the workload required in Rhode Island. For example, additional contractor costs were assumed over and above National Grid's contractor costs to reflect this assumption in certain functions. However, there were no broad cost contingencies built into the steady state cost estimate.

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Division 10-12

Request:

Will the proposed increase in gas operating costs identified in Attachment PPL-DIV-1-54-1 result in an increase in customer rates? If so, what is PPL's expectation of the timing and potential amount of any rate increases?

Response:

No, PPL and PPL RI do not expect that the projected increased gas operating costs reflected in Attachment PPL-DIV 1-54-1 will result in an increase in customer rates. Attachment PPL-DIV 1-54-1 is not a budget for PPL costs in future years; it is a cost comparison based on the best information currently available and estimates generated from that information. Further, Attachment PPL-DIV 1-54-1 demonstrates an overall expectation that the costs to operate Narragansett, as a whole, will be lower under PPL RI ownership. As reflected in Attachment PPL-DIV 1-54-1, the differences in the operating models between PPL and National Grid USA are expected to result in increases to costs in certain cost categories, but decreases to costs in other cost categories.

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Division 10-13

Request:

Will the proposed decrease in electric operating costs identified in Attachment PPL-DIV-1-54-1 support a reduction in rates? If so, provide PPL's expectation of the timing and potential amount of any rate decreases.

Response:

PPL and PPL RI have not determined whether the projected decrease in electric operating costs reflected in Attachment PPL-DIV 1-54-1 will support a decrease in customer rates. Attachment PPL-DIV 1-54-1 is not a budget for PPL costs in future years; it is a cost comparison based on the best information currently available and estimates generated from that information. As reflected in Attachment PPL-DIV 1-54-1, the differences in the operating models between PPL and National Grid USA are expected to result in increases to costs in certain cost categories, but decreases to costs in other cost categories.



Division 10-14

Request:

In the Analysis of PPL's Cost to Operate The Narragansett Electric Company in Attachment PPL-DIV-1-54-1, provide detailed data regarding:

- a. The Capital Cost and operating costs associated with establishing a control center comparable to the Northborough, Massachusetts center that is used to provide the direct services to Rhode Island. This should consider all functionality including all communications and other interrelated ties to the location of a fully redundant control center which replicates the current operations with two control centers. Please identify any place in the PPL study (Attachment PPL-DIV-1-54-1) in which these costs are reflected;
- b. The Capital Cost and operating costs associates with creating a fully operational metering shop replicating all functions currently provided by National Grid for Rhode Island operations;
- c. Provide the detail and point to all costs reflected in the study for each capital cost component which will need to be added in order to replicate all operational aspects which are currently provided by National Grid from other out of state resources. This should include but is not limited to: SCADA system master control facilities and all communication lines to both the primary and backup control center; office facilities and all office equipment; all equipment and hardware used for the Volt/Var program and analysis; all equipment, hardware and software utilized for Area Study creation; any and all other items; and
- d. Provide a detailed list of all new capital costs associated with replicating each item not transferred in the transaction such as a primary or backup control center and list the amortization cost, impact on revenue and depreciation costs and all other components of cost which will impact rates and overall cost of operation. Also, point to specifically to were these costs are accounted for in the PPL study.

Response:

- a. The capital cost to establish a control center comparable to the Northborough, MA center has not been estimated. At this time, PPL intends to leverage the existing Lincoln, RI facility and make investments as necessary to provide the services currently provided from the Northborough, MA center. The specific plans and costs are under development.

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Operating costs have been comprehensively estimated to include direct labor, direct non-labor and allocations for items such as communications and other interrelated ties. While the costs are represented in the \$273.6M controllable PPL RI steady-state O&M cost referenced in Attachment PPL-DIV 1-54-1, the analysis conducted does not allow for a comprehensive view of costs at a facility level. Control center costs are included in the direct labor (Attachment PPL-DIV 1-54-1, Table 5), direct non-labor (Attachment PPL-DIV 1-54-1, Table 6) and allocations (Attachment PPL-DIV 1-54-1, Table 7). These costs are also reflected in Attachment PPL-DIV 1-54-1, Figures 3 and 4. The control center costs attributable to electric operations are included in Attachment PPL-DIV 1-54-1, Figure 5, while those control center costs attributable to gas operations are included in Attachment PPL-DIV 1-54-1, Figure 6.

- b. The capital cost to establishing a fully operational meter shop has not been estimated.

Operating costs have been comprehensively estimated to include direct labor, direct non-labor and allocations for items including a fully operational metering shop. While the costs are represented in the \$273.6M controllable PPL RI steady-state O&M cost referenced in Attachment PPL-DIV 1-54-1, the analysis conducted does not allow for a view of costs specific to the metering shop. Metering shop costs are included in the direct labor (Attachment PPL-DIV 1-54-1, Table 5), direct non-labor (Attachment PPL-DIV 1-54-1, Table 6) and allocations (Attachment PPL-DIV 1-54-1, Table 7). These costs are also reflected in Attachment PPL-DIV 1-54-1, Figures 3 and 4. The metering shop costs attributable to electric operations are included in Attachment PPL-DIV 1-54-1, Figure 5, while those metering shop costs attributable to gas operations are included in Attachment PPL-DIV 1-54-1, Figure 6.

- c. The purpose of this analysis was to estimate the operational costs of Narragansett under PPL RI ownership in steady state. Capital costs, including those potentially required to replicate all operational aspects which are currently provided by National Grid, are under development and were not considered as a part of this analysis.
- d. The purpose of this analysis was to estimate the operational costs of Narragansett under PPL RI ownership in steady state. Capital costs, including those potentially required to replicate each item not transferred in the transaction such as a primary or backup control center, are under development and were not considered as a part of this analysis. Any investments in these areas will be subject to future rate proceedings in accordance with all statutory and regulatory requirements.