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October 22, 2021

**VIA ELECTRONIC MAIL AND HAND DELIVERY**

Luly E. Massaro, Commission Clerk  
Rhode Island Division of Public Utilities and Carriers  
89 Jefferson Boulevard  
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**Re: Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA, and The Narragansett Electric Company for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals; Docket No. D-21-09**

Dear Ms. Massaro:

Enclosed please find an original and four copies of PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC’s (“PPL RI”) Responses and Objections to the Division of Public Utilities and Carriers’ Advocacy Section’s Ninth Set of Data Requests, issued on October 1, 2021 (the “Ninth Set of Data Requests”).

This filing includes PPL and PPL RI’s partial responses to the Ninth Set of Data Requests, specifically 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, 9-33, 9-36, 9-37, 9-39, 9-40, 9-41, 9-42, 9-43, 9-44, 9-45, 9-46, 9-47, 9-48, 9-50, 9-51, 9-52, 9-54, 9-56, 9-63, 9-64, 9-65, 9-66, 9-73, 9-74, 9-77, 9-78, 9-79, 9-80, 9-81, 9-82, 9-83, 9-87, 9-89, 9-95, 9-96, and 9-97. On October 22, 2021, the Division Advocacy Section granted an extension to October 26, 2021 as to the remaining requests, which will be provided on a rolling basis as they are complete.

This filing includes a Motion for Protective Treatment of Confidential Information in accordance with Division Rules of Practice and Procedure 1.3(D)(2) and R.I. Gen. Laws § 38-2-2(4) for thirteen data requests, which contain confidential and proprietary business information. For the reasons stated in the Motion for Protective Treatment, PPL and PPL RI seek protection from public disclosure for the text of those thirteen data requests. Accordingly, PPL and PPL RI have provided the Division with an original and two complete, unredacted copies of the confidential

October 22, 2021

Page 2

documents in a sealed envelope marked **“Contains Privileged and Confidential Information – Do Not Release.”**

Thank you for your attention to this matter. Please do not hesitate to contact me should you have any questions.

Very truly yours,



Adam M. Ramos

AMR:cw

Enclosures

cc: Service List D-21-09 (via e-mail only)

**Docket No. D-21-09 PPL Corp., PPL RI Holdings, LLC, National Grid USA and The Narragansett Electric Co. (collectively, Applicants) – Petition to Transfer Ownership and Related Approvals**

**Service List Updated 8/18/2021**

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**In Re: Petition of PPL Corporation, PPL  
Rhode Island Holdings, LLC, National Grid  
USA, and The Narragansett Electric  
Company for Authority to Transfer  
Ownership of The Narragansett Electric  
Company to PPL Rhode Island Holdings,  
LLC and Related Approvals**

PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC (“PPL RI”) (collectively “PPL”) request that the Division of Public Utilities and Carriers (the “Division”), pursuant to Division Rules of Practice and Procedure 1.3(D)(2) and 1.21(E), 815-RICR-00-00-1 *et seq.*, grant protection from public disclosure to certain confidential and proprietary documents submitted by PPL in response to the Division Advocacy Section’s Ninth Set of Data Requests (“Ninth Data Requests”), dated September 1, 2021.

## I. BACKGROUND

On May 4, 2021, PPL, along with National Grid USA (“National Grid”), and The Narragansett Electric Company (“Narragansett”) (with PPL and PPL RI, collectively, the

“Applicants”), filed a petition with the Division for approval of PPL RI’s purchase from National Grid of 100% of the common stock of Narragansett and related approvals.

On October 1, 2021, the Division Advocacy Section served the Ninth Data Requests, consisting of 98 requests. PPL produced a portion of its responses on October 22, 2021, and received an extension for the remainder. This contemporaneous motion seeks confidential treatment and protection from public disclosure of the entirety of data requests Division 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, and a portion of the response to data request Division 9-7, which implicate PPL and Narragansett’s confidential and competitively sensitive internal strategy information.

## **II. LEGAL STANDARD**

The Access to Public Records Act, R.I. Gen. Laws § 38-2-1 *et seq.* (“APRA”), establishes the proper balance between “public access to public records” and protection “from disclosure [of] information about particular individuals maintained in the files of public bodies when disclosure would constitute an unwarranted invasion of personal privacy.” Gen. Laws § 38-2-1. Per APRA, “all records maintained or kept on file by any public body” are “public records” to which the public has a right of inspection unless a statutory exception applies. *Id.* § 38-2-3.

The definition of “public record” under APRA specifically excludes “trade secrets and commercial or financial information obtained from a person, firm, or corporation that is of a privileged or confidential nature.” *Id.* § 38-2-2(4)(B). The statute provides that such records “shall not be deemed public.” *Id.* Moreover, Division Rule of Practice and Procedure 1.3(D)(2) states that, “Any party submitting documents to the Division may request a preliminary finding that some or all of the information is exempt from the mandatory public disclosure requirements

of the Access to Public Records Act. A preliminary finding that some documents are privileged shall not preclude the Division from releasing those documents pursuant to public request in accordance with R.I. Gen. Laws § 32-2-1 *et seq.*”

The Rhode Island Supreme Court has held that when documents fall within a specific APRA exemption, they “are not considered to be public records,” and “the act does not apply to them.” *Providence Journal Co. v. Kane*, 577 A.2d 661, 663 (R.I. 1990). Further, the court has held that the exemption for “financial or commercial information” under APRA includes information “whose disclosure would be likely . . . to cause substantial harm to the competitive position of the person from whom the information was obtained.” *Providence Journal Co. v. Convention Ctr. Auth.*, 774 A.2d 40, 47 (R.I. 2001).

### **III. BASIS FOR CONFIDENTIALITY**

By this motion, PPL seeks confidential treatment for requests Division 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, and a portion of the response to data request Division 9-7. The requests themselves specifically reference PPL’s confidential documents: PPL-DIV 1-2-34; PPL-DIV-1-36-1 (via DIV 6-1(j)); PPL-DIV-6-2-1; PPL-DIV 6-2-3; PPL-DIV-6-2-4; and PPL-DIV 6-2-5. All of these documents represent PPL’s due diligence into the potential purchase of Narragansett, and therefore implicate confidential and proprietary information of PPL and Narragansett. These documents were designated Confidential by PPL when submitted, and were all also the subject of a Motion for Protective Treatment at the time of submission. The Division Advocacy Section recognized the confidentiality, in making only redacted versions of these requests publicly available. Likewise, the redacted portion of data request Division 9-7 specifically referenced information from one of the confidential due diligence documents.

The requests and select portion of the response implicate confidential and proprietary business information of both PPL and Narragansett. The due diligence documents referenced include specific commercial information on Narragansett's business operations, and specifically its gas and electric operations, gathered by PPL during the due diligence process. Because these materials are internal reference documents or summaries, they also contain PPL's internal impressions and assessments of the information for purposes of evaluating the potential transaction, including how Narragansett's operations relate to PPL's business, thereby implicating PPL's commercially sensitive business information. The information contained in these documents is not otherwise available to the public, and its disclosure would harm the business operations of both companies.

PPL treats this information as confidential and commercially sensitive. Disclosing this proprietary business information as part of the Division's Application review process would "constitute an unwarranted invasion of personal privacy" and could "cause substantial harm" to PPL and Narragansett's "competitive position." *See* Gen. Laws § 38-2-1; *Convention Ctr. Auth.*, 774 A.2d at 47. Accordingly, the requests contain "commercial or financial information" to which the APRA public disclosure requirements do not apply. *See* Gen. Laws § 38-2-2(4)(B); *Kane*, 577 A.2d at 663.

PPL therefore respectfully requests that the Division grant protective treatment for Division 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, and a portion of PPL's response to data request Division 9-7 and take the following actions to preserve its confidentiality: (1) maintain data requests Division 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, , and a portion of PPL's response to data request Division 9-7, as confidential indefinitely; (2) not place data request date requests Division 9-4, 9-7, 9-8,



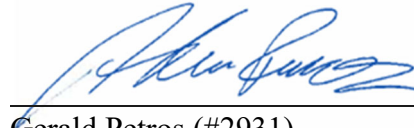
9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, , and a portion of PPL's response to data request Division 9-7, on the public docket; (3) disclose data requests Division 9-4, 9-7, 9-8, 9-10, 9-16, 9-17, 9-21, 9-22, 9-23, 9-24, 9-25, 9-32, and 9-33, and a portion of PPL's response to data request Division 9-7, only to the Division, its attorneys, and staff as necessary to review the Applicants' application; and (4) pending entry of a final ruling on this motion, preliminarily grant PPL's request for confidential treatment.

**WHEREFORE**, PPL Corporation and PPL Rhode Island Holdings, LLC respectfully request that the Division grant their Motion for Protective Treatment.

Date: October 22, 2021

Respectfully submitted,

PPL Corporation and PPL Rhode Island  
Holdings, LLC  
By its attorneys,



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**CERTIFICATE OF SERVICE**

I hereby certify that on October 22, 2021, I sent a copy of the foregoing to the Service List by electronic mail.

/s/ Adam M. Ramos



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October 25, 2021

**VIA ELECTRONIC MAIL AND HAND DELIVERY**

Luly E. Massaro, Commission Clerk  
Rhode Island Division of Public Utilities and Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA, and The Narragansett Electric Company for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals; Docket No. D-21-09**

Dear Ms. Massaro:

Enclosed please find an original and four copies of PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC’s (“PPL RI”) Responses and Objections to the Division of Public Utilities and Carriers’ Advocacy Section’s Ninth Set of Data Requests, issued on October 1, 2021 (the “Ninth Set of Data Requests”).

This filing includes PPL and PPL RI’s partial responses to the Ninth Set of Data Requests, specifically 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, 9-34, 9-58, 9-60, 9-61, 9-62, 9-71, 9-85 and 9-91. On October 22, 2021, the Division Advocacy Section granted an extension to October 26, 2021 as to the remaining requests, which will be provided on a rolling basis as they are complete.

This filing includes a Motion for Protective Treatment of Confidential Information in accordance with Division Rules of Practice and Procedure 1.3(D)(2) and R.I. Gen. Laws § 38-2-2(4) for seven data requests and partial responses to certain of those data requests, which contain confidential and proprietary business information. For the reasons stated in the Motion for Protective Treatment, PPL and PPL RI seek protection from public disclosure for the text of those data requests and partial responses. Accordingly, PPL and PPL RI have provided the Division with an original and two complete, unredacted copies of the confidential documents in a sealed envelope marked “**Contains Privileged and Confidential Information – Do Not Release.**”

October 25, 2021

Page 2

Thank you for your attention to this matter. Please do not hesitate to contact me should you have any questions.

Very truly yours,



Adam M. Ramos

AMR:cw

Enclosures

cc: Service List D-21-09 (via e-mail only)

**Docket No. D-21-09 PPL Corp., PPL RI Holdings, LLC, National Grid USA and The Narragansett Electric Co. (collectively, Applicants) – Petition to Transfer Ownership and Related Approvals**

**Service List Updated 8/18/2021**

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Company for Authority to Transfer  
Ownership of The Narragansett Electric  
Company to PPL Rhode Island Holdings,  
LLC and Related Approvals**

PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC (“PPL RI”) (collectively “PPL”) request that the Division of Public Utilities and Carriers (the “Division”), pursuant to Division Rules of Practice and Procedure 1.3(D)(2) and 1.21(E), 815-RICR-00-00-1 *et seq.*, grant protection from public disclosure to certain confidential and proprietary documents submitted by PPL in response to the Division Advocacy Section’s Ninth Set of Data Requests (“Ninth Data Requests”), dated October 1, 2021.

## I. BACKGROUND

On May 4, 2021, PPL, along with National Grid USA (“National Grid”), and The Narragansett Electric Company (“Narragansett”) (with PPL and PPL RI, collectively, the

“Applicants”), filed a petition with the Division for approval of PPL RI’s purchase from National Grid of 100% of the common stock of Narragansett and related approvals.

On October 1, 2021, the Division Advocacy Section served the Ninth Data Requests, consisting of 98 requests. PPL produced a portion of its responses on October 22, 2021, and received an extension for the remainder. PPL produced a second set of Set 9 responses on October 25, 2021. This contemporaneous motion seeks confidential treatment and protection from public disclosure of the entirety of data requests 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the responses to data request Division 9-12, 9-18, 9-19, which implicate PPL and Narragansett’s confidential and competitively sensitive internal strategy information.

## **II. LEGAL STANDARD**

The Access to Public Records Act, R.I. Gen. Laws § 38-2-1 *et seq.* (“APRA”), establishes the proper balance between “public access to public records” and protection “from disclosure [of] information about particular individuals maintained in the files of public bodies when disclosure would constitute an unwarranted invasion of personal privacy.” Gen. Laws § 38-2-1. Per APRA, “all records maintained or kept on file by any public body” are “public records” to which the public has a right of inspection unless a statutory exception applies. *Id.* § 38-2-3.

The definition of “public record” under APRA specifically excludes “trade secrets and commercial or financial information obtained from a person, firm, or corporation that is of a privileged or confidential nature.” *Id.* § 38-2-2(4)(B). The statute provides that such records “shall not be deemed public.” *Id.* Moreover, Division Rule of Practice and Procedure 1.3(D)(2) states that, “Any party submitting documents to the Division may request a preliminary finding that some or all of the information is exempt from the mandatory public disclosure requirements

of the Access to Public Records Act. A preliminary finding that some documents are privileged shall not preclude the Division from releasing those documents pursuant to public request in accordance with R.I. Gen. Laws § 32-2-1 *et seq.*”

The Rhode Island Supreme Court has held that when documents fall within a specific APRA exemption, they “are not considered to be public records,” and “the act does not apply to them.” *Providence Journal Co. v. Kane*, 577 A.2d 661, 663 (R.I. 1990). Further, the court has held that the exemption for “financial or commercial information” under APRA includes information “whose disclosure would be likely . . . to cause substantial harm to the competitive position of the person from whom the information was obtained.” *Providence Journal Co. v. Convention Ctr. Auth.*, 774 A.2d 40, 47 (R.I. 2001).

### **III. BASIS FOR CONFIDENTIALITY**

By this motion, PPL seeks confidential treatment for requests Division 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the response to data requests Division 9-12, 9-18, 9-19. The requests themselves specifically reference PPL’s confidential documents: PPL-DIV 1-2-34; PPL-DIV-1-36-1 (via DIV 6-1(j)); PPL-DIV-6-2-1; PPL-DIV 6-2-3; PPL-DIV-6-2-4; and PPL-DIV 6-2-5. All of these documents represent PPL’s due diligence into the potential purchase of Narragansett, and therefore implicate confidential and proprietary information of PPL and Narragansett. These documents were designated Confidential by PPL when submitted, and were all also the subject of a Motion for Protective Treatment at the time of submission. The Division Advocacy Section recognized the confidentiality, in making only redacted versions of these requests publicly available. Likewise, the redacted portions of data requests Division 9-12, 9-18, and 9-19 specifically reference or quote information from the confidential due diligence documents.



The requests and select portion of the response implicate confidential and proprietary business information of both PPL and Narragansett. The due diligence documents referenced include specific commercial information on Narragansett's business operations, and specifically its gas and electric operations, gathered by PPL during the due diligence process. Because these materials are internal reference documents or summaries, they also contain PPL's internal impressions and assessments of the information for purposes of evaluating the potential transaction, including how Narragansett's operations relate to PPL's business, thereby implicating PPL's commercially sensitive business information. The information contained in these documents is not otherwise available to the public, and its disclosure would harm the business operations of both companies.

PPL treats this information as confidential and commercially sensitive. Disclosing this proprietary business information as part of the Division's Application review process would "constitute an unwarranted invasion of personal privacy" and could "cause substantial harm" to PPL and Narragansett's "competitive position." *See* Gen. Laws § 38-2-1; *Convention Ctr. Auth.*, 774 A.2d at 47. Accordingly, the requests contain "commercial or financial information" to which the APRA public disclosure requirements do not apply. *See* Gen. Laws § 38-2-2(4)(B); *Kane*, 577 A.2d at 663.

PPL therefore respectfully requests that the Division grant protective treatment for data requests 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the response to data requests Division 9-12, 9-18, 9-19, and take the following actions to preserve its confidentiality: (1) maintain data requests data requests Division 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the response to data requests Division 9-12, 9-18, 9-19; (2) not place data request data requests 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the response to data

requests Division 9-12, 9-18, 9-19; (3) disclose data requests Division data requests 9-9, 9-12, 9-18, 9-19, 9-26, 9-28, and 9-34, and a portion of the response to data requests Division 9-12, 9-18, 9-19, only to the Division, its attorneys, and staff as necessary to review the Applicants' application; and (4) pending entry of a final ruling on this motion, preliminarily grant PPL's request for confidential treatment.

**WHEREFORE**, PPL Corporation and PPL Rhode Island Holdings, LLC respectfully request that the Division grant their Motion for Protective Treatment.

Date: October 25, 2021

Respectfully submitted,

PPL Corporation and PPL Rhode Island  
Holdings, LLC  
By its attorneys,



---

Gerald Petros (#2931)  
Adam Ramos (#7591)  
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(401) 457-5278  
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gpetros@hinckleyallen.com  
aramos@hinckleyallen.com

### **CERTIFICATE OF SERVICE**

I hereby certify that on October 25, 2021, I sent a copy of the foregoing to the Service List by electronic mail.

/s/ Adam M. Ramos



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Providence, RI 02903-2319  
p: 401-274-2000 f: 401-277-9600  
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**Adam M. Ramos**  
aramos@hinckleyallen.com  
Direct Dial: 401-457-5164

October 26, 2021

**VIA ELECTRONIC MAIL AND HAND DELIVERY**

Luly E. Massaro, Commission Clerk  
Rhode Island Division of Public Utilities and Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA, and The Narragansett Electric Company for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals; Docket No. D-21-09**

Dear Ms. Massaro:

Enclosed please find an original and four copies of PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC’s (“PPL RI”) Responses and Objections to the Division of Public Utilities and Carriers’ Advocacy Section’s Ninth Set of Data Requests, issued on October 1, 2021 (the “Ninth Set of Data Requests”).

This filing includes PPL and PPL RI’s partial responses to the Ninth Set of Data Requests, specifically 9-1 through 9-3, 9-5, 9-6, 9-11, 9-13 through 9-15, 9-20, 9-27, 9-29 through 9-31, 9-35, 9-38, 9-49, 9-53, 9-55, 9-57, 9-59, 9-67, 9-69, 9-70, 9-72, 9-75, 9-76, 9-84, 9-86, 9-88, 9-90, 9-92 through 9-94 and 9-98. On October 22, 2021, the Division Advocacy Section granted an extension to October 26, 2021 as to the remaining requests. This completes PPL and PPL RI’s responses to the Ninth Set of Data Requests.

This filing includes a Motion for Protective Treatment of Confidential Information in accordance with Division Rules of Practice and Procedure 1.3(D)(2) and R.I. Gen. Laws § 38-2-2(4) for fourteen data requests and partial responses to certain of those data requests, as well as attachment PPL-DIV 9-27-1, all of which contain confidential and proprietary business information. For the reasons stated in the Motion for Protective Treatment, PPL and PPL RI seek protection from public disclosure for the text of those data requests and partial responses. Accordingly, PPL and PPL RI have provided the Division with an original and two complete,

October 26, 2021

Page 2

unredacted copies of the confidential documents in a sealed envelope marked “**Contains Privileged and Confidential Information – Do Not Release**” and have included a slipsheet identifying the confidential attachment for public filing.

Thank you for your attention to this matter. Please do not hesitate to contact me should you have any questions.

Very truly yours,



Adam M. Ramos

AMR:cw

Enclosures

cc: Service List D-21-09 (via e-mail only)

**Docket No. D-21-09 PPL Corp., PPL RI Holdings, LLC, National Grid USA and The Narragansett Electric Co. (collectively, Applicants) – Petition to Transfer Ownership and Related Approvals**

**Service List Updated 8/18/2021**

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<b>Green Energy Consumers Alliance</b> James G. Rhodes Esq. Rhodes Consulting 160 Woonsocket Hill Rd. North Smithfield, RI 02896	<a href="mailto:james@jrhodeslegal.com">james@jrhodeslegal.com</a> ;	401-225-3441

**In Re: Petition of PPL Corporation, PPL  
Rhode Island Holdings, LLC, National Grid  
USA, and The Narragansett Electric  
Company for Authority to Transfer  
Ownership of The Narragansett Electric  
Company to PPL Rhode Island Holdings,  
LLC and Related Approvals**

PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC (“PPL RI”) (collectively “PPL”) request that the Division of Public Utilities and Carriers (the “Division”), pursuant to Division Rules of Practice and Procedure 1.3(D)(2) and 1.21(E), 815-RICR-00-00-1 *et seq.*, grant protection from public disclosure to certain confidential and proprietary information and documents submitted by PPL in response to the Division Advocacy Section’s Ninth Set of Data Requests (“Ninth Data Requests”), dated October 1, 2021.

Specifically, PPL seeks an order from the Division to protect from public disclosure the entirety of data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31, a portion of the response to Division 9-1, 9-2, 9-3, and 9-5, as well as Attachment PPL-DIV 9-27-1. PPL also requests that, pending entry of that ruling, the Division preliminarily grant PPL's request for confidential treatment.

## **I. BACKGROUND**

On May 4, 2021, PPL, along with National Grid USA (“National Grid”), and The Narragansett Electric Company (“Narragansett”) (with PPL and PPL RI, collectively, the “Applicants”), filed a petition with the Division for approval of PPL RI’s purchase from National Grid of 100% of the common stock of Narragansett and related approvals.

On October 1, 2021, the Division Advocacy Section served the Ninth Data Requests, consisting of 98 requests. PPL produced a portion of its responses on October 22, 2021, and received an extension for the remainder. PPL produced a second set of Set 9 responses on October 25, 2021, and a third and final set on October 26, 2021. This contemporaneous motion seeks confidential treatment and protection from public disclosure of the entirety of data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31, a portion of the response to Division 9-1, 9-2, 9-3, and 9-5, as well as attachment PPL-DIV 9-27-1, which implicate PPL’s and Narragansett’s confidential and competitively sensitive internal strategy information.

## **II. LEGAL STANDARD**

The Access to Public Records Act, R.I. Gen. Laws § 38-2-1 *et seq.* (“APRA”), establishes the proper balance between “public access to public records” and protection “from disclosure [of] information about particular individuals maintained in the files of public bodies when disclosure would constitute an unwarranted invasion of personal privacy.” Gen. Laws § 38-2-1. Per APRA, “all records maintained or kept on file by any public body” are “public records” to which the public has a right of inspection unless a statutory exception applies. *Id.* § 38-2-3.



The definition of “public record” under APRA specifically excludes “trade secrets and commercial or financial information obtained from a person, firm, or corporation that is of a privileged or confidential nature.” *Id.* § 38-2-2(4)(B). The statute provides that such records “shall not be deemed public.” *Id.* Moreover, Division Rule of Practice and Procedure 1.3(D)(2) states that, “Any party submitting documents to the Division may request a preliminary finding that some or all of the information is exempt from the mandatory public disclosure requirements of the Access to Public Records Act. A preliminary finding that some documents are privileged shall not preclude the Division from releasing those documents pursuant to public request in accordance with R.I. Gen. Laws § 32-2-1 *et seq.*”

The Rhode Island Supreme Court has held that when documents fall within a specific APRA exemption, they “are not considered to be public records,” and “the act does not apply to them.” *Providence Journal Co. v. Kane*, 577 A.2d 661, 663 (R.I. 1990). Further, the court has held that the exemption for “financial or commercial information” under APRA includes information “whose disclosure would be likely . . . to cause substantial harm to the competitive position of the person from whom the information was obtained.” *Providence Journal Co. v. Convention Ctr. Auth.*, 774 A.2d 40, 47 (R.I. 2001).

### **III. BASIS FOR CONFIDENTIALITY**

#### **A. Data Requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31**

By this motion, PPL seeks confidential treatment for data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-15, 9-20, 9-27, 9-29, 9-30, and 9-31, and a portion of the response to Division 9-1, 9-2, 9-3, and 9-5. The requests themselves specifically reference PPL’s confidential documents: PPL-DIV 1-2-34; PPL-DIV-1-36-1 (via DIV 6-1(j)); PPL-DIV-6-2-1; PPL-DIV 6-2-3; PPL-DIV-6-2-4; and PPL-DIV 6-2-5. All of these documents reflect PPL’s due

diligence into the potential purchase of Narragansett and therefore implicate confidential and proprietary information of PPL and Narragansett. These documents were designated Confidential by PPL when submitted, and were all also the subject of a Motion for Protective Treatment at the time of submission. The Division Advocacy Section recognized the confidentiality, in making only redacted versions of these requests publicly available.

Likewise, the responses to Division 9-1, 9-2, 9-3, and 9-5 quote or specifically reference information from those confidential documents, and have been selectively redacted.

The requests and select portions of certain responses implicate confidential and proprietary business information of both PPL and Narragansett. The due diligence documents referenced include specific commercial information on Narragansett's business operations, and specifically its gas and electric operations, gathered by PPL during the due diligence process. Because these materials are internal reference documents or summaries, they also contain PPL's internal impressions and assessments of the information for purposes of evaluating the potential transaction, including how Narragansett's operations relate to PPL's business, thereby implicating PPL's commercially sensitive business information. The information contained in these documents is not otherwise available to the public, and its disclosure would harm the business operations of both companies.

PPL treats this information as confidential and commercially sensitive. Disclosing this proprietary business information as part of the Division's Application review process would "constitute an unwarranted invasion of personal privacy" and could "cause substantial harm" to PPL and Narragansett's "competitive position." *See* Gen. Laws § 38-2-1; *Convention Ctr. Auth.*, 774 A.2d at 47. Accordingly, the requests contain "commercial or financial information" to

which the APRA public disclosure requirements do not apply. *See* Gen. Laws § 38-2-2(4)(B); *Kane*, 577 A.2d at 663.

#### **B. Attachment PPL-DIV 9-27-1**

PPL-DIV 9-27-1 is a spreadsheet listing National Grid's proprietary information technology systems, as identified during PPL's due diligence prior to entering into the Transaction. This information is proprietary to National Grid and commercially sensitive.

The spreadsheet contains "commercial or financial information" to which the APRA public disclosure requirements do not apply. *See* Gen. Laws § 38-2-2(4)(B); *Kane*, 577 A.2d at 663. PPL and National Grid treat the data and information contained in this document as confidential and commercially sensitive. National Grid does not generally make it available to the public, other companies, or regulatory bodies in the absence of a protective order or confidentiality agreement, and National Grid shared the information confidentially with PPL during the due diligence process. Disclosing this proprietary information publicly as part of the Division's Application review process would "constitute an unwarranted invasion of personal privacy" and "cause substantial harm" to PPL's and National Grid's "competitive position." *See* Gen. Laws § 38-2-1; *Convention Ctr. Auth.*, 774 A.2d at 47.

PPL therefore respectfully requests that the Division grant protective treatment for data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31, redacted portions of responses to Division 9-1, 9-2, 9-3, and 9-5, and attachment PPL-DIV 9-27-1, and take the following actions to preserve its confidentiality: (1) maintain data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31, redacted portions of responses to Division 9-1, 9-2, 9-3, and 9-5, and attachment PPL-DIV 9-27-1, as confidential; (2) not place data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15,

9-20, 9-27, 9-29, 9-30, 9-31, redacted portions of responses to Division 9-1, 9-2, 9-3, and 9-5, and attachment PPL-DIV 9-27-1, on the public docket; (3) disclose data requests Division 9-1, 9-2, 9-3, 9-5, 9-6, 9-11, 9-13, 9-14, 9-15, 9-20, 9-27, 9-29, 9-30, 9-31, redacted portions of responses to Division 9-1, 9-2, 9-3, and 9-5, and attachment PPL-DIV 9-27-1, only to the Division, its attorneys, and staff as necessary to review the Applicants' application; and (4) pending entry of a final ruling on this motion, preliminarily grant PPL's request for confidential treatment.

**WHEREFORE**, PPL Corporation and PPL Rhode Island Holdings, LLC respectfully request that the Division grant their Motion for Protective Treatment.

Date: October 26, 2021

Respectfully submitted,

PPL Corporation and PPL Rhode Island  
Holdings, LLC  
By its attorneys,



---

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Adam Ramos (#7591)  
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gpetros@hinckleyallen.com  
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**CERTIFICATE OF SERVICE**

I hereby certify that on October 26, 2021, I sent a copy of the foregoing to the Service List by electronic mail.

/s/ Adam M. Ramos

61399150

**REDACTED**  
Division 9-1

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

PPL and PPL RI (collectively, "PPL") object to this data request because it seeks irrelevant information and documents and exceeds the scope of this proceeding. This joint petition seeks Division approval for PPL Rhode Island Holdings, LLC's purchase of all shares of common stock of The Narragansett Electric Company ("Narragansett") under R.I. Gen. Laws s. 39-3-24 and 39-3-25. Those statutes and the Division's August 19, 2021 Order in this proceeding establish the standard of review applicable to this proceeding: they require a finding that the proposed transaction will neither cause a detriment to the public nor diminish the provision of Narragansett's electric and gas distribution service. As the Division has held in this proceeding, this review is narrow. First, before approving a R.I.G.L. § 39-3-24 petition, "the Division must find that there will be no degradation of utility services after the transaction is consummated." *In re Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA and The Narragansett Electric Company for Authority To Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals*, Dkt. No. D-21-09, 74 (R.I.D.P.U.C. August 19, 2021) (internal citations and quotations omitted). "The Division makes this determination by considering the buyer's experience and financial strength," not by reference to the due diligence performed by the buyer. *Id.* at 75. Second, the Division must find "that the proposed transaction will not unfavorably impact the general public (including ratepayers)." *Id.* (internal citations and quotation marks omitted). The information requested in this data request will not inform the Division's application of the standard.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

This data request seeks information that does not bear on the two-pronged standard the Division applies to evaluate this transaction. Specifically, this request for [REDACTED]

[REDACTED] is not relevant because such information has no bearing on PPL and PPL RI's experience and financial strength or on whether the proposed transaction will unfavorably impact the general public, including ratepayers. Rather, this request is an unnecessary exploration into the thought processes and business strategy PPL employed in deciding to enter into this transaction. Such information will not inform the evaluation of whether PPL can continue to operate Narragansett in a manner that provides an equivalent level of service. Nor does this request seek any information that bears on the impact the transaction will have on the public. Rather, this request seeks irrelevant and proprietary information regarding PPL's decision to enter this transaction, and, furthermore, this request is overbroad and unduly burdensome. This request seeks information beyond the scope of this proceeding.

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REDACTED  
Division 9-2

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

PPL and PPL RI (collectively, "PPL") object to this data request because it seeks irrelevant information and documents and exceeds the scope of this proceeding. This joint petition seeks Division approval for PPL Rhode Island Holdings, LLC's purchase of all shares of common stock of The Narragansett Electric Company ("Narragansett") under R.I. Gen. Laws s. 39-3-24 and 39-3-25. Those statutes and the Division's August 19, 2021 Order in this proceeding establish the standard of review applicable to this proceeding: they require a finding that the proposed transaction will neither cause a detriment to the public nor diminish the provision of Narragansett's electric and gas distribution service. As the Division has held in this proceeding, this review is narrow. First, before approving a R.I.G.L. § 39-3-24 petition, "the Division must find that there will be no degradation of utility services after the transaction is consummated." *In re Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA and The Narragansett Electric Company for Authority To Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals*, Dkt. No. D-21-09, 74 (R.I.D.P.U.C. August 19, 2021) (internal citations and quotations omitted). "The Division makes this determination by considering the buyer's experience and financial strength," not by reference to the due diligence performed by the buyer. *Id.* at 75. Second, the Division must find "that the proposed transaction will not unfavorably



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**REDACTED**

impact the general public (including ratepayers).” *Id.* (internal citations and quotation marks omitted). The information requested in this data request will not inform the Division’s application of the standard.

This data request seeks information that does not bear on the two-pronged standard the Division applies to evaluate this transaction. Specifically, this request for additional information regarding [REDACTED] is not relevant because the information has no bearing on PPL or PPL RI’s experience and financial strength or on whether the proposed transaction will unfavorably impact the general public, including ratepayers. Rather, it is an unnecessary exploration into the thought processes and business strategy PPL employed in deciding to enter into this transaction. The internal analysis PPL employed to analyze the potential transaction is not relevant and will not inform the evaluation of whether PPL can continue to operate Narragansett in a manner that provides an equivalent level of service. Nor does this request seek any information that bears on the impact the transaction will have on the public. Rather, this request seeks irrelevant and proprietary information regarding PPL’s decision to enter this transaction, and, furthermore, this request is overbroad and unduly burdensome. This request seeks information beyond the scope of this proceeding.

Notwithstanding the above, please refer to National Grid USA and Narragansett’s response to Data Request Division 6-4 Confidential for information about the “expert sessions” related to the Transaction. The referenced “expert sessions” held in June/July 2020 related to a different transaction that ultimately did not proceed.

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REDACTED

Division 9-3

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

PPL and PPL RI (collectively, "PPL") object to this data request because it seeks irrelevant information and documents and exceeds the scope of this proceeding. This joint petition seeks Division approval for PPL Rhode Island Holdings, LLC's purchase of all shares of common stock of The Narragansett Electric Company ("Narragansett") under R.I. Gen. Laws s. 39-3-24 and 39-3-25. Those statutes and the Division's August 19, 2021 Order in this proceeding establish the standard of review applicable to this proceeding: they require a finding that the proposed transaction will neither cause a detriment to the public nor diminish the provision of Narragansett's electric and gas distribution service. As the Division has held in this proceeding, this review is narrow. First, before approving a R.I.G.L. § 39-3-24 petition, "the Division must find that there will be no degradation of utility services after the transaction is consummated." *In re Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA and The Narragansett Electric Company for Authority To Transfer Ownership of The Narragansett Docket No. D-21-09 Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals*, Dkt. No. D-21-09, 74 (R.I.D.P.U.C. August 19, 2021) (internal citations and quotations omitted). "The Division makes this determination by considering the buyer's experience and financial strength," not by reference to the due diligence performed by the buyer. *Id.* at 75. Second, the Division must find "that the proposed transaction will not unfavorably impact the general public (including ratepayers)." *Id.* (internal citations and quotation marks

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**REDACTED**

omitted). The information requested in this data request will not inform the Division's application of the standard.

This data request seeks information that does not bear on the two-pronged standard the Division applies to evaluate this transaction. Specifically, this request for additional information regarding [REDACTED]

[REDACTED] is not relevant because the information has no bearing on PPL or PPL RI's experience and financial strength or on whether the proposed transaction will unfavorably impact the general public, including ratepayers. Rather, it is an unnecessary exploration into the thought processes and business strategy PPL employed in deciding to enter into this transaction. The internal analysis PPL employed to analyze the potential transaction is not relevant and will not inform the evaluation of whether PPL can continue to operate Narragansett in a manner that provides an equivalent level of service. Nor does this request seek any information that bears on the impact the transaction will have on the public. Rather, this request seeks irrelevant and proprietary information regarding PPL's decision to enter this transaction, and, furthermore, this request is overbroad and unduly burdensome. This request seeks information beyond the scope of this proceeding.

Notwithstanding the above, please refer to National Grid USA and Narragansett's response to Data Request Division 6-4 Confidential for information about the "management presentation" related to the Transaction.

**REDACTED**  
Division 9-4

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

- a. The document was completed in February 2021.
- b. PPL's Louisville Gas & Electric Company and Kentucky Utilities Company personnel: Tom Jessee, Vice President, Gas Operations; Clay Murphy, Director, Gas Management Planning & Supply; Joseph Ryan, Director, Gas Asset Integrity Management & Compliance.
- c. The document was shared with multiple individuals within PPL, with the primary recipient at PPL being Michael Caverly, Vice President Services Integration.

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REDACTED

Division 9-5

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

PPL and PPL RI (collectively, "PPL") object to this data request because it seeks irrelevant information and documents and exceeds the scope of this proceeding. This joint petition seeks Division approval for PPL Rhode Island Holdings, LLC's purchase of all shares of common stock of The Narragansett Electric Company ("Narragansett") under R.I. Gen. Laws s. 39-3-24 and 39-3-25. Those statutes and the Division's August 19, 2021 Order in this proceeding establish the standard of review applicable to this proceeding: they require a finding that the proposed transaction will neither cause a detriment to the public nor diminish the provision of Narragansett's electric and gas distribution service. As the Division has held in this proceeding, this review is narrow. First, before approving a R.I.G.L. § 39-3-24 petition, "the Division must find that there will be no degradation of utility services after the transaction is consummated." *In re Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA and The Narragansett Electric Company for Authority To Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals*, Dkt. No. D-21-09, 74 (R.I.D.P.U.C. August 19, 2021) (internal citations and quotations omitted). "The Division makes this determination by considering the buyer's experience and financial strength," not by reference to the due diligence performed by the buyer. *Id.* at 75. Second, the Division must find "that the proposed transaction will not unfavorably impact the general public (including ratepayers)." *Id.* (internal citations and quotation marks omitted). The information requested in this data request will not inform the Division's application of the standard.

This data request seeks information that does not bear on the two-pronged standard the Division applies to evaluate this transaction. Specifically, this request for [REDACTED]

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**REDACTED**

 is not relevant because such information has no bearing on PPL and PPL RI's experience and financial strength or on whether the proposed transaction will unfavorably impact the general public, including ratepayers. Rather, this request is an unnecessary exploration into the thought processes and business strategy PPL employed in deciding to enter into this transaction. Such information will not inform the evaluation of whether PPL can continue to operate Narragansett in a manner that provides an equivalent level of service. Nor does this request seek any information that bears on the impact the transaction will have on the public. Rather, this request seeks irrelevant and proprietary information regarding PPL's decision to enter this transaction, and, furthermore, this request is overbroad and unduly burdensome. This request seeks information beyond the scope of this proceeding.

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**REDACTED**  
Division 9-6

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

Counsel for PPL Corp. ("PPL"), PPL Rhode Island Holdings, LLC ("PPL Rhode Island"), National Grid USA ("National Grid"), The Narragansett Electric Company ("Narragansett"), and The Rhode Island 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 Rhode Island, National Grid, 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 PPL, PPL Rhode Island, National Grid, and Narragansett to "consider the Advocacy Section's goal of protecting ratepayers when determining scope and relevancy." Based on the scope and breadth of this request, PPL and PPL Rhode Island have applied the rule of reason and used sound judgment in limiting the breadth and scope of documents produced in response to this request, and have considered the Division Advocacy Section's goal of protecting ratepayers in determining which documents it will produce.

PPL and PPL RI refer to their response to data request Division 5-15 (Supplement), including Attachment PPL-DVI 1-54-1, which provides PPL's understanding of the centralized support National Grid provides to Narragansett.

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**REDACTED**

Division 9-7

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

Based on discussions with National Grid's Chief Engineer and Director of Energy Portfolio Risk Management within National Grid's Energy Procurement organization, the authors of Attachment PPL-DIV 6-2-5 CONFIDENTIAL gained a high level understanding of the shared services/centralized organization that provide management and technical support across multiple jurisdictions. Those discussions, which generally focused on work processes and not allocation of costs or FTEs, and a review of organizational charts at the time, were the bases for the belief that there appear to be [REDACTED]



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**REDACTED**

Division 9-8

Request:

**CONFIDENTIAL REQUEST**



Response:

PPL and PPL RI refer to their responses to data requests Division 2-1 and Division 7-56 (Supplement).

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NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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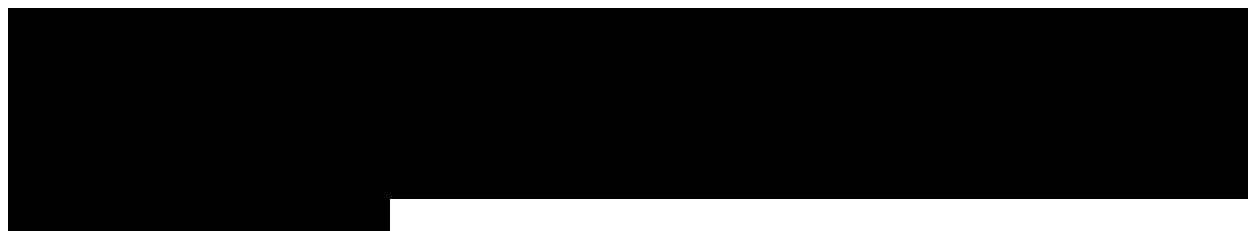
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**REDACTED**  
Division 9-9

Request:

**CONFIDENTIAL REQUEST**



Response:

Counsel for PPL Corp. ("PPL"), PPL Rhode Island Holdings, LLC ("PPL Rhode Island"), National Grid USA ("National Grid"), The Narragansett Electric Company ("Narragansett"), and The Rhode Island 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 Rhode Island, National Grid, 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 PPL, PPL Rhode Island, National Grid, and Narragansett to "consider the Advocacy Section's goal of protecting ratepayers when determining scope and relevancy." Based on the scope and breadth of this request, PPL and PPL Rhode Island have applied the rule of reason and used sound judgment in limiting the breadth and scope of documents produced in response to this request, and have considered the Division Advocacy Section's goal of protecting ratepayers in determining which documents it will produce.

Attachment PPL-DIV 6-2-5 CONFIDENTIAL summarizes notes developed from PPL's due diligence of Narragansett. Subsequent to the announcement of the transaction, PPL and PPL RI integration leaders have worked with National Grid integration leaders to understand the operating requirements of Narragansett.

Attachment PPL-DIV 1-54-1 provides an analysis of PPL and PPL Rhode Island's anticipated costs to operate Narragansett as compared to National Grid's current costs to operate. Included as part of this analysis is PPL and PPL RI's anticipated costs of the organization and the associated labor once the transition period expires. Section IV of Attachment PPL-DIV 1-54-1 describes in detail the PPL RI organization, including electric and gas operations.

**REDACTED**  
Division 9-10

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

- a. Attachment PPL-DIV 6-2-5 CONFIDENTIAL summarizes notes developed from PPL's due diligence of Narragansett. Subsequent to the announcement of the transaction, PPL and PPL Rhode Island integration leaders have worked with National Grid integration leaders to understand the operating requirements of Narragansett. PPL and PPL RI refer to Attachment PPL-DIV 1-54-1, which provides the centralized services anticipated to be allocated to Narragansett.
- b. Attachment PPL-DIV 1-54-1 provides an analysis of PPL and PPL Rhode Island's anticipated costs to operate Narragansett as compared to National Grid's current costs to operate. Included as part of this analysis are PPL and PPL Rhode Island's estimated direct labor costs, direct nonlabor costs, allocations and depreciation expected to be incurred to operate Narragansett. Table 7 in Attachment PPL-DIV 1-54-1 provides the centralized services and associated costs anticipated to be allocated to Narragansett. Further discussion of these services is provided in Section IV of Attachment PPL-DIV 1-54-1. These centralized services are expected to be performed out of Pennsylvania.
- c. Counsel for PPL Corp. ("PPL"), PPL Rhode Island Holdings, LLC ("PPL Rhode Island"), National Grid USA ("National Grid"), The Narragansett Electric Company ("Narragansett"), and The Rhode Island 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 Rhode Island, National Grid, and Narragansett can "use sound judgment and the rule of reason in crafting responses and

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**REDACTED**

providing responsive documents.” The Division Advocacy Section also advised in the June 22, 2021 letter PPL, PPL Rhode Island, National Grid, and Narragansett to “consider the Advocacy Section’s goal of protecting ratepayers when determining scope and relevancy.” Based on the scope and breadth of this request, PPL and PPL Rhode Island have applied the rule of reason and used sound judgment in limiting the breadth and scope of documents produced in response to this request, and have considered the Division Advocacy Section’s goal of protecting ratepayers in determining which documents it will produce.

PPL and PPL RI refer to Attachment PPL-DIV 1-54-1.

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**REDACTED**

Division 9-11

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

Response:

- a. PPL and PPL RI refer to their responses to data requests Division 5-6 and 5-9. Gas energy services will be provided under the Transition Services Agreement for a period up two years from the closing of the Transaction. During this period, PPL and PPL RI will hire and train personnel to support a PPL RI-based gas energy services organization.
- b. PPL and PPL RI have not analyzed whether the gas supply acquisition and planning approach will be as, or more cost-efficient post Transaction. PPL and PPL RI have provided Attachment DIV 1-54-1 which demonstrates that they will operate the entire Narragansett operation as cost efficiently as it is currently being operated.

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**REDACTED**

Division 9-12

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

PPL and PPL RI are currently developing the draft organizational design for the gas energy services area. [REDACTED]

[REDACTED]

PPL and PPL RI also refer to National Grid's response to data request Division 9-12.

**REDACTED**  
Division 9-13

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

■ [REDACTED]

■ [REDACTED]

Response:

- a. The existing National Grid control rooms reside in Northborough, Massachusetts and Hicksville Long Island, New York. PPL and PPL RI have not acquired rights to use National Grid's existing gas control rooms after the expiration of the transition period. A Transition Service Agreement has been drafted for a period of two years to provide Gas Control Center Operations to PPL and PPL RI by National Grid. During this agreement, PPL RI plans to install a primary and backup control room and associated SCADA system for the Rhode Island gas system in Rhode Island.
- b. PPL and PPL RI have not yet developed the cost estimate and schedule for completion of the "primary and backup control room and associated SCADA systems for the gas system. PPL and PPL RI expect to complete these projects as quickly as possible after the Transaction closes and will endeavor to complete them in advance of the conclusion of the transition period. PPL and PPL RI also refer to their response to data request Division 9-97.

**REDACTED**  
Division 9-14

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

- a. PPL and PPL Rhode Island are still in the process of evaluating and determining the physical location of the electric and gas control centers. One possibility is that the electric and gas control centers will be located in the same building. If PPL does locate the electric and gas control centers in the same building it does not plan to combine the functionality of gas and electric control room and associated SCADA systems. The electric and gas control functions require different skillsets and training. The complexities associated with Operator Qualification compliance program and Control Room Management program requirements for gas controller training and qualification do not readily translate to electric control room operations.
- b. As set forth in the response to subpart (a), PPL and PPL RI do not currently plan to combine electric and gas control functionality and, therefore, have not estimated a cost or schedule for such a combination. PPL and PPL RI also have not yet completed a cost estimate for establishing the primary and backup control room. PPL and PPL RI refer to Attachment PPL-DIV 1-54-1 for a current estimate of the costs to operate the primary and backup control room on a going forward basis.



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**REDACTED**

- c. PPL Rhode Island does not intend to seek cost recovery for expenses that may duplicate expenses for which National Grid or Narragansett has already sought recovery through its base distribution rates. That said, PPL Rhode Island may seek to recover portions of the costs of its investments in the electric and gas control rooms to the extent that PPL Rhode Island can demonstrate the incremental benefits to customers of these transition costs.

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**REDACTED**

Division 9-15

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

A Transition Service Agreement has been drafted covering a period of two years to provide Gas Control Center Operations to PPL and PPL RI by National Grid. During this agreement, PPL and PPL RI plan to install a primary and backup control room and associated supervisory control and data acquisition ("SCADA") system for the Rhode Island gas system in Rhode Island. If additional time is necessary, Section 6.9(a)(vii) of the Share Purchase Agreement and Section 2.1 of the Transition Services Agreement provides a mechanism for the parties to mutually agree to extend the term of the TSA. PPL and PPL RI also refer to their response to data request Division 2-20.

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**REDACTED**

Division 9-16

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

PPL and PPL Rhode Island do not have any plans to outsource the gas supply function. PPL and PPL RI refer to their responses to data requests Division 5-6 and 5-9.

**REDACTED**

Division 9-17

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

- a.
  - i. PPL and PPL RI refer to the "Environmental Response Cost Report FY 2020", as submitted to the RIPUC on 9-25-2020 and the "2020 Gas Environmental Report" as submitted to the RIPUC on 7-24-2020.
  - ii. PPL and PPL RI refer to the "Environmental Response Cost Report FY 2020", as submitted to the RIPUC on 9-25-2020 and the "2020 Gas Environmental Report" as submitted to the RIPUC on 7-24-2020.
- b. PPL and PPL RI currently have no knowledge of or information regarding the portion of the referenced environmental remediation/clean-up costs over the next five years that will be offset by insurance proceeds.

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**REDACTED**

- c. PPL and PPL RI currently have no knowledge of or information regarding the extent to which existing insurance coverages and claims under past policies will be impacted by the proposed change of ownership of Narragansett's gas system operations in Rhode Island.

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**REDACTED**

Division 9-18

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

- a. Bench strength refers to personnel with specific gas material and service procurement knowledge.
- b. [REDACTED]
- c. Based on the assessment, PPL has made offers to current National Grid employees with gas material and service procurement experience and is proactively looking to add additional gas material and service procurement staffing to ensure continuity in gas material and service procurement. In addition, PPL will be identifying gas-specific vendors to add focused support to Rhode Island.

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**REDACTED**

Division 9-19

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- i. [REDACTED]
- ii. [REDACTED]
- iii. [REDACTED]
- iv. [REDACTED]

Response:

a. i. [REDACTED]

ii. [REDACTED]

National Grid USA and PPL are currently in the process of analyzing relationships with material and service providers providing services to Narragansett to determine the treatment of the relationships with those suppliers on Day 1.

b. [REDACTED]

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**REDACTED**

Division 9-20

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

A ban on the expansion of natural gas sales would not impact the acquisition of Narragansett by PPL.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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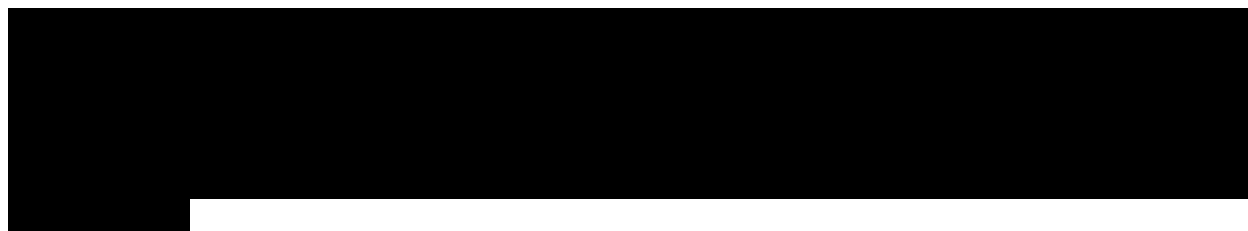
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**REDACTED**

Division 9-21

Request:

**CONFIDENTIAL REQUEST**



Response:

Counsel for PPL Corp. ("PPL"), PPL Rhode Island Holdings, LLC ("PPL Rhode Island"), National Grid USA ("National Grid"), The Narragansett Electric Company ("Narragansett"), and The Rhode Island 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 Rhode Island, National Grid, 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 PPL, PPL Rhode Island, National Grid, and Narragansett to "consider the Advocacy Section's goal of protecting ratepayers when determining scope and relevancy." Based on the scope and breadth of this request, PPL and PPL Rhode Island have applied the rule of reason and used sound judgment in limiting the breadth and scope of documents produced in response to this request, and have considered the Division Advocacy Section's goal of protecting ratepayers in determining which documents it will produce.

PPL and PPL RI reviewed numerous documents received from National Grid in preparing Attachment PPL-DIV 6-2-5 CONFIDENTIAL; however, PPL and PPL RI no longer have these documents in their possession and do not recall the specific documents they reviewed when crafting the referenced language. Notwithstanding the foregoing, PPL and PPL RI do not recall preparing or relying on any specific workpapers, data, analyses, and/or studies when drafting the referenced statements. PPL also does not know whether it was referring to a specific time period in the referenced statements.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-22

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-22.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-23

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-23.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-24

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-24.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-25

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-25.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-26

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Response:

- a. The statement was based on a comparison of Narragansett to PPL's Kentucky gas operations. PPL and PPL Rhode Island did not perform a comparison to other gas distribution utilities in the Northeast or nationally.
- b. See PPL's response to data request Division 5-13.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-27

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

- a. PPL and PPL RI refer to Attachment PPL-DIV 9-27-1 CONFIDENTIAL. PPL and PPL RI note that the IT systems referenced Attachment PPL-DIV 9-27-1 CONFIDENTIAL represent those systems identified during PPL's due diligence before entering into the Transaction, and the universe of systems National Grid USA uses may have changed since that time.
- b. It is PPL and PPL RI's understanding that all proprietary systems are owned by National Grid USA (either through National Grid USA Service Company, Inc. or otherwise), or Narragansett.
- c. PPL and PPL RI are still in the process of developing estimates to replace proprietary systems.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Attachment PPL-DIV 9-27-1

Confidential Attachment PPL-DIV 9-27-1 contains confidential information. PPL and PPL RI have requested protective treatment of this confidential attachment in its entirety.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-28

Request:

**CONFIDENTIAL REQUEST**



Response:

Attachment PPL DIV 6-2-5 was drafted during the due diligence period at the initial stages of the transaction. As explained in PPL's response to data request Division 9-13 and 9-15, the current plan is to install the primary and backup electric and gas control rooms during the two-year transition period. Additional time may be required depending on the timing of critical path items and the project dependencies, which will be identified during the detailed project planning process, which has not taken place yet.

**REDACTED**

Division 9-29

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

Response:

- a. PPL and PPL RI have not yet identified any potential sources of outsourced services for LNG storage operations in Rhode Island. On Day 1 LNG supply purchases will be covered by the Transition Services Agreement ("TSA") and transferred over to PPL RI during the transition period. National Grid USA has contracts with providers of temporary LNG storage equipment that is used at the Old Mill Lane site and the Cumberland site. National Grid USA personnel have conveyed in the LNG workstream and will handle the operation and delivery of gas at these sites. The Gas Procurement group has contracts in place for the LNG supplies and trucking, which is covered under TSAs for two years. PPL's Kentucky gas operations has identified CenterPoint Energy – Mobile Energy Solutions Inc., Thigpen Energy, Sapphire Gas Solution, Kinetrex Energy, TransGas and Stabilis Energy as sources for temporary peaking LNG services for its Kentucky operation.
- b. PPL and PPL Rhode Island have not developed estimates for the costs of outsourced LNG services. Requests for temporary peaking LNG services would be vetted through a RFP and bidding process.
- c. A TSA has been drafted for a period of two years to provide gas supply including LNG to PPL and PPL Rhode Island by National Grid. The actual cost of LNG and LNG services will depend on the results of the bidding process, and any current agreements that extend into that two-year time-period.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-30

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

Attachment PPL-DIV 1-54-1 provides an analysis of PPL's anticipated costs to operate Narragansett as compared to National Grid's current costs to operate. Included as part of this analysis is PPL's anticipated Rhode Island organization and the associated labor costs once the transition period expires. Staffing levels have been developed for gas operations including LNG operations as indicated in Section IV of Attachment PPL-DIV 1-54-1.

This organization will be staffed with individuals that are conveying from National Grid (Neptune) at the close of the transaction. PPL is currently undergoing a staffing process to identify the specific individuals who will become part of the Rhode Island organization upon transaction close.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-31

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

PPL did not visit any distribution substations on the Narragansett system prior to the execution of the transaction agreement.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-32

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Response:

PPL and PPL RI refer to their response to data requests Division 7-41 (Supplement) and 7-56 (Supplement) and Attachment PPL-DIV 1-54-1.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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**REDACTED**

Division 9-33

Request:

**CONFIDENTIAL REQUEST**



Response:

PPL and PPL RI's reference to taking a "fresh look at the investments needed" was a reference to their plan to conduct a complete assessment of all aspects of Narragansett's transmission and distribution infrastructure to determine what investments it identifies as necessary to facilitate "a truly integrated electric grid that can support a high penetration of renewables." PPL and PPL RI described that assessment as a "fresh look" to signify that they will not start from the assumption that the investments proposed previously by Narragansett while owned by National Grid USA are the investments PPL and PPL RI plan to propose. Rather PPL and PPL RI will conduct a complete assessment to create its proposed investment plan for grid modernization, taking into account the plan already set forth by National Grid in the exercise of PPL's judgment and expertise based on its experience. Such a "fresh look" is appropriate and necessary because PPL and PPL RI will be the new owners and operators of Narragansett and will bring their unique experience and expertise in investing in the grid of the future to that operation to optimize PPL and PPL RI's operation of Narragansett and integration of renewable generation after the Transaction closes.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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**REDACTED**

Division 9-34

Request:

**CONFIDENTIAL REQUEST**

[REDACTED]

Response:

Attachment PPL-DIV 6-2-3 CONFIDENTIAL was prepared during the initial due diligence process and PPL does not currently have any additional sources or details in support of the referenced statement. PPL and PPL RI will continue to analyze Narragansett's advanced metering proposal as this regulatory approval process for PPL RI's purchase of Narragansett proceeds. PPL and PPL RI expect to have Narragansett prepare and file updated advanced metering plans after the closing of the Transaction, which will address the budget of the program.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-35

Request:

Do PPL Corporation and PPL Rhode Island Holdings, LLC agree that any adjustments to restate the balance sheet assets and/or liabilities for pensions and other postretirement benefits, as referenced in the response to Division 4-9, will not increase Narragansett's revenue requirement above what it would be absent the Transaction?

Response:

As explained in PPL's response to data request Division 4-9, the pension plan and postretirement benefits will be re-measured upon acquisition after Transaction closing, which is similar to the annual remeasurement performed by Narragansett under National Grid USA ownership currently. The Transaction itself is not causing an increase or decrease in pension and postretirement benefit obligations that would cause a change to Narragansett's revenue requirement.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-36

Request:

Please update National Grid's response to Division 4-6.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-36.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-37

Request:

Please provide a breakout of the balance of accumulated deferred income taxes as of the latest date available, showing the gross balance before offset for net operating losses (NOLs), the offset for NOLs, and the balance net of NOLs.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-37.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-38

Request:

Please describe the effect that the Transaction will have on the balance of NOLs existing at the time of the Transaction.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-38.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-39

Request:

Please document any and all compensation that Narragansett and/or its gas system customers received when ownership of the Providence LNG Tank was transferred to National Grid's NGLNG affiliate.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-39.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-40

Request:

Please identify the pipeline(s) through which natural gas will be delivered to the NGLNG liquefaction facility in RI for liquefaction, and provide the projected volumes of natural gas that will to be delivered to that facility by month for each of the first five years of operation of that facility.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-40.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-41

Request:

For each pipeline that will be used to deliver natural gas to the NGLNG liquefaction facility in Rhode Island, please identify the entity that holds the pipeline entitlement.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-41.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-42

Request:

For each pipeline that will be used to deliver natural gas to the NGLNG liquefaction facility in Rhode Island, please identify and provide all supporting documents showing the manner in which the holder(s) of the pipeline capacity entitlements will be compensated for the use of capacity to deliver natural gas to the NGLNG liquefaction facility.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-42.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-43

Request:

Please provide the contract under which Narragansett will be compensated for use of Narragansett's pipeline entitlements to supply natural gas to the NGLNG liquefaction facility. Please explain in detail and provide an illustrative example of the manner in which Narragansett's compensation will be determined.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-43.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-44

Request:

Please provide the Total Projected Design Day throughput and sendout for National Grid RI Gas for 2021/2022, showing separately sendout volumes for:

- a. Pipeline;
- b. Underground Storage; and
- c. LNG.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-44.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-45

Request:

Please provide the Total Projected Design Day throughput and sendout for National Grid RI Gas for 2020/2021, showing separately sendout volumes for:

- a. Pipeline;
- b. Underground Storage; and
- c. LNG.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-45.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-46

Request:

Please provide the Total Projected Design Day throughput and sendout for National Grid RI Gas for 2019/2020, showing separately sendout volumes for:

- a. Pipeline;
- b. Underground Storage; and
- c. LNG.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-46.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-47

Request:

Referencing National Grid's Attachment NG-DIV 5-1-1, please provide resumes showing the full educational and employment histories of the following employees:

- a. Cindy Caine;
- b. Nicholas Dube; and
- c. Any other employee listed in the referenced Attachment that holds at least a bachelor's degree in engineering or relevant technical discipline.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-47.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-48

Request:

Referencing National Grid's response to DIV 5-7, please provide the volumes of LNG and natural gas equivalents that Narragansett expects to receive from the NGLNG Fields Point Liquefaction Project in each month of calendar years 2022 and 2023.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-48.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-49

Request:

For each contractor currently providing environmental cleanup/remediation services for Narragansett's gas system, please indicate whether the contract will be carried forward after the acquisition of Narragansett by PPL without change or whether the contract will either be terminated or will require renegotiation. If renegotiation is required, please indicate when PPL expects that such renegotiation will be required and provide PPL's assessment of the manner in which the scope of services provided by the contractor and/or the costs of the contractor's services will be impacted.

Response:

All environmental cleanup/remediation contracts will be carried forward with the same scope of work after PPL RI acquires Narragansett.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

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Division 9-50

Request:

Referencing the response to DIV 1-28, which discusses the Transition Services Agreement and identifies the services that may be provided on Day 1 by the Service Company and will subsequently be transitioned to PPL, please:

- a. Confirm that PPL currently expects that on Day 1 following a closing of the Transaction, the Service Company will provide Supplier Services and perform related functions for the Retail Choice Programs for natural gas and electricity for Narragansett;
- b. Provide PPL's current expectation for the transition to PPL of Supplier Services and related functions for the Retail Choice Programs for natural gas and electricity during the two-year transition period; and
- c. If the Service Company will not perform these responsibilities on Day 1, please explain how these functions will be performed on Day 1.

Response:

PPL confirms that Supplier Services and related functions for the Retail Choice programs will be provided by the Service Company under the Energy Procurement Transition Services Agreement ("TSA") on Day 1. Please see Attachment NG-DIV 7-36-2-3. TSA exit plans are still under development; however, it is expected the full transition of these functions to PPL will take 18-24 months. The transition plan will include, but is not limited to training, knowledge transfer and technology implementation required to take over and support the Retail Choice programs.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-51

Request:

Please state whether the Service Company currently provides to Narragansett Supplier Services and related functions for Retail Choice Programs.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-51.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-52

Request:

Please describe the steps that PPL has taken to develop a business continuity plan to ensure that the Transaction will not alter the current operation of the competitive energy market, and provide all relevant documents setting forth this plan.

Response:

PPL and PPL RI refer to their response to data request Division 9-50. Business continuity management related to operation of the competitive energy market will be covered under the Energy Procurement Transition Services Agreement provided in Attachment NG-DIV 7-36-2-3. PPL plans to leverage National Grid's current business continuity plans and processes until these functions are fully transitioned to PPL after Day 1, which will allow for the continuing operation of the competitive energy market.

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Division 9-53

Request:

Please confirm that PPL intends to maintain the protocols that Narragansett has in place to ensure that customers' ability to participate in the competitive energy market is unaffected and uninterrupted, and explain how PPL intends to do so. The response should address billing; staffing levels and other resources that can affect customer service; communications between energy suppliers and the utility; the assignment of customers; electronic data interchange protocols; access to customer usage information; enrollment procedures; availability of electronic bulletin boards and the posting of nominations.

Response:

PPL and PPL RI refer to their response to data request Division 9-50. Services related to customer participation in the competitive energy market will be managed under the Transition Services Agreement ("TSA"). Through the TSA, current National Grid protocols will remain in place, including those related to billing; and other resources that can affect customer service; communications between energy suppliers and the utility; the assignment of customers; electronic data interchange protocols; access to customer usage information; enrollment procedures; availability of electronic bulletin boards and the posting of nominations.

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Division 9-54

Request:

As compared to staffing levels of Narragansett, please describe in detail the staffing levels that PPL plans to use to support the Supplier Services functions and Retail Choice Programs for the electricity and natural gas competitive markets

Response:

Transition Services Agreement ("TSA") exit plans are still under development, however, it is expected the full transition of these functions to PPL will take 18-24 months. The transition plan will include, but is not limited to, training, knowledge transfer and technology implementation required to take over and support the Retail Choice programs. Headcount and estimated costs to support Supplier Services functions and Retail Choice Programs are included in the functional summaries detailed in Attachment PPL-DIV 1-54-1.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-55

Request:

Referencing the organizational chart provided in response to DIV 2-24, please identify the PPL positions that will perform Supplier Services and Retail Choice Program functions for electricity and natural gas and the individual(s) on the leadership team listed in the response to whom these positions will report.

Response:

Transition Service Agreement ("TSA") exit plans are still under development; however, it is expected the full transition of these functions to PPL and PPL RI will take 18-24 months. The transition plan will include, but is not limited to, training, knowledge transfer and technology implementation required to take over and support the Retail Choice programs. Headcount and estimated costs to support Supplier Services functions and Retail Choice Programs are included in the functional summaries detailed in Attachment PPL-DIV 1-54-1. Specific positions and future state reporting relationships have not been determined at this time.

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Division 9-56

Request:

Please describe any changes that PPL intends to make to the Supplier Services functions or Retail Choice Programs and indicate whether such changes may disrupt the availability of or access to competitive supply services purchased by customers in the competitive energy market.

Response:

PPL and PPL RI are not currently planning any changes to the Supplier Services functions or Retail Choice Programs on Day 1 after the closing of the Transaction and, therefore, do not anticipate any disruption of the availability of or access to competitive supply services purchased by customers in the competitive energy market. After the Transaction closes, PPL and PPL RI will continue their evaluation of the Supplier Services functions and Retail Choice Programs and assess whether to propose any changes.

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Division 9-57

Request:

Does PPL intend to adopt and maintain the same electronic data interchange (EDI) protocols for the exchange of information with competitive energy suppliers that Narragansett has in place? If not, please describe the protocols PPL plans to adopt and maintain.

Response:

The electronic data interchange ("EDI") protocols will remain the same on Day 1. National Grid will provide support on EDI protocols through the Transition Services Agreement. PPL and PPL RI are still evaluating whether any changes will be made to EDI protocols when PPL RI takes over this functionality. Prior to making any changes to EDI protocols, PPL RI will seek all applicable statutory and regulatory approvals.

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Division 9-58

Request:

Please indicate whether PPL intends to maintain the same protocols that Narragansett follows to exchange data with competitive energy suppliers that is necessary to bill customers receiving competitive supply services. If not, please describe the protocols PPL plans to adopt.

Response:

PPL and PPL RI refer to their response to data request Division 9-57.

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Division 9-59

Request:

State whether competitive energy suppliers be required to “retest” EDI transactions with PPL. If retesting is planned, please indicate when retesting will begin. If retesting is not planned, please explain how PPL intends to ensure compatibility.

Response:

The EDI protocols will remain the same on Day 1, and National Grid will provide support on EDI protocols through the Transition Services Agreement. Therefore, there will be no immediate need to retest EDI transactions. PPL and PPL RI are still evaluating whether any changes will be made to EDI protocols when PPL RI takes over this functionality. Without knowing if any changes will be made to the EDI protocols, it is too early to determine whether retesting will be required.



Division 9-60

Request:

State whether competitive energy suppliers will be required to execute new supplier and billing service agreements with PPL in order to continue servicing customers.

- a. If this is planned, please provide a timeline for providing proposed service agreements to competitive energy suppliers; and
- b. If this is not planned, please explain how PPL intends to ensure that each trading partner understands its rights and obligations.

Response:

It is PPL and PPL RI's understanding that the existing supplier and billing service agreements are between Narragansett and the suppliers, and that these agreements will be unaffected by the Transaction. Given that there are not any anticipated changes to the supplier agreements, PPL and PPL RI expect that the suppliers should understand their rights and obligations.

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Division 9-61

Request:

Does PPL intend to maintain the same level of communication protocols between energy suppliers and the utility that Narragansett currently has in place, such as for the posting of gas nominations and operational flow orders, and the use of the Electronic Bulletin Board? If not, please describe the communication protocols that PPL plans to implement and explain when such protocols will be conveyed to competitive energy suppliers.

Response:

PPL and PPL RI plan to continue The Narragansett Electric Company's ("Narragansett") existing policies for the level of communication protocols with energy suppliers on Day 1 following the completion of the Transaction in the same manner that the policies are currently operated and managed. This will include the posting of gas nominations and operational flow orders, and the use of the Electronic Bulletin Board. PPL and PPL RI will evaluate Narragansett's policies for the level of communication protocols with energy suppliers after the Transaction closes to consider opportunities to determine whether any program changes to existing policies and protocols are appropriate. PPL and PPL RI will follow the existing statutory and regulatory requirements and processes to the extent that they determine that they want to make any changes to existing policies regarding the level of communication protocols with energy suppliers.

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Division 9-62

Request:

Referencing RIPUC Docket No. 5073 regarding Purchase of Receivables (POR) and Record Request No. 4 in that proceeding, in which National Grid noted its expectation that its costs for billing system upgrades needed to implement the POR to be recovered over a three-year period, please explain in detail how the costs for billing upgrades prior to the PPL acquisition will be tracked and recovered to ensure that electric suppliers are not billed twice for these costs.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-62.

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Division 9-63

Request:

PPL's response to DIV 7-9 states (at 1) that the total cost of the LG&E main replacement program was \$287 million; the total of the programs for which costs are provided appears to be approximately \$208 million. Please:

- a. Verify that the difference between the total cost cited and the sum of the costs for the listed programs represents costs for pipe replacement prior to 2010, and if that is not correct document and explain the source of the difference between the cited total cost and the costs of the programs for which yearly detail is provided.
- b. Indicate the portion of the \$287 million that was incurred by LG&E prior to its acquisition by PPL.

Response:

- a. LG&E's main replacement program began in 1996 and was completed in 2017. The program consisted of replacing cast iron, wrought iron, bare steel and unprotected mains and services on primarily the low pressure gas distribution system. The total program costs from 1996 to 2017 were \$287 million. The costs from 2010 to 2017 were approximately \$167 million. The main replacement program information and additional information on other programs was provided for the time-period 2010-2017. This equates to approximately \$208 million.
- b. The portion of the \$287 million for replacing cast iron, wrought iron, bare steel and unprotected mains and services on primarily the low pressure gas distribution system that was incurred by LG&E prior to its acquisition by PPL was approximately \$120 million.

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Division 9-64

Request:

PPL's response to DIV 7-9 states (at 1) that a total of more than 70,000 services have been replaced by LG&E. The data included in PPL's response appears to identify less than 30,000 services replaced in the years 2010-2020. Please document the number of services that were replaced by LG&E by program prior to LG&E's acquisition by PPL.

Response:

LG&E's main replacement program began in 1996 and was completed in 2017. The program consisted of replacing cast iron, wrought iron, bare steel and unprotected mains and services on primarily the low pressure gas distribution system. The total number of services replaced from 1996 to 2017 was approximately 72,000. The number of services replaced from 2010 to 2017 was approximately 22,000.

The portion of the approximately 72,000 services on primarily the low pressure gas distribution system that were replaced by LG&E prior to its acquisition by PPL was approximately 50,000.

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Division 9-65

Request:

PPL's response to Division Data Request 7-4 states that with, respect to National Grid's non-public forecasting and planning information, "[s]ome of this information is confidential and is not expected to be shared with PPL until PPL owns Narragansett." With respect to that statement, please:

- a. Identify in as much detail as possible the nature the confidential information that will not be shared with PPL until PPL owns Narragansett; and
- b. Explain why the non-public information being withheld could not be provided to PPL under a non-disclosure agreement or other protective agreement.

Response:

- a. With respect to Narragansett's long-range gas supply planning criteria and methods, specifically referenced in data request Division 7-4, Narragansett provided PPL with Narragansett's Gas Long-Range Resource and Requirements Plan for the Forecast Period 2020/21 to 2024/25, which includes gas forecasting and confidential long-range supply planning criteria and methods. In PPL and PPL RI's response to data request Division 7-4, with respect to the reference to confidential information, PPL was referring to specific customer usage data for National Grid's individual customers, specifically for its large customers. Forecasts for LG&E's largest customers are developed individually through conversations with major account representatives, and in some cases the customers themselves, to develop the most accurate forecast possible. Individual customer data also supports forecast variance analyses as a change in operations for one large customer can lead to significant volume changes.
- b. With regard to load forecasting, National Grid's non-public customer data could be provided under a non-disclosure agreement; however, PPL does not currently need that information because a service level agreement will be in place after the acquisition. As a result, PPL did not request customer specific data from National Grid at this time.

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Division 9-66

Request:

PPL's response to Division Data Request 7-20(a) states: "[d]uring the transition period, PPL will work with National Grid and Narragansett to full understand best practices they utilize in forecasting and planning for Narragansett system needs." With respect to that statement, please:

- a. Identify each element of the forecasting methods currently used by National Grid and/or Narragansett that has been identified represented to PPL as a "best practice"; aand [sic]
- b. For each forecasting element identified as a "best practice" in response to subpart (a) of this request, provide the documents, studies, and analyses relied upon by National Grid or Narragansett to characterize the forecasting method as a "best practice."

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-66.

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Division 9-67

Request:

PPL's response to DIV 7-29 states that "[i]t is anticipated that PPL Rhode Island will offer positions to as many as 350-400 National Grid Service Company employees." Please:

- a. provide PPL's best estimates of:
  - i. The numbers of current union employees of the National Grid Service Company that are expected to be offered positions with PPL Rhode Island;
  - ii. The numbers of current non-union employees of the National Grid Service Company that are expected to be offered positions with PPL Rhode Island; and
  - iii. The numbers of current non-union employees of the National Grid Service Company that are expected to be offered positions with PPL entities other than PPL Rhode Island; and
- b. Indicate whether PPL intends to offer any financial incentives to encourage current National Grid Service Company employees to transfer to PPL or PPL Rhode Island. If yes, please provide PPL's current best estimates for the costs of such financial incentives for:
  - i. Employees to be engaged in electric system operations;
  - ii. Employees to be engaged in gas system operations; and
  - iii. Employees to be engaged in general administrative functions.

Response:

- a. PPL estimates that:
  - i. Approximately 50 union employees of the National Grid Service Company are expected to transition to PPL RI
  - ii. Approximately 330 non-union employees of National Grid Service Company are expected to be offered positions with PPL RI



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- iii. Approximately 20 non-union employees of the National Grid Service Company are expected to be offered positions with PPL entities other than PPL Rhode Island
- b. PPL and PPL RI intend to offer current National Grid Service Company employees substantially similar salaries and benefits as to what those employees are receiving today from National Grid. PPL and PPL RI do not have any plans to offer financial incentives to encourage National Grid employees to transfer over to PPL RI, and therefore there are no estimates for costs associated with the referenced financial incentives.

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Division 9-68

Request:

PPL's response to DIV 7-31 states: "PPL intends to continue to utilize **best practices** already established by National Grid USA." With respect to that statement, please:

- a. identify each National Grid "best practice" with respect to gas system planning, operations, and maintenance known to PPL; and
- b. For each "best practice" identified in response to subpart a. of this request, provide the documents, studies, and analyses relied upon by National Grid or Narragansett to characterize the practice as a "best practice."

Response:

- a. PPL and PPL RI's identification of best practices in their response to data request Division 7-31 was not meant to specify any particular best practices that they have identified. Rather, PPL and PPL RI were making a general statement that they understand National Grid USA has operated Narragansett utilizing best practices and that PPL and PPL RI intend to identify and continue to utilize those best practices after PPL RI's acquisition of Narragansett. PPL, PPL RI, and National Grid USA have not completed a comprehensive analysis of Narragansett's existing best practices with respect to gas system planning, operations, and maintenance. That said, PPL and PPL RI refer to their response to data request Division 7-17 for a discussion of best practices for gas distribution operations.
- b. PPL and PPL RI refer to National Grid USA and Narragansett's response to subpart (a) of this data request.

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Division 9-69

Request:

Narragansett presently benefits from National Grid's sharing of spare equipment across three operating companies, particularly with respect to spare power transformers from National Grid's Massachusetts operating company that are made available to, and are used, in Rhode Island. Please:

- a. Explain how will PPL achieve this synergy post-Transaction;
- b. Provide a detailed description and the additional capital and costs of duplicating materials and spare equipment for Narragansett Electric which are now provided through centralized inventory that is shared with Massachusetts and New York;
- c. Explain how PPL will minimize excess outage hours if equipment must come from Pennsylvania or Kentucky as compared to the current situation under National Grid ownership;
- d. Provide the anticipated increased cost to Narragansett for mobile transformers post-Transaction; and
- e. Explain how PPL will mitigate the outage duration impact of mobile transformers coming from Pennsylvania and Kentucky versus from Massachusetts.

Response:

- a. PPL will continue this synergy in that it will have centralized procurement for all operating companies' Rhode Island, Pennsylvania and Kentucky utilities, and thus will be able to share equipment among utilities.
- b. Material will still be provided through centralized inventory at no significant additional capital costs and no additional cost to Rhode Island customers.
- c. Despite utilizing a centralized inventory across its companies, emergency spares will be kept by a local vendor that PPL RI plans on utilizing to support Rhode Island operations. It is anticipated that this vendor will store the emergency spares in Massachusetts.
- d. PPL does not yet know the exact costs but is aware that there is minimal cost to first right of refusal mobile generator and transformer contracts to support Rhode Island emergent needs.

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Mobile generators and transformers will all be kept on a retainer contract for local use by all operating companies.

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Division 9-70

Request:

In National Grid's response to DIV 7-34, National Grid estimates that approximately 300-370 Service Company employees will provide support associated with the TSA, either part-time or full time, and "teams from the relevant Service Company functions will support PPL during the transition, and specific individuals will assist in the support as-needed. For example, Employee X will not be specifically assigned to support PPL on a full-time or part-time basis; however, Employee X's team will support PPL during the transition. National Grid USA will retain the resource capacity of the Service Company's functional teams to support the TSA." Please:

- a. Explain how PPL intends to create the level of support provided by teams comprised of 300-370 part-time or full time Service Company employees post Transaction;
- b. Provide an estimate of the number of employees PPL expects will be required to replicate the services, both part-time and full time, once the TSA period has ended; and
- c. State whether PPL expects the functions provided by National Grid's Service Company can be replicated with the same or less resource man-hours and cost than National Grid Service Company currently provides.

Response:

- a. As described in Attachment PPL-DIV 1-54-1, functional teams have been meeting throughout the integration planning process to provide PPL with information regarding the operations of Narragansett. Through these discussions, PPL has developed its intended operating model as described in Attachment PPL-DIV 1-54-1. While this operating model is different from that which National Grid employs today, PPL has applied its knowledge and expertise in operating electric and gas utilities in developing a model that will continue the safe and reliable operations of Narragansett. Sections IV within Attachment PPL-DIV 1-54-1 provide more discussion of PPL's intended operational approach and related costs.
- b. Because of the operating model differences identified in Attachment PPL-DIV 1-54-1, a direct comparison of National Grid employees providing services through the TSA period to the employees providing the same services under PPL's intended operating model is not possible. Accordingly, PPL and PPL RI do not have an estimate of the number of employees necessary to replicate the services provided by National Grid USA Service Company, Inc. employees during the transition period.

Prepared by or under the supervision of: David J. Bonenberger, Stephen K. Breininger and  
Michael Caverly

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- c. The purpose of Attachment PPL-DIV 1-54-1 is to estimate the cost to operate Narragansett under PPL ownership after the transition period. Because of differing operating models and service definitions between PPL and National Grid, direct cost comparison between the services provided by National Grid's Service Company during the TSA period and PPL's steady state operating model is not possible. An analysis and comparison of resource man-hours was not conducted as a part of PPL-DIV 1-54-1.

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Division 9-71

Request:

Is PPL aware that the RIPUC has stayed its Docket No. 5113 filing for Advanced Metering Functionality?

Response:

Yes.

Division 9-72

Request:

The TSA establishes a 24-month period that National Grid USA Service Company will provide transition services to PPL. Please:

- a. State whether PPL intends to recover the costs paid to the Service Company pursuant to the TSA in Rhode Island rates and, if so, explain how the costs will be recovered;
- b. Explain in detail how pricing is set under the TSA;
- c. Explain how PPL employees or resources will manage, assist, shadow or otherwise coordinate with Service Company training teams or employees during the TSA's term in order to successfully transition services to PPL, including:
  - i. How PPL will track the activities and costs associated with PPL employees or resources that train under the Service Company during the transition period; and
  - ii. Whether PPL intends to recover the costs of those activities described in subpart (i) in Rhode Island rates and provide an estimate of those costs and the proposed recovery mechanism; and
- d. Explain whether PPL expects duplication of services or resources to enable continuity in operations throughout the separation process. If yes, explain why; if no, explain why not.

Response:

- a. PPL and PPL RI refer to their responses to data requests Division 1-30 and AG 1-21.
- b. Pricing for each service to be provided under the TSA is set by the terms of the TSA. PPL and PPL RI refer to Article II of the TSA, which can be found beginning at page 112 of Exhibit A to the Pre-Filed Direct Testimony of Vincent Sorgi.
- c. PPL and PPL RI are working closely with National Grid USA to develop the overall plan for the performance of transition services and the training of and knowledge transfer to PPL and PPL RI during the transition period. PPL and PPL RI refer to their responses to data requests Division 1-28, Division 1-29. PPL and PPL RI also refer to National Grid



USA and Narragansett's responses to data requests Division 1-28, Division 1-29, Division 2-18, and Division 7-36.

- i. PPL and PPL RI refer to their response to data request Division 1-30.
  - ii. PPL and PPL RI have not developed a cost estimate for costs the full transition costs. PPL and PPL RI refer to their responses to data requests Division 1-33.
- d. Currently, PPL and PPL RI do not anticipate much, if any, duplication of services or resources will be required to enable continuity in operations throughout the separation process because (i) PPL is hiring many National Grid USA Service Company, Inc. employees who currently provide services to Narragansett to continue to provide such services after the Transaction closes, including during the transition period; and (ii) PPL has significant experience and expertise in utility operations. To the extent there will be a duplication of services, such duplication will occur to facilitate the transfer of knowledge and skills from National Grid personnel to PPL and PPL RI personnel.

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Division 9-73

Request:

Please provide the proposed new location for the PPL Control Center.

Response:

PPL and PPL RI anticipate the location for the Rhode Island distribution control center ("DCC") to be located in Lincoln, RI where National Grid operated their backup control center.

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Division 9-74

Request:

Please identify the communication paths and technologies that will create all the interconnection with the existing National Grid equipment to provide full intelligence to the control center.

Response:

PPL and PPL RI plan to continue to utilize the existing communication infrastructure to communicate back to the control center, including communications across fiber optic, leased wireline communications, telephony, licensed and unlicensed radio and microwave systems.

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Division 9-75

Request:

Please identify what GIS and OMS systems will be integrated with the control center.

Response:

PPL and PPL RI anticipate using Esri's Utility Network as their GIS platform and Outage Management System ("OMS") once the distribution control center is transitioned from the National Grid systems to the PPL operating systems.

Division 9-76

Request:

Please explain how the new Control Center will manage outage restoration and specifically major storm response after the end of the TSA 24 month transition period.

Response:

After the end of the TSA 24-month transition period, PPL and PPL RI anticipate outage restoration will be similar to PPL's Pennsylvania operating model with adjustments based on experience in Rhode Island or Pennsylvania, as well as any regulatory commitments or requirements in RI. Currently, PPL and PPL RI envision outage restoration would occur as follows:

On a day-to-day basis, outage restoration will be managed from the new Control Center via an Outage Management System ("OMS") internal to the Advanced Distribution Management System ("ADMS") that is continuously monitored by Dispatchers and System Operators. This system will identify outages and provide alerts to the 24x7 Control Center that will then analyze the outage and coordinate field crews to perform repairs and restore power.

For major storm response, large scale system disturbance, or any other unusual events, PPL and PPL RI will deploy the use of Storm Roles and Regional Command Centers to aide in large scale system restoration. All management employees will be assigned a storm role and be added to an on-call storm roster that can be activated on demand. These resources will serve to augment Distribution Control Center staffing to effectively manage the additional field crews on system to ensure efficient and continuous restoration of electrical service to customers. The Control Center will remain the central hub for customer restoration with the Storm Roles focusing on crew management, establishing estimated restoration times in conjunction with field crews for individual outages, data analysis, logistics, and housing and feeding among others.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests

Issued on October 1, 2021

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Division 9-77

Request:

Provide the number of mobile transformers National Grid has in each of its New York, Massachusetts, and Rhode Island territories.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-77.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests

Issued on October 1, 2021

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Division 9-78

Request:

How many spare transformers does National Grid have in each of its New York, Massachusetts, and Rhode Island territories.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-78.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests

Issued on October 1, 2021

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Division 9-79

Request:

In the past ten years, how many times has National Grid called upon a spare transformer from Massachusetts or New York to be utilized in Rhode Island?

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-79.



PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests

Issued on October 1, 2021

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Division 9-80

Request:

In the past ten years, how many times has National Grid called upon a mobile transformer from New York or Massachusetts to be utilized in Rhode Island?

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-80.

Division 9-81

Request:

Concerning the transmission to distribution substations in Rhode Island:

- a. How many substations are in Narragansett's system?
- b. How many of the substations have SCADA systems fully installed and implemented?
- c. How many of these substations have the SCADA system communications interconnected to the SCADA master control facilities and/or a control center?
- d. What is the location (city and state) of the SCADA master control system?
- e. How many electromechanical relays remain in the substations?
- f. How many electronic or solid state relays are in the substations?
- g. How many of the relays in the substations are integrated to the SCADA system?
- h. What are the various communication networks being used to communicate between the substation remote terminal units (RTU) and the SCADA master and control center?

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-81.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-82

Request:

How many staff members/employees are responsible for the SCADA system and control center operations and are these National Grid service company employees? Please:

- a. State whether these employees are shared between multiple states and if so which states;
- b. Provide the annual cost for the full operation of the SCADA system and control center;
- c. Identify what percentage of the total operating cost for the SCADA system and control center is allocated to Narragansett;
- d. Provide the annual operating cost for the control center allocated to Narragansett;
- e. Provide the book value of the portion of the control center in Northborough, Massachusetts that is assigned to Narragansett;
- f. Provide the book value of the control center in Lincoln, RI assigned to Narragansett; and
- g. Provide the total book value of the Lincoln, RI control center.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-82.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
Docket No. D-21-09  
PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-83

Request:

National Grid's response to DIV 7-30 states that areas not transferred to PPL on Day 1 will be gradually transitioned as specified in the TSA, and that National Grid USA is identifying the appropriate training that will be required during the transition through the Day 1 planning process.

- a. What is National Grid's cost estimate to provide services to PPL under the TSA?
- b. What, if any, of these costs would National Grid incur if PPL were not proposing to acquire Narragansett Electric?
- c. Does National Grid consider the Service Company training of PPL personnel an incremental cost? Why or why not?

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-83.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
Docket No. D-21-09  
PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-84

Request:

Provide a list of each interconnection of devices and functions such as T&D substation SCADA that will need to be transitioned from the National Grid control center to the PPL control center in the 24 month transition period. Include a list of each communication network and the number of communication paths that will need to be transferred.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request Division 9-84.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests

Issued on October 1, 2021

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Division 9-85

Request:

With reference to Attachment PPL-DIV 1-54-1, please provide:

- a. the date on which the document was prepared; and
- b. the authors of the document

Response:

Attachment PPL-DIV 1-54-1 was prepared under the supervision of Stephen K. Breininger and Michael Caverly and was filed on September 30, 2021.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
Docket No. D-21-09  
PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-86

Request:

With reference to Attachment PPL-DIV 1-54-1, please provide all documents, including analyses, studies, and internal communications that concern or relate to the conclusions reached in Attachment PPL-DIV 1-54-1, including but not limited to the assertion (at page 18) that: "Using the methodologies described in this document, PPL's anticipated Narragansett operating costs of \$273.6M are approximately \$12M lower than National Grid's current Narragansett operating costs of \$285.5 M[.]"

Response:

PPL and PPL RI refer to Attachment PPL-DIV 9-86-1, which includes the assumptions and data sources used to develop the conclusions of Attachment PPL-DIV 1-54-1.

# PPL – Narragansett Steady State Cost Model Work Papers





# Key

*Refers to destination  
of figure*

A

**\$285.5M**

A2

*Refers to source  
of figure*

# *National Grid's Narragansett Cost Structure*



# National Grid's Narragansett Cost Structure - Overview

National Grid Narragansett Total Cost Structure, FY2021	
<b>Pass-Through Costs</b>	
Commodity	\$523.7M
DSM	\$115.7M
GET Expenses	\$54.7M
Wheeling	\$221.3M
Less Trans. Credit from Associate	(\$159.9M)
<b>Total Pass-Through Costs</b>	<b>\$755.5M</b>
<b>Managed Costs</b>	
Total Direct Opex	\$113.6M
Total Indirect Opex	\$86.9M
Total Employee Benefits	\$55.4M
Allocated Depreciation	\$29.6M
<b>Total Managed Costs</b>	<b>\$285.5M</b>
<b>Depreciation &amp; Amortization</b>	<b>\$134.2M</b>
<b>Total Operating Taxes</b>	<b>\$78.8M</b>
<b>Storm</b>	<b>\$34.9M</b>
<b>Bad Debt</b>	<b>\$33.1M</b>
<b>Other</b>	<b>\$13.4M</b>
<b>Total Narragansett Costs</b>	<b>\$1,335.4M</b>
Other includes Capital Related O&M, Electric Vehicles, Environmental, Other Non-Controllable Costs, and Regulatory Assessments.	

**Details**

Managed Costs (see A3) formed the basis for the cost comparison analysis.

Source: National Grid, "Supermodel V5 - GAAP v20 - Monthly Actuals FY2021 (RI New Hierarchy).xlsx"

# National Grid's Narragansett Cost Structure - Bridge to Financials

*Data on this page as provided by National Grid.*

	Analysis Model (National Grid SuperModel)	Adjustments	Published Financial Statements
<b>Operating Revenues</b>	<b>\$1,547.2M</b>	<b>\$0.6M</b>	<b>\$1,547.8M</b>
<b>Operating Expenses</b>			
Purchased electricity	(\$361.2M)	\$0.5M	(\$360.7M)
Purchased gas	(\$162.5M)		(\$162.5M)
Operations and maintenance	(\$598.7M)	\$78.1M	(\$520.5M)
Depreciation	(\$134.2M)	\$0.5M	(\$133.8M)
Other taxes	<span style="border: 1px solid blue; padding: 0 2px;">A</span> (\$78.8M)	(\$63.6M)	(\$142.4M)
<b>Total Operating Expenses</b>	<b>(\$1,335.4M)</b>	<b>\$15.5M</b>	<b>(\$1,319.9M)</b>
<b>Operating Income</b>	<b>\$211.8M</b>	<b>\$16.1M</b>	<b>\$227.9M</b>
<b>Other income and (deductions)</b>	<b>(\$47.0M)</b>	<b>(\$16.1M)</b>	<b>(\$63.1M)</b>
<b>Income before Income Taxes</b>	<b>\$164.8M</b>		<b>\$164.8M</b>
<b>Income Taxes</b>	<b>(\$29.8M)</b>		<b>(\$29.8M)</b>
<b>Net Income</b>	<b>\$135.0M</b>		<b>\$135.0M</b>

*Total costs as  
on prior page*

*Total costs as in  
audited financials*

<b>Revenue Adjustments</b>	
Other Misc	(\$1.0M)
Oth Exp-Sup & Admin-IC Billed Out	\$0.6M
ISR Deferral-Equity-Elec	\$0.2M
ISR Deferral-Equity-Gas	\$0.8M
<b>Total</b>	<b>\$0.6M</b>
<b>Purchased Electricity Adjustments</b>	
Electric Commodity moved to O&M	\$0.5M
<b>Total</b>	<b>\$0.5M</b>
<b>O&amp;M Adjustments</b>	
Electric Commodity moved to O&M	(\$0.5M)
Other employee benefit moved to Other Taxes	\$8.9M
GET moved to Other Taxes	\$54.7M
Other Misc	\$1.0M
Oth Exp-Sup & Admin-B/sheet Settlement	(\$0.6M)
Amortization-Regulatory Debits	(\$0.4M)
Below the line Adjustments	\$15.1M
<b>Total</b>	<b>\$78.1M</b>
<b>Depreciation Adjustments</b>	
Misc non Operating income	\$0.0M
Amort Reg Debits	\$0.4M
<b>Total</b>	<b>\$0.5M</b>
<b>Other Taxes Adjustments</b>	
GET moved from Controllable Cost	(\$54.7M)
Other employee benefit moved from Controllable Cost	(\$8.9M)
<b>Total</b>	<b>(\$63.6M)</b>
<b>Other Income**</b>	
Below the Line Adjustments**	(\$15.1M)
ISR Deferral-Equity-Elec	(\$0.2M)
ISR Deferral-Equity-Gas	(\$0.8M)
Misc non Operating income	(\$0.0M)
<b>Total</b>	<b>(\$16.1M)</b>

*Detail of  
adjustments*

Source: National Grid, "Supermodel to External FS – FY21 FINAL.xlsx"

## National Grid's Narragansett Cost Structure – Managed Cost Summary

National Grid Narragansett Managed Cost Structure, FY2021		
<b>Managed Costs</b>		
Total Direct Opex	\$113.6M	A3
Total Indirect Opex	\$86.9M	A4
Total Employee Benefits	\$55.4M	A5
Allocated Depreciation	\$29.6M	A6
<b>Total Managed Costs</b>	<b>\$285.5M</b>	A

### Details

**Overview.** Include both “operational” and “corporate” costs, employee benefits, and allocated depreciation.

**Rationale.** These categories of cost are those that are manageable by management, and therefore formed the basis for comparison between National Grid and PPL.

**National Grid's Methodology.** National Grid does not have a distinct “Rhode Island” organization—costs for Rhode Island are allocated via its New England and New York Jurisdictions and from its corporate services organizations.

Source: National Grid, “Supermodel V5 - GAAP v20 - Monthly Actuals FY2021 (RI New Hierarchy).xlsx”

# National Grid's Narragansett Cost Structure – Direct Opex

Direct Opex includes "operational" and directly-related functions; jurisdictional cost centers were consolidated for the purpose of the filing as indicated

Cost types are as-assigned in National Grid's data

National Grid Narragansett - Direct Opex - Costs by Function and Cost Type, FY2021									
	Base Labor	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Electric</b>	<b>\$20.4M</b>	<b>\$13.4M</b>	<b>\$1.5M</b>	<b>\$3.2M</b>	<b>\$0.6M</b>	<b>\$2.6M</b>	<b>\$1.7M</b>	<b>\$0.7M</b>	<b>\$44.0M</b>
New England Electric	\$18.77M	\$2.37M	\$1.22M	\$3.19M	\$0.53M	\$2.58M	\$1.71M	\$0.69M	\$31.07M
New York Electric	\$1.58M	\$11.00M	\$0.30M	\$0.02M	\$0.04M	\$0.00M	\$0.01M	\$0.03M	\$12.97M
<b>Gas</b>	<b>\$22.7M</b>	<b>\$7.0M</b>	<b>\$2.7M</b>	<b>\$4.0M</b>	<b>\$0.9M</b>	<b>\$2.4M</b>	<b>\$4.4M</b>	<b>\$0.6M</b>	<b>\$44.7M</b>
New England Gas	\$19.19M	\$5.72M	\$2.51M	\$3.90M	\$0.60M	\$2.18M	\$3.95M	\$0.46M	\$38.52M
New York Gas	\$3.51M	\$1.29M	\$0.20M	\$0.15M	\$0.30M	\$0.25M	\$0.41M	\$0.09M	\$6.19M
<b>Transformation</b>	<b>\$2.5M</b>	<b>\$0.4M</b>	<b>\$0.3M</b>	<b>\$0.0M</b>	<b>\$1.4M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$4.6M</b>
Electric Transformation	\$1.22M	\$0.24M	\$0.12M	\$0.00M	\$1.13M	\$0.00M	\$0.00M	\$0.01M	\$1.71M
Gas Transformation	\$1.25M	\$0.12M	\$0.20M	\$0.00M	\$1.32M	\$0.00M	\$0.00M	\$0.01M	\$2.90M
<b>Operations Support</b>	<b>\$1.7M</b>	<b>\$4.0M</b>	<b>\$6.8M</b>	<b>\$0.3M</b>	<b>\$0.2M</b>	<b>\$0.4M</b>	<b>\$0.3M</b>	<b>\$0.0M</b>	<b>\$13.6M</b>
Operations Support-NE	\$1.15M	\$1.41M	-\$0.26M	\$0.32M	\$0.15M	\$0.06M	\$0.21M	\$0.01M	\$3.05M
Operations Support-NY	\$0.55M	\$2.54M	\$7.03M	\$0.00M	\$0.02M	\$0.37M	\$0.05M	\$0.01M	\$10.58M
<b>Energy Procurement (NY)</b>	<b>\$1.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$1.1M</b>
<b>Safety, Health &amp; Environment</b>	<b>\$0.6M</b>	<b>\$1.1M</b>	<b>\$0.1M</b>	<b>\$0.0M</b>	<b>\$0.1M</b>	<b>\$0.1M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$2.0M</b>
Safety, Health & Environment-NE	\$0.57M	\$0.07M	\$0.04M	\$0.01M	\$0.04M	-\$0.02M	\$0.00M	\$0.01M	\$0.72M
Safety, Health & Environment-NY	\$0.07M	\$1.05M	\$0.03M	\$0.00M	\$0.02M	\$0.12M	\$0.00M	\$0.00M	\$1.29M
<b>Regulation</b>	<b>\$1.5M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$1.5M</b>
Regulation-NE	\$1.46M	\$0.00M	\$0.05M	\$0.00M	\$0.02M	\$0.00M	\$0.00M	\$0.01M	\$1.54M
Regulation-NY	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M
<b>Business Planning &amp; Perf</b>	<b>\$0.3M</b>	<b>-</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$0.3M</b>
Business Planning & Perf-NE	\$0.19M	\$0.00M	\$0.01M	\$0.00M	\$0.04M	\$0.00M	\$0.00M	\$0.00M	\$0.24M
Business Planning & Perf-NY	\$0.06M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.07M
<b>President</b>	<b>\$0.4M</b>	<b>\$0.9M</b>	<b>\$0.1M</b>	<b>-</b>	<b>\$0.1M</b>	<b>\$0.0M</b>	<b>-</b>	<b>\$0.0M</b>	<b>\$1.7M</b>
NE President	\$0.42M	\$0.95M	\$0.14M	\$0.00M	\$0.13M	\$0.00M	\$0.00M	\$0.02M	\$1.67M
NY President	\$0.00M	\$0.00M	\$0.01M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.01M
<b>Total</b>	<b>\$51.0M</b>	<b>\$26.8M</b>	<b>\$11.6M</b>	<b>\$7.6M</b>	<b>\$3.4M</b>	<b>\$5.5M</b>	<b>\$6.3M</b>	<b>\$1.4M</b>	<b>\$113.6M</b>

Source: National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

# National Grid's Narragansett Cost Structure – Indirect Opex

*Cost types are as-assigned in National Grid's data*

National Grid Narragansett - Indirect Opex - Costs by Function and Cost Type, FY2021									
	Base Labor	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total
IT	\$8.0M	\$5.7M	\$10.8M	\$0.0M	\$9.5M	\$0.0M	\$0.8M	\$0.0M	\$34.9M
Customer Operations	\$8.7M	\$5.4M	\$5.6M	\$0.0M	\$1.7M	\$0.3M	\$0.7M	\$0.1M	\$22.5M
Audit	\$0.4M	\$0.1M	\$0.0M	-	\$0.1M	\$0.0M	-	\$0.0M	\$0.6M
Corporate Cost Center	\$0.0M		\$2.2M		\$0.2M	\$0.0M	\$0.0M	\$0.3M	\$2.6M
EBS, Procurement, Transformation	\$3.4M	\$0.6M	\$0.1M	-	\$0.3M	\$0.0M	\$0.0M	\$0.0M	\$4.4M
Finance	\$5.0M	\$0.5M	\$3.3M	-	\$2.0M	\$0.0M	\$0.0M	\$0.0M	\$10.8M
Global Legal	\$2.0M	\$0.4M	\$0.1M	-	\$1.3M	\$0.0M	\$0.0M	\$0.0M	\$3.9M
Human Resources	\$1.4M	\$0.2M	\$0.1M	\$0.0M	\$0.0M	\$0.1M	\$0.0M	\$0.0M	\$1.9M
NGV Jurisdiction	-	-	\$0.2M	-	\$0.0M	-	-	\$0.0M	\$0.2M
President US Utilities	\$0.2M	\$0.1M	\$0.3M	-	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.7M
Strategy & External Affairs	\$2.3M	\$0.1M	\$0.9M	\$0.0M	\$0.6M	\$0.0M	-	\$0.1M	\$4.0M
Transformation Office	\$0.3M	\$0.1M	\$0.0M	-	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.5M
<b>Total</b>	<b>\$32.0M</b>	<b>\$13.0M</b>	<b>\$23.6M</b>	<b>\$0.0M</b>	<b>\$15.7M</b>	<b>\$0.4M</b>	<b>\$1.5M</b>	<b>\$0.6M</b>	<b>\$86.9M</b>

*Indirect Opex includes "corporate" or "support" type functions—plus Customer Operations*

Source: National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"



# National Grid's Narragansett Cost Structure – Employee Benefits

National Grid Narragansett Employee Benefits, FY2021	
Other Employee Benefits	\$45.1M
Pension & OPEB	\$10.3M
<b>Total Employee Benefits</b>	<b>\$55.4M</b>

A2

## Details

**Overview.** National Grid does not list employee benefits tied to the associated labor costs, but instead groups them together as two line items.

**Other Employee Benefits.** Includes medical insurance, flexible spending accounts, and related benefits.

**Pension & OPEB.** Includes pension costs, retiree medical and life insurance, and related benefits.

Source: National Grid, "Supermodel V5 - GAAP v20 - Monthly Actuals FY2021 (RI New Hierarchy).xlsx"



# National Grid’s Narragansett Cost Structure – Alloc. Depreciation

National Grid Narragansett Allocated Depreciation, FY2021	
Allocated Depreciation	\$29.6M
<b>Total</b>	<b>\$29.6M</b>

A2

## Details

**Overview.** National Grid lists allocated depreciation as a single line item; it relates to corporate investments that benefit Rhode Island.

**Details.** No specific breakdown was provided by National Grid, but the \$29.6M mostly relates to IT infrastructure, with a smaller amount of facilities investments.

**Other D&A.** National Grid tracks depreciation and amortization related to Narragansett transmission and distribution infrastructure separately, and is not included here.

Source: National Grid, "Supermodel V5 - GAAP v20 - Monthly Actuals FY2021 (RI New Hierarchy).xlsx"

# *PPL's Narragansett Cost Structure*



# PPL's Narragansett Cost Structure - Overview

PPL Narragansett Managed Cost Structure, Steady State		
Managed Costs		
Direct Labor	\$107.0M	B1
Direct Non-Labor	\$64.2M	B3
Allocations	\$83.4M	B13
Allocated Depreciation	\$19.1M	B15
<b>Total Managed Costs</b>	<b>\$273.6M</b>	

## Details

**Overview.** Provides a comparison point to the National Grid cost structure described in Section A but is built-up differently due to operating model differences.

**Direct Labor.** Includes salary and benefits for the 1,298 employees anticipated to be directly employed by Narragansett; calculated using a bottom-up labor cost model.

**Direct Non-Labor.** Includes non-labor costs anticipated to be directly charged to Narragansett; based on National Grid FY21, adjusted to account for operating model differences.

**Allocations.** Includes all cost categories (salary, benefits, and non-labor) allocated from PPL.

**Allocated Depreciation.** Covers depreciation for PPL corporate investments (primarily IT) that will benefit Rhode Island at steady state; does not include transition-related investments.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"

## PPL's Narragansett Cost Structure – Direct Labor

Estimate		
PPL Narragansett Direct Labor, Steady State		
Function	FTEs	Fully Loaded Cost, O&M
Management (VP+)	2	\$1.3M
Customer	154	\$19.8M
Electric	499	\$27.2M
Finance	13	\$2.5M
Gas	554	\$45.7M
Human Resources	3	\$0.6M
Business Services	62	\$7.6M
Regulatory and Government Affairs	11	\$2.3M
<b>Total</b>	<b>1,298</b>	<b>\$107.0M</b>

B

B2

### Approach/Rationale

**Overview.** Includes anticipated Narragansett Direct Labor costs for the Rhode Island organization, reporting to the Rhode Island President.

**Methodology.** Bottom-up build based on intended Rhode Island operating model. Uses PPL average salaries by function, PPL average benefits loading rates by function, and PPL average labor capitalization rates by function, where possible.

**Approach.** PPL collaborated with National Grid to ensure it understood the specific work, activities, and staffing levels required to operate Narragansett across electric, gas, customer and corporate functions. These staffing levels are based on PPL's current understanding of Rhode Island requirements and could change as PPL operates Narragansett during the transition period.

Source: PPL, "Project Orbit – Labor Cost Model.xlsx"

# PPL's Narragansett Cost Structure – Direct Labor

## O&M Assumption Rationale

- For all but Gas, PPL's analysis used PPL's current Pennsylvania electric functional labor capitalization rates, since PPL intends to implement its capitalization policies at steady state.
- For Gas, PPL's analysis used National Grid's labor capitalization rate, since National Grid's rate best reflected the business and infrastructure requirements of Rhode Island.

## Benefit Assumption Rationale

- PPL's analysis applied a benefit loader percentage based on level: these rates include Tax & Benefit, Variable Pay, and Stock, as applicable.
- VP+ (100%)** benefits packages are dependent on individual offers and negotiation, but are generally in the range of twice salary.
- Management (63.7%)** reflects the mean of Director and Manager loading rates at PPL EU.
- Union (36.2%)** reflects the blended non-manager loading rate at PPL EU, with the 12% variable pay component adjusted down to 5% to reflect the maximum variable pay under Rhode Island labor agreements.

## PPL Narragansett Direct Labor, Steady State

	O&M %	Union			Management			Total
		Avg. Salary	FTEs	Fully Loaded Labor, O&M	Avg. Salary	FTEs	Fully Loaded Labor, O&M	Fully Loaded Labor, O&M
Management (VP+)	100%	-	-	-	\$316.0K	2	\$1.3M	<b>\$1.3M</b>
Customer	95%	\$72.9K	84	\$7.9M	\$109.3K	70	\$11.9M	<b>\$19.8M</b>
Electric	37%	\$99.4K	377	\$18.9M	\$112.8K	122	\$8.3M	<b>\$27.2M</b>
Finance	100%	-	-	-	\$117.4K	13	\$2.5M	<b>\$2.5M</b>
Gas	64%	\$82.7K	385	\$27.7M	\$101.4K	169	\$18.0M	<b>\$45.7M</b>
Human Resources	95%	-	-	-	\$123.0K	3	\$0.6M	<b>\$0.6M</b>
Business Services	85%	\$87.7K	38	\$3.9M	\$112.5K	24	\$3.8M	<b>\$7.6M</b>
Regulatory and Government Affairs	100%	-	-	-	\$126.3K	11	\$2.3M	<b>\$2.3M</b>
<b>Total</b>			<b>884</b>	<b>\$58.4M</b>		<b>414</b>	<b>\$48.6M</b>	<b>\$107.0M</b>

## Salary Assumption Rationale

- PPL's analysis used PPL's current average salaries by function, based on Pennsylvania for electric and Kentucky for gas.

## FTE Assumption Rationale

- Union** includes dedicated employees expected to convey at close.
- Management** is based on a bottom-up org design, incorporating input from future state Rhode Island leads and National Grid management, along with PPL's business practices.

Source: PPL, "Project Orbit – Labor Cost Model.xlsx"

## PPL's Narragansett Cost Structure – Direct Non-Labor

Estimate	
<b>PPL RI Non-Labor Cost Estimation, Steady State, Summary by Function</b>	
Electric	\$20.8M
Gas	\$21.7M
Operations Support	\$2.1M
Other Direct Opex	\$1.0M
Customer Operations	\$12.0M
Finance	\$3.3M
Global Legal	\$1.5M
Strategy & External Affairs	\$1.7M
<b>Total</b>	<b>\$64.2M</b>

B4

Assumptions
<ul style="list-style-type: none"> <li>FY21 non-labor spend will remain consistent, absent adjustments to reflect operating model differences and identified one-time costs.</li> <li>Maintains spend in 2021 dollars, to facilitate comparison with National Grid 2021 figures.</li> </ul>

### Approach/Rationale

**Overview.** Includes anticipated Narragansett Direct Non-Labor costs for the Rhode Island organization.

**Methodology.** Leveraged actual FY21 non-labor spend data from National Grid, making adjustments to account for operating model differences. For instance, some functions are assumed not to exist in the future state under PPL (e.g., Transformation), while others are understood to be charged via corporate allocations (e.g., IT).

**Approach.** For National Grid's "Direct" functions (i.e., "Operations") and Customer, assumed all non-labor costs would remain consistent unless specifically identified as requiring adjustment. For National Grid's "Indirect" functions (i.e., "Corporate") less Customer, assumed no non-labor costs would be direct-charged and would instead be captured via corporate allocations, unless identified as direct charge.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"



# PPL's Narragansett Cost Structure – Direct Non-Labor

## Cost Centers Removed, and Rationale

- **Transformation.** PPL does not intend to operate a dedicated Transformation function; any corresponding costs will be captured via corporate allocations.
- **IT.** PPL has developed an initial IT cost estimate, inclusive of labor and non-labor, which will be allocated from PPL. Thus this analysis excluded National Grid's non-labor IT costs.
- **EBS, Procurement & Transformation, Human Resources, NGV Jurisdiction, Corporate Cost Center, President US Utilities.** All of these Indirect activities were presumed to be captured via corporate allocations, and no reason to capture their non-labor costs was identified.

**Bold Items Entirely  
Removed**

## PPL Narragansett Non-Labor Cost Estimation, Steady State, Summary by Function

	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total	
Electric	\$12.8M	\$1.2M	\$3.2M	\$0.3M	\$1.8M	\$1.1M	\$0.5M	\$20.8M	B5
Gas	\$7.0M	\$2.7M	\$4.0M	\$0.9M	\$2.3M	\$4.1M	\$0.6M	\$21.7M	B6
Customer Operations	\$5.3M	\$4.4M	\$0.0M	\$1.2M	\$0.3M	\$0.6M	\$0.1M	\$12.0M	B7
Operations Support	\$1.4M	\$0.2M	\$0.1M	\$0.1M	\$0.0M	\$0.2M	\$0.0M	\$2.1M	B8
Other Direct Opex	\$0.4M	\$0.3M	\$0.0M	\$0.3M		\$0.0M	\$0.0M	\$1.0M	B9
Finance	\$0.3M	\$2.8M	-	\$0.3M	\$0.0M	\$0.0M	\$0.0M	\$3.3M	B10
Global Legal	\$0.1M	\$0.1M	-	\$1.3M	\$0.0M	\$0.0M	\$0.0M	\$1.5M	B11
Strategy & External Affairs	\$0.1M	\$0.9M	\$0.0M	\$0.6M	\$0.0M	-	\$0.1M	\$1.7M	B12
<b>Total</b>	<b>\$27.7M</b>	<b>\$12.3M</b>	<b>\$7.2M</b>	<b>\$5.1M</b>	<b>\$4.3M</b>	<b>\$6.0M</b>	<b>\$1.4M</b>	<b>\$64.2M</b>	

## National Grid Non-Labor Costs Assumed Not to be a Direct Non-Labor Cost Under PPL Operation at Steady State, Summary by Function

	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total	
Electric	\$0.6M	\$0.3M	\$0.1M	\$0.3M	\$0.8M	\$0.7M	\$0.2M	\$2.8M	B5
Gas		\$0.0M	\$0.0M	-	\$0.1M	\$0.2M	\$0.0M	\$0.3M	B6
Customer Operations	\$1.1M	\$1.2M	-	\$0.4M	\$0.0M	\$0.0M	\$0.0M	\$2.7M	B7
<b>Transformation</b>	<b>\$0.4M</b>	<b>\$0.3M</b>	<b>\$0.0M</b>	<b>\$1.4M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$2.2M</b>	
Operations Support	\$2.5M	\$6.5M	\$0.2M	\$0.0M	\$0.4M	\$0.1M	\$0.0M	\$9.8M	B8
Other Direct Opex	\$1.7M	\$0.0M		\$0.0M	\$0.1M		\$0.0M	\$1.9M	B9
<b>IT</b>	<b>\$5.7M</b>	<b>\$10.8M</b>	<b>\$0.0M</b>	<b>\$9.5M</b>	<b>\$0.0M</b>	<b>\$0.8M</b>	<b>\$0.0M</b>	<b>\$26.8M</b>	
Finance	\$0.2M	\$0.6M	-	\$1.8M	\$0.0M	\$0.0M	\$0.0M	\$2.7M	B10
<b>Corporate Cost Center</b>		<b>\$2.2M</b>		<b>\$0.2M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.3M</b>	<b>\$2.6M</b>	
Legal	\$0.3M		-		-	-	\$0.0M	\$0.3M	B11
<b>Other Indirect Opex</b>	<b>\$0.9M</b>	<b>\$0.7M</b>	<b>\$0.0M</b>	<b>\$0.4M</b>	<b>\$0.1M</b>	<b>\$0.0M</b>	<b>\$0.1M</b>	<b>\$2.2M</b>	
<b>Total</b>	<b>\$13.4M</b>	<b>\$22.6M</b>	<b>\$0.3M</b>	<b>\$14.1M</b>	<b>\$1.5M</b>	<b>\$1.7M</b>	<b>\$0.7M</b>	<b>\$54.4M</b>	

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

Note: The cost type subtotals for Electric have been updated to adjust for a computational error discovered after filing. This change does not impact the total costs or the conclusions of the analysis.

## PPL's Narragansett Cost Structure – Direct Non-Labor – Electric

Items Removed

Electric	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$13.4M	\$1.5M	\$3.2M	\$0.6M	\$2.6M	\$1.7M	\$0.7M	<b>\$23.7M</b>
Digital Subs & Grid Mod Execution-NE	(\$0.5M)	(\$0.1M)	(\$0.0M)	(\$0.3M)	(\$0.0M)	(\$0.0M)	(\$0.0M)	<b>(\$0.9M)</b>
Tx Planning & Asset Mgmt-NE	(\$0.0M)	(\$0.1M)	-	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.1M)</b>
Substation Eng & Design-NE	(\$0.0M)	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	(\$0.0M)	(\$0.0M)	<b>(\$0.0M)</b>
5360T-Control Center-NE - TRAN NE	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	(\$0.0M)	(\$0.0M)	(\$0.1M)	<b>(\$0.1M)</b>
TCC-New England	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.0M)</b>
COVID-Related Spend	(\$0.1M)	(\$0.1M)	(\$0.0M)	(\$0.0M)	(\$0.8M)	(\$0.7M)	(\$0.1M)	<b>(\$1.7M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$12.8M</b>	<b>\$1.2M</b>	<b>\$3.2M</b>	<b>\$0.3M</b>	<b>\$1.8M</b>	<b>\$1.1M</b>	<b>\$0.5M</b>	<b>\$20.8M</b>

### Line Items Removed, and Rationale

- **Digital Subs & Grid Mod.** PPL does not intend to continue National Grid's grid modernization plan, and any future plan will be submitted and approved through the standard regulatory process.
- **Transmission Planning & Asset Mgmt; Substation Engineering & Design, Transmission Control Center.** These services will be performed centrally with costs captured via corporate allocations.
- **COVID-Related.** COVID-related costs are presumed to be extraordinary and one-time.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

Note: The totals for each cost type updated to adjust for a computational error discovered after filing. This change does not impact the total costs for Electric or the conclusions of the analysis.



## PPL's Narragansett Cost Structure – Direct Non-Labor – Gas

Gas	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$7.0M	\$2.7M	\$4.0M	\$0.9M	\$2.4M	\$4.4M	\$0.6M	<b>\$22.0M</b>
<i>Items Removed</i> COVID-Related Spend	\$0.0M	(\$0.0M)	(\$0.0M)	-	(\$0.1M)	(\$0.2M)	(\$0.0M)	<b>(\$0.3M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$7.0M</b>	<b>\$2.7M</b>	<b>\$4.0M</b>	<b>\$0.9M</b>	<b>\$2.3M</b>	<b>\$4.1M</b>	<b>\$0.6M</b>	<b>\$21.7M</b>

### Line Items Removed, and Rationale

- **COVID-Related.** COVID-related costs are presumed to be extraordinary and one-time.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

## PPL's Narragansett Cost Structure – Direct Non-Labor – Customer

Customer Operations	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$5.4M	\$5.6M	\$0.0M	\$1.7M	\$0.3M	\$0.7M	\$0.1M	<b>\$13.8M</b>
Payment Processing	(\$0.4M)	(\$0.3M)	-	-	(\$0.0M)	(\$0.0M)	\$0.0M	<b>(\$0.7M)</b>
Customer & Market Intelligence	(\$0.2M)	(\$0.0M)	-	\$0.0M	(\$0.0M)	-	\$0.0M	<b>(\$0.3M)</b>
Digital Delivery	(\$0.0M)	(\$0.1M)	-	-	-	-	(\$0.0M)	<b>(\$0.2M)</b>
Customer Energy Management-NE	(\$0.0M)	(\$0.0M)	-	-	(\$0.0M)	-	(\$0.0M)	<b>(\$0.0M)</b>
Customer Transformation	(\$0.1M)	(\$0.1M)	-	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.3M)</b>
Customer Solutions VP	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	(\$0.0M)	-	-	<b>(\$0.1M)</b>
AMI & CIS	(\$0.0M)	(\$0.0M)	-	(\$0.1M)	(\$0.0M)	(\$0.0M)	(\$0.0M)	<b>(\$0.1M)</b>
COVID-Related Spend	(\$0.2M)	(\$0.6M)	-	(\$0.3M)	(\$0.0M)	-	(\$0.0M)	<b>(\$1.1M)</b>
plus Additional Anticipated Call Center Contractor Spend	\$1.0M							<b>\$1.0M</b>
<b>Total PPL Steady State Estimated</b>	<b>\$5.3M</b>	<b>\$4.4M</b>	<b>\$0.0M</b>	<b>\$1.2M</b>	<b>\$0.3M</b>	<b>\$0.6M</b>	<b>\$0.1M</b>	<b>\$12.0M</b>

Items Removed/  
Added

### Line Items Removed, and Rationale

- **Payment Processing, Customer & Market Intelligence, Digital Delivery, Customer Energy Management, Customer Transformation, Customer Solutions VP.** Functions will be captured by corporate allocations.
- **COVID-Related.** COVID-related costs are presumed to be extraordinary and one-time.
- **Additional Call Center Contractor Spend.** Anticipated additional call center contractor costs, based on assessment of PPL leadership.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

## PPL's Narragansett Cost Structure – Direct Non-Labor – Operations Support

Items Removed

Operations Support	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$4.0M	\$6.8M	\$0.3M	\$0.2M	\$0.4M	\$0.3M	\$0.0M	<b>\$11.9M</b>
Real Estate	(\$0.0M)	(\$6.1M)	-	(\$0.0M)	-	-	(\$0.0M)	<b>(\$6.1M)</b>
General Admin/Other	(\$0.2M)	(\$0.4M)	(\$0.2M)	(\$0.0M)	(\$0.2M)	(\$0.0M)	(\$0.0M)	<b>(\$1.2M)</b>
COVID-Related Spend	(\$2.3M)	(\$0.0M)	\$0.0M	(\$0.0M)	(\$0.2M)	(\$0.0M)	(\$0.0M)	<b>(\$2.6M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$1.4M</b>	<b>\$0.2M</b>	<b>\$0.1M</b>	<b>\$0.1M</b>	<b>\$0.0M</b>	<b>\$0.2M</b>	<b>\$0.0M</b>	<b>\$2.1M</b>

### Line Items Removed, and Rationale

- **Real Estate.** Includes costs related to National Grid's corporate offices in Massachusetts; any corresponding costs under PPL ownership will be corporate allocations.
- **General Admin/Other.** Various minor costs, including environmental licensing and permitting, that are presumed to be captured via corporate allocations.
- **COVID-Related.** COVID-related costs are presumed to be extraordinary and one-time.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

## PPL's Narragansett Cost Structure – Direct Non-Labor – Other Direct Opex

	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>NG Direct Opex - Other</b>								
<b>National Grid Narragansett FY2021</b>	\$2.1M	\$0.3M	\$0.0M	\$0.3M	\$0.1M	\$0.0M	\$0.0M	<b>\$2.9M</b>
<i>Items Removed</i> COVID-Related Spend	(\$1.7M)	(\$0.0M)	\$0.0M	(\$0.0M)	(\$0.1M)	\$0.0M	(\$0.0M)	<b>(\$1.9M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$0.4M</b>	<b>\$0.3M</b>	<b>\$0.0M</b>	<b>\$0.3M</b>	<b>(\$0.0M)</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$1.0M</b>

### Line Items Removed, and Rationale

- **COVID-Related.** COVID-related costs are presumed to be extraordinary and one-time.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

Note: "Other Direct Opex" includes Business Planning and Performance; Energy Procurement; Regulation; Safety, Health and Environment, and NE/NY President.

## PPL's Narragansett Cost Structure – Direct Non-Labor – Finance

Finance (incl. Audit)	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$0.5M	\$3.4M	-	\$2.1M	\$0.0M	\$0.0M	\$0.1M	<b>\$6.0M</b>
420-Claims	(\$0.0M)	(\$0.4M)	-	(\$0.2M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.7M)</b>
320-US CFO	(\$0.0M)	\$0.0M	-	(\$0.2M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.2M)</b>
320-Corporate FP&A	(\$0.0M)	(\$0.0M)	-	(\$1.3M)	-	-	(\$0.0M)	<b>(\$1.3M)</b>
425-US Tax	(\$0.1M)	(\$0.0M)	-	(\$0.1M)	(\$0.0M)	-	(\$0.0M)	<b>(\$0.2M)</b>
425-US Treasury	(\$0.0M)	(\$0.1M)	-	(\$0.0M)	-	-	(\$0.0M)	<b>(\$0.1M)</b>
320-Enterprise Business Partnering	(\$0.1M)	(\$0.0M)	-	(\$0.0M)	(\$0.0M)	(\$0.0M)	(\$0.0M)	<b>(\$0.1M)</b>
420-Investment Management	(\$0.0M)	(\$0.0M)	-	(\$0.0M)	-	-	(\$0.0M)	<b>(\$0.0M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$0.3M</b>	<b>\$2.8M</b>	-	<b>\$0.3M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$3.3M</b>

Items Removed

### Line Items Removed, and Rationale

- **Claims.** Claims will be managed by PPL's Office of General Counsel, and its costs are captured via OGC's corporate allocations.
- **US CFO, Tax, Treasury, EBP, and Investment Management.** These services will be provided centrally by PPL, and are captured via corporate allocations.
- **Corporate FP&A.** These costs primarily include the portion of National Grid's corporate audit fee attributable to Narragansett; an estimate of the corresponding costs is included in PPL's corporate allocation estimate.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"  
Note: Includes Finance and Audit.

## PPL's Narragansett Cost Structure – Direct Non-Labor – Legal

Legal	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$0.4M	\$0.1M	-	\$1.3M	\$0.0M	\$0.0M	\$0.0M	<b>\$1.8M</b>
<i>Items Removed</i> 340-US General Counsel-SVP	(\$0.3M)	\$0.0M	-	\$0.0M	-	-	(\$0.0M)	<b>(\$0.3M)</b>
<b>Total PPL Steady State Estimated</b>	<b>\$0.1M</b>	<b>\$0.1M</b>	-	<b>\$1.3M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$0.0M</b>	<b>\$1.5M</b>

### Line Items Removed, and Rationale

- **US General Counsel-SVP.** Corresponding costs are included in PPL's corporate allocation estimate.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

## PPL's Narragansett Cost Structure – Direct Non-Labor – Strategy & External Affairs

Strategy & External Affairs	Contractors	Other Expenses	Trans- portation	Consultants	Materials	Overtime	Employee Expenses	Total
<b>Total National Grid Narragansett FY2021</b>	\$0.1M	\$0.9M	\$0.0M	\$0.6M	\$0.0M	-	\$0.1M	<b>\$1.7M</b>
								-
<b>Total PPL Steady State Estimated</b>	<b>\$0.1M</b>	<b>\$0.9M</b>	<b>\$0.0M</b>	<b>\$0.6M</b>	<b>\$0.0M</b>	-	<b>\$0.1M</b>	<b>\$1.7M</b>

### Line Items Removed, and Rationale

- **None.** All costs are assumed to transfer.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"; National Grid, "FY21 - NECO Functional Costs - with Detail Data.xlsx"

# PPL's Narragansett Cost Structure – Corporate Allocations

Estimate	
PPL Allocated Costs, Steady State, by Category	
	Total
IT	\$33.8M
Finance	\$9.8M
Office of General Counsel	\$4.7M
Transmission & Substation	\$4.4M
Human Resources	\$5.0M
Supply Chain	\$3.8M
Regulatory Affairs	\$1.9M
Corporate Operations and Integration	\$1.8M
Corporate Systems	\$1.4M
Communications	\$1.0M
Transmission Control Center	\$1.0M
Enterprise Security	\$0.8M
Public Affairs	\$0.7M
Customer Service	\$0.6M
Audit Services	\$0.6M
Executive Office	\$0.6M
Distribution Operations	\$0.4M
Facilities	\$0.3M
Technical Development & Instruction	\$0.3M
PPL Services - Compensation & Other	\$10.2M
<b>Total Allocated Costs</b>	<b>\$83.4M</b>

B

## Approach/Rationale

**Overview.** Includes estimates of corporate allocations that will be charged to the Rhode Island utility under PPL ownership at steady state.

**Methodology.** High-level analysis based on universe of services charged from PPL's centralized services companies to its subsidiary utilities, using directional estimates (e.g., based on employee headcount, customer count, etc).

To represent a steady state cost estimate, PPL's 2024 forecast was used, which represents the post-TSA period. 2024 totals were not de-escalated to adjust for inflation.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx", PPL, "PPL Cost Allocation Manual.pdf"



## PPL's Narragansett Cost Structure – Corporate Allocation Methodology

### Cost Assignment Methods

PPL allocates costs via several methods:

- **Direct Assignment:** Expenses incurred exclusively for the benefit of one affiliate
- **Direct Attribution:** Expenses incurred that benefit more than one affiliate and which can be apportioned using a direct measure of cost causation.
- **Indirect Attribution:** Expenses incurred that benefit more than one affiliate and which can be apportioned using general measures of cost causation

Specific details on each methodology and the types of charges subject to them are included in PPL's Cost Allocation Manual.

### Costs Not in Cost Allocation Manual

Certain costs to be allocated have not previously been allocated, and thus will be added to PPL's Cost Allocation Manual in an upcoming revision. For the purpose of this steady state analysis, PPL estimated the incremental employee headcount required to support Rhode Island, and then applied an allocation factor to the remaining existing costs. The sum of these was shown in the submission.

These include:

Transmission & Substation  
Distribution Operations  
Transmission Control Center

Source: PPL, "PPL Cost Allocation Manual.pdf"

## PPL's Narragansett Cost Structure – Corporate Allocated Depreciation

Estimate	
<b>PPL Narragansett Allocated Depreciation, Steady State</b>	
	<b>Total</b>
EU Depreciation	\$16.9M
Services Depreciation	\$2.1M
<b>Total</b>	<b>\$19.1M</b>

### Depreciation Assumption Rationale

- 30% of total EU allocated depreciation is allocated to Rhode Island, which reflects IT-utilizing employees—it assumed **1,298** Active Directory accounts for Narragansett, compared to **4,337** accounts across EU Transmission, EU Customer Service, Distribution Operations, TD&I, and Transportation Services. This calculates to 29.94%.
- A majority of Services depreciation is allocated using a 3-factor methodology, as described in the PPL Cost Allocation Manual.

### Approach/Rationale

**Overview.** Includes estimates of allocated depreciation for corporate investments that will benefit Narragansett when under PPL ownership.

**Methodology.** High-level analysis based on depreciation of current PPL EU investments that will benefit Narragansett, assuming 30% will be charged to Narragansett and a 5 year depreciable life. Services Allocated Depreciation generally follows a 3-factor methodology and relates to Corporate Systems investments.

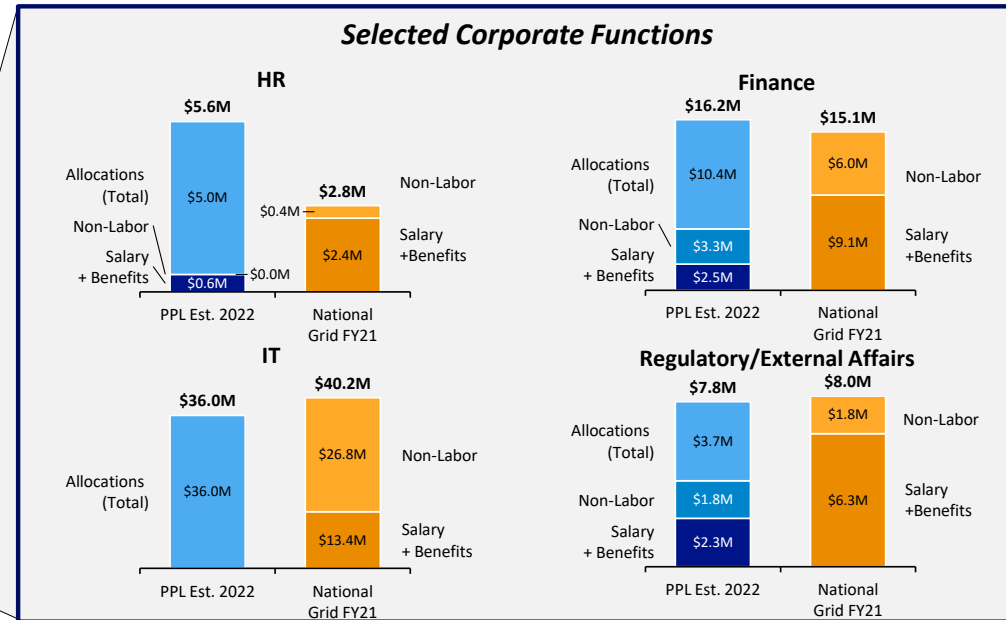
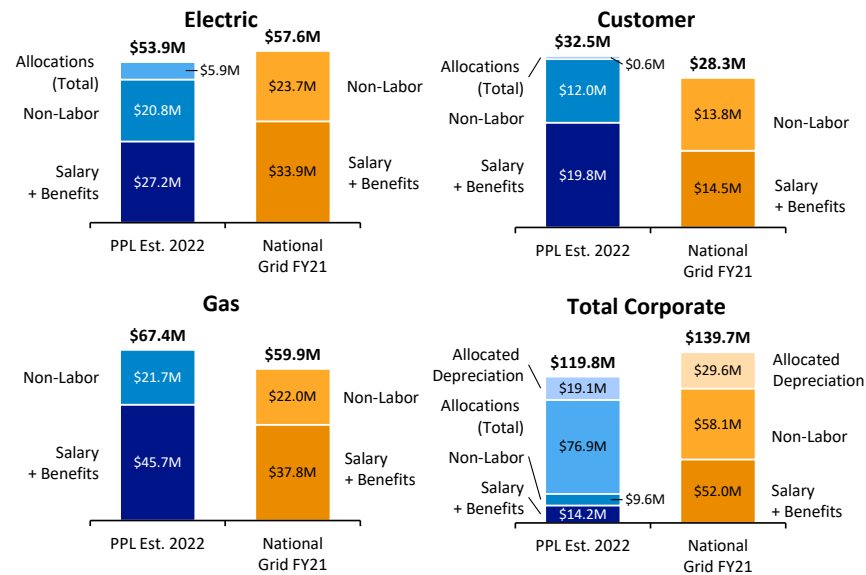
**Approach.** To best facilitate comparison with National Grid's FY21 allocated depreciation total, PPL's estimate is based on its current investments (inclusive of in-progress projects anticipated to be in-service prior to deal close). The analysis did not attempt to forecast either PPL's future capital spend or National Grid's future capital spend.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"  
Note: Estimate total does not add due to rounding.

# *National Grid and PPL – Functional Comparisons*



# National Grid and PPL – Functional Comparisons



## Approach/Rationale

**Overview.** While operating model differences between National Grid and PPL make direct functional comparisons challenging, several have been developed to illustrate directional differences in overall cost.

**Approach.** Each comparison includes direct labor and non-labor costs, as well as allocations of PPL corporate costs when identified. These totals are as-shown in the pertinent sections of this document.

**Benefit Assignment Methodology for National Grid.** As National Grid does not link specific benefit costs to their associated salary costs, PPL assumed the average overall loading rate of ~66% in developing functional cost estimates for National Grid; this distributes the \$55.4M in benefits costs proportionally to the functions among the \$83M in base labor costs.

Source: PPL, "RI Steady State Cost Model - Standalone.xlsx"

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
Docket No. D-21-09  
PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-87

Request:

Please explain why the document in Attachment PPL-DIV 1-54-1 was prepared. What is the purpose of the report?

Response:

PPL prepared the document in Attachment PPL-DIV 1-54-1 as a supplement to various data requests propounded by the Division related to the current proceeding to provide the Division Advocacy Section, the intervenor parties, and the Hearing Officer a comparison of PPL and PPL RI's expected operating models and associated costs for Narragansett as compared to National Grid's current operating model and associated costs for Narragansett as a demonstration that, based on current understandings and assumptions, PPL and PPL RI will operate Narragansett without increasing operating costs after the completion of the transition period.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
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Division 9-88

Request:

Attachment PPL-DIV 1-54-1, states (at 2) that "[t]his analysis demonstrates that the Transaction will not result in increased costs to operate Narragansett and therefore will not increase rates for the current electric and gas distribution services." Please:

- a. confirm that this conclusion does not reflect or account for the capital expenditures necessary to "allow PPL to establish the infrastructure required to operate Narragansett independently" (Attachment DIV 1-54-1 at 3 n.1); and
- b. provide any studies or analyses related to estimated capital expenditures necessary "to allow PPL to establish the infrastructure required to operate Narragansett independently," (*id.*) including, if available, projections regarding the impact of such costs on Rhode Island ratepayers.

Response:

- a. PPL and PPL RI confirm that the analysis set forth in Attachment PPL-DIV 1-54-1 concluding "that the Transaction will not result in increased costs to operate Narragansett and therefore will not increase rates for the current electric and gas distribution services" was limited to costs of operation and does not reflect PPL and PPL RI's potential to seek recovery through rates of the costs Narragansett will incur to "establish the infrastructure required to operate Narragansett independently." Through Attachment PPL-DIV 1-54-1, PPL and PPL RI demonstrate that PPL RI's ownership of Narragansett will not result in increased costs to operate Narragansett. PPL and PPL RI also refer to their response to data request Division 9-87 for a description of the purpose of Attachment PPL-DIV 1-54-1 and an explanation of what it reflects. PPL and PPL RI refer to their response to data request Division 1-33, including Attachment PPL-DIV 1-33-1 for a description of PPL and PPL RI's planned approach to potential rate recovery for transition costs, such as capital expenditures necessary to allow PPL to establish the infrastructure required to operate Narragansett independently.
- b. PPL and PPL RI do not have any estimates of the capital expenditures necessary to allow PPL to establish the infrastructure required to operate Narragansett independently, nor any projections regarding the impact of such costs on Rhode Island ratepayers. PPL and PPL RI refer to their response to data request Division 1-33, including Attachment PPL-DIV 1-33-1, for a description of PPL and PPL RI's planned approach to potential rate recovery for transition costs, such as capital expenditures necessary to allow PPL to establish the infrastructure required to operate Narragansett independently.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Division 9-89

Request:

The document in Attachment PPL-DIV 1-54-1 states (at 4):

PPL integration teams developed a Rhode Island organizational structure by functional area that reflects the staffing levels expected to operate the business once fully transitioned from National Grid. PPL also developed the corporate and administrative services and associated costs necessary to operate Narragansett.

Please provide the referenced “organizational structure by functional area” that was developed by the “PPL integration teams.”

Response:

The “organizational structure by functional area” referenced in Attachment PPL-DIV 1-54-1 is set forth at Appendix 3 and Appendix 4 of Attachment PPL-DIV 1-54-1.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-90

Request:

The document in Attachment PPL-DIV 1-54-1 states (at 8) that in “developing PPL’s anticipated costs to operate Narragansett, PPL first refined its intended operating model for the Rhode Island utility.” Please explain what “refine[ments]” were made to the “intended operating model” and why PPL concluded that each was necessary.

Response:

As part of the integration planning process, PPL integration leaders met with National Grid integration leaders familiar with Narragansett operations to understand the operating requirements for the utility. PPL integration leaders applied their own expertise operating electric and gas utilities to develop its intended operating model for the Rhode Island utility. The process of developing the operating model was iterative as PPL integration leaders learned more about Narragansett operations, and the statement that PPL “first refined its intended operating model for the Rhode Island utility” was a reference to this process.



Division 9-91

Request:

The document in Attachment PPL-DIV 1-54-1 states (at 8) that PPL's "Rhode Island-focused operating model will also drive additional investment in the State." Please provide the "Rhode Island-focused operating model," and specify each component of the "additional investment" that PPL anticipates will be needed to implement its "Rhode-Island focused operating model."

Response:

PPL and PPL RI refer to their response to data requests Division 2-1, 6-1(c), 7-41, 7-42 and Attachment PPL-DIV 1-54-1 (Supplement) for identification of the "Rhode Island-focused operating model" and discussion of potential investments in the State.

PPL and PPL RI are evaluating the precise investments that the acquisition of Narragansett will drive, but the reference Attachment PPL-DIV 1-54-1 was in recognition of the likely investments in the creation of Rhode Island-based control centers for gas and electric operations, as well as Rhode Island-based customer service centers. PPL and PPL RI continue to evaluate the specific aspects of its operation that will drive additional investment in the State.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
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Issued on October 1, 2021

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Division 9-92

Request:

The document in Attachment PPL-DIV 1-54-1 includes (at 14-16) a listing of activities that PPL “will perform on a centralized basis to support Narragansett.” The document states (at 16): “PPL developed an estimate of the costs in each of these functions that includes any incremental costs to support Narragansett.” Please provide each of these cost estimates.

Response:

The services that will be performed on a centralized basis to support Narragansett and the related cost estimates for each of the activities were included in on page 17 of Attachment PPL-DIV 1-54-1. These estimates were based on PPL's analysis of incremental work and PPL's standard allocation methodology; that table is reproduced below.

<b>Table 7. PPL Allocated Costs, by Category</b>	
	<b>Total</b>
IT	\$33.8M
Finance	\$9.8M
Office of General Counsel	\$4.7M
Transmission & Substation	\$4.4M
Human Resources	\$5.0M
Supply Chain	\$3.8M
Regulatory Affairs	\$1.9M
Corporate Operations and Integration	\$1.8M
Corporate Systems	\$1.4M
Communications	\$1.0M
Transmission Control Center	\$1.0M
Enterprise Security	\$0.8M
Public Affairs	\$0.7M
Customer Service	\$0.6M
Audit Services	\$0.6M
Executive Office	\$0.6M
Distribution Operations	\$0.4M
Facilities	\$0.3M
Technical Development & Instruction	\$0.3M
PPL Services	\$10.2M
<b>Total Allocated Costs</b>	<b>\$83.4M</b>

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-93

Request:

The document in Attachment PPL-DIV 1-54-1 states (at 16) that "PPL then applied its cost allocation methodology to assign and allocate costs to Narragansett." Please provide that "cost allocation methodology."

Response:

PPL's cost allocation methodology includes direct charges when identified, utilization of causal factors where appropriate, and application of a composite factor (e.g., number of employees, amount of invested capital, and operation and maintenance expenses) when costs cannot be directly charged or causally allocated. PPL derived the estimate of allocated costs in Attachment PPL-DIV 1-54-1 based on input from the integration planning teams as to the level of incremental costs required to support Narragansett as well as PPL finance personnel responsible for business planning.

PPL's current Cost Allocation Manual will be updated to reflect the inclusion of Narragansett to PPL's holdings, and the methodology described therein will form the basis for actual allocation determinations. PPL's current Cost Allocation Manual is included as Attachment PPL-DIV 9-93-1.

# PPL CORPORATION

# COST ALLOCATION MANUAL

Updated May 2021

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**PPL CORPORATION**  
**COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Executive Summary**

PPL Corporation is comprised of various companies that utilize shared resources from both an operational and financial perspective. This relationship leads to a more efficient and productive final product for all stakeholders, but also requires costs to be reasonably allocated between companies in accordance with various accounting boards and regulators. Also, in order to adequately control costs and determine profitability of the companies, it is necessary to allocate to them costs incurred for their benefit as if they were a stand-alone company outside of the PPL Corporation family of companies.

The goal and purpose of this manual is to accumulate and document in one source all cost allocation and transfer pricing policies, including both those for proper accounting and cost management purposes. This manual will also be used as a cost allocation and transfer pricing reference point for all PPL Corporation companies as well as documentation to support policies and procedures to any internal or external parties that review our allocation methodologies.

## **PPL CORPORATION COST ALLOCATION AND TRANSFER PRICING MANUAL**

### **Chapter 1 - Introduction and Goal of the Manual**

In 1995, PP&L Resources, Inc. was formed as an exempt holding company as defined under the Holding Company Act (PUHCA 1935) and administered by the Security Exchange Committee (SEC). PP&L Resources, Inc. was comprised of Pennsylvania Power & Light Co. and affiliates Power Markets Development Company and Spectrum. Through June 2000, Pennsylvania Power & Light Co. provided various services to these affiliates as well as other companies that were added to the PP&L Resources family of companies. In July 2000, PPL Resources was reorganized under the name PPL Corporation. With this reorganization, the Company separated the regulated and unregulated businesses of the corporation and remained an exempt holding company. Because of this, the SEC, whose regulations under PUHCA 1935 required “at cost” pricing of products and services to affiliates of registered holding companies, did not regulate transactions among PPL Corporation’s affiliates.

Although the SEC did not regulate the pricing between PPL Corporation's affiliates, the Pennsylvania Public Utility Commission (PaPUC) provided oversight on the allocation of costs between affiliated companies and the Pennsylvania regulated businesses. Its orders and guidelines were and still are driven by the need to prevent cross-subsidization of a non-regulated affiliate by the regulated utility.

The Energy Policy Act of 2005 (EPAAct 2005) repealed the PUHCA 1935 and replaced it with a new statute, the Public Utility Holding Company Act of 2005 (“PUHCA 2005”). This law gave the Federal Energy Regulatory Commission (FERC) a limited role in overseeing the allocation of the costs of a multi-state electric utility holding company to individual operating companies. The law provided increased access to holding company books and records to assist the FERC and state utility regulators in protecting customers of regulated utilities. PPL Corporation qualified as a single-state holding company under PUHCA 2005 and therefore was exempt from certain FERC regulations under PUHCA 2005.

In November 2010, PPL Corporation acquired E.ON U.S., LLC, a company with utility operations in Kentucky, Tennessee and Virginia. As a result of the acquisition of E.ON U.S., LLC, PPL Corporation became a multi-state electric utility holding company subject to the FERC requirements contained in PUHCA 2005.

PUHCA 2005 authorizes FERC to review and approve the allocation of costs for certain goods and services provided by a service company to affiliates of the same holding company system. Section 1275(b) of EPAAct 2005 provides that “in the case of non-power goods or administrative or management services provided by an associate company organized specifically for the purpose of providing such goods or services to any public utility in the same holding company system, at the election of the system or a state commission having jurisdiction over the public utility, the Commission, after the effective date of this subtitle, shall review and authorize the allocation of the costs for such goods or services to the

extent relevant to that associate company.” The goal is to detect and disallow from jurisdictional rates any imprudently incurred or discriminatory costs from affiliate transactions between companies in the same holding company system, in essence eliminating inappropriate cross-subsidization between regulated and unregulated affiliates.

PPL Corporation’s regulated subsidiaries are now required to comply with FERC’s regulations under EPAct 2005. In addition, PPL Corporation must comply with the PaPUC’s 1995 order related to PPL Corporation’s affiliated interest agreement, which requires that: 1) goods and services provided by a regulated affiliate to a non-regulated affiliate be priced at the provider’s full costs unless addressed in a Code of Conduct as to be charged at the higher of cost or market; and 2) goods and services provided by a non-regulated affiliate to a regulated affiliate be priced at the provider’s full cost unless addressed in a Code of Conduct as to be charged at the lower of cost or market. These regulations and orders were used in establishing the current cost allocation practices of PPL Corporation and are the foundation of this manual’s guiding principles listed below. This manual documents the cost allocation and transfer pricing practices of PPL Corporation and its affiliates, excluding LG&E and KU Energy LLC (“KY”) companies.

### GOAL OF THE MANUAL

To accumulate into one source all cost allocation and transfer pricing policies, including those for cost management purposes, which will provide PPL Corporation's regulated and non-regulated businesses with a common and consistent framework to follow and document cost allocation methodologies.

### GUIDING PRINCIPLES OF THE MANUAL

- When reasonably possible, costs will be allocated on a direct basis.
- Allocations will not result in the subsidization of non-regulated affiliates by the regulated business.
- Services provided by a regulated affiliate to a non-regulated affiliate will be charged at fully allocated cost unless addressed in a Code of Conduct as to be charged at the higher of cost or market.
- Services provided by a non-regulated affiliate to a regulated affiliate will be charged at the fully allocated cost unless addressed in a Code of Conduct as to be charged at or below market.
- As long as all regulatory guidelines are met, allocations will be fair and equitable to the shareholders and customers.
- Allocation documentation will be made available to business lines, affiliates, internal and external auditors and jurisdictional regulatory commissions as needed.



#### OTHER RELATED INFORMATION

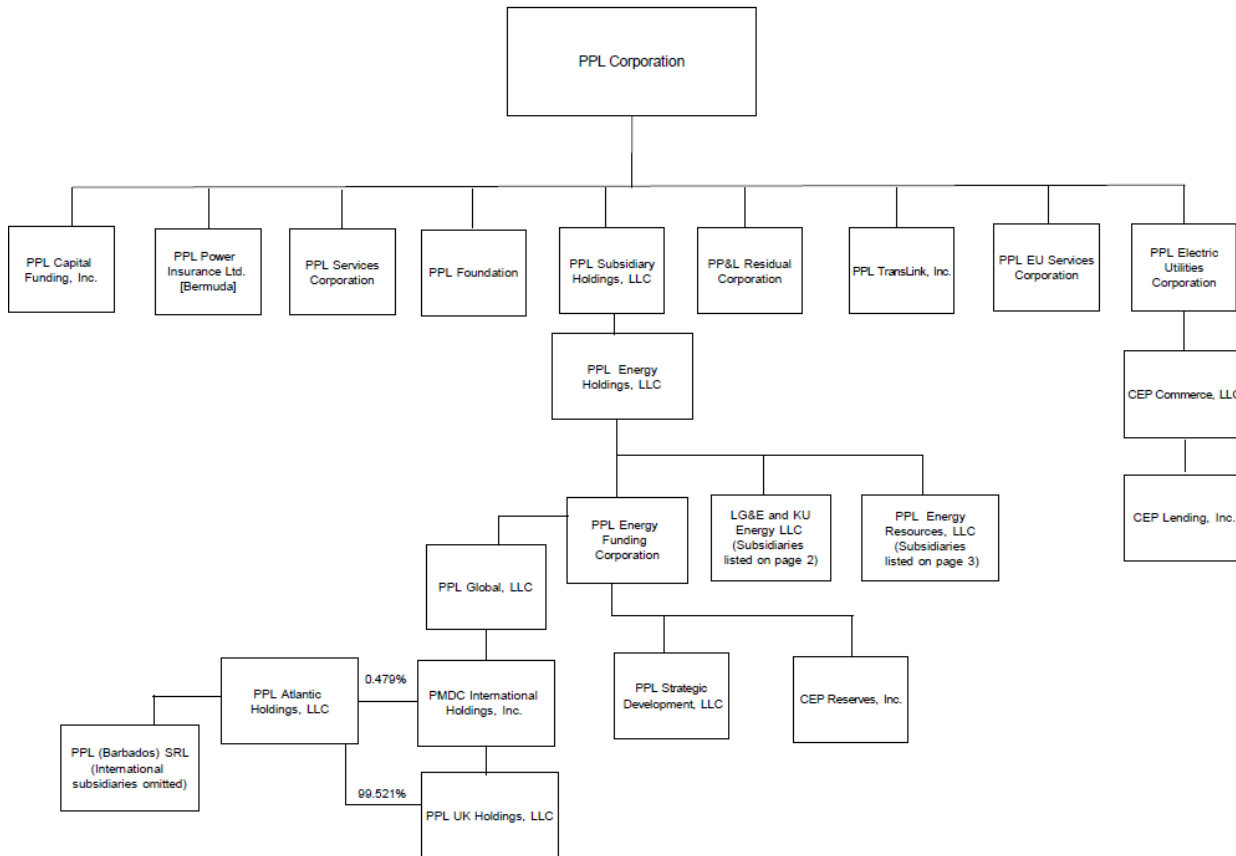
As stated above, this manual is intended to document the cost allocation and transfer pricing practices and procedures for all PPL Corporation companies, excluding Kentucky. It should be used in conjunction with any existing corporate policies and procedures. It is intended to be a “working” document which will be updated and supplemented as changes occur. Documentation for the current allocations will be maintained by PPL Services Financial Planning.

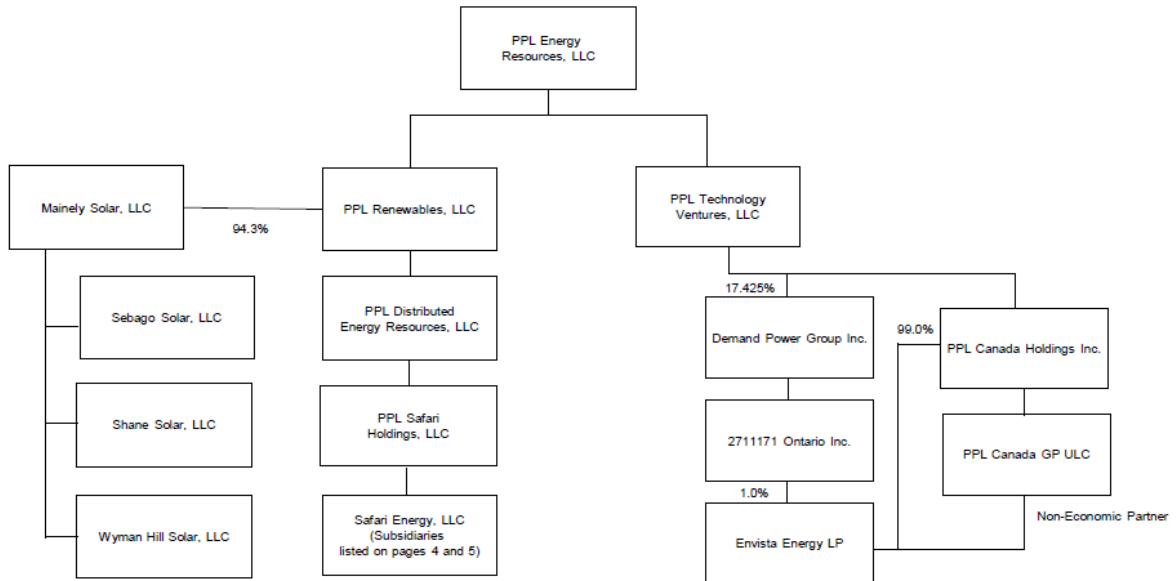
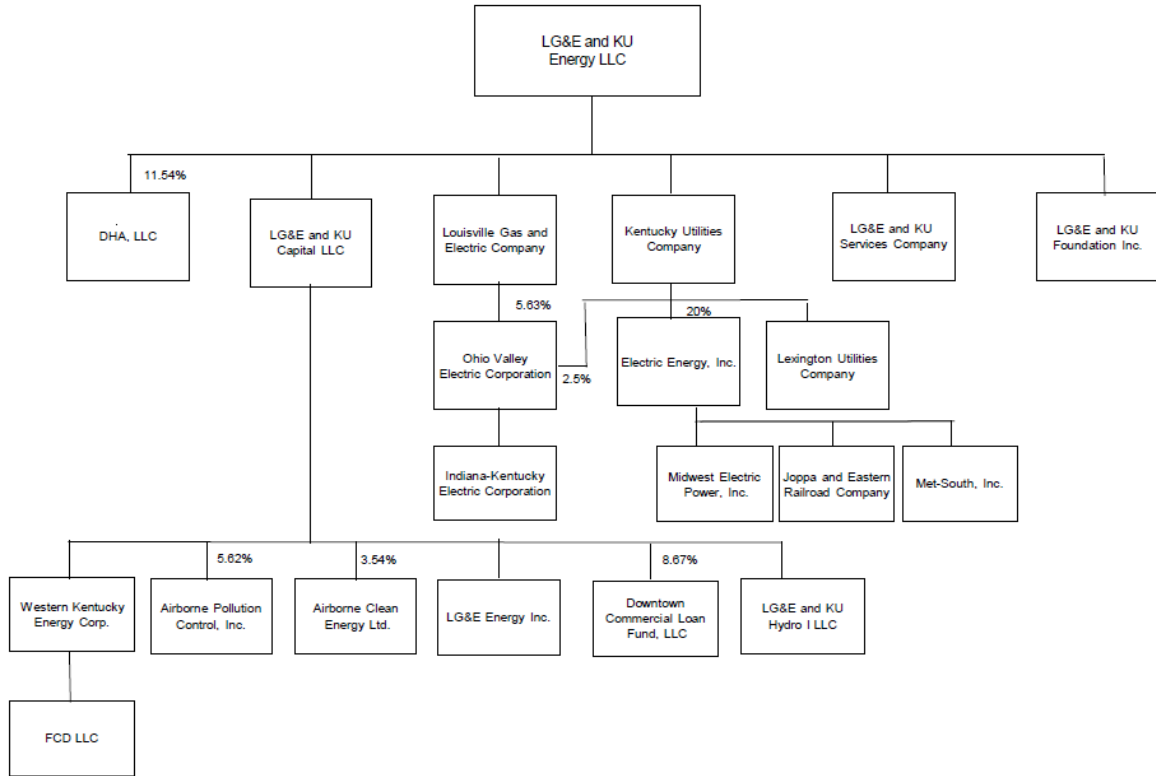
Any changes or comments should be directed to Marci Haydt (610-774-7882) or Danielle Ackerman (610-774-6520) in PPL Services Financial Planning.

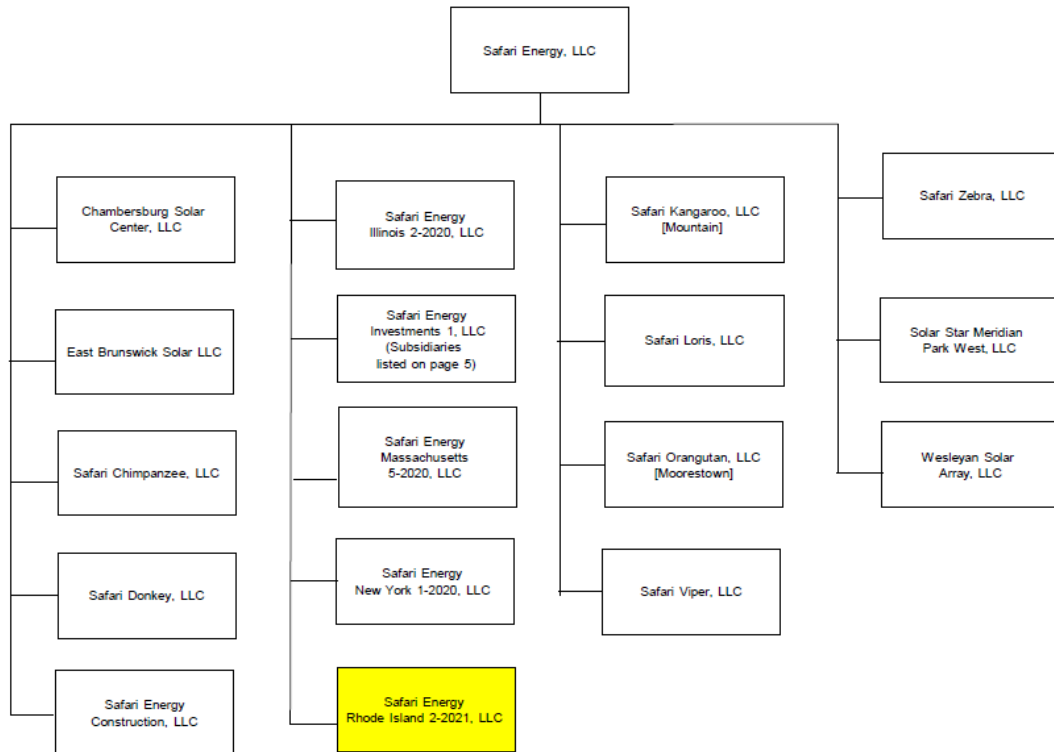
## PPL CORPORATION COST ALLOCATION AND TRANSFER PRICING MANUAL

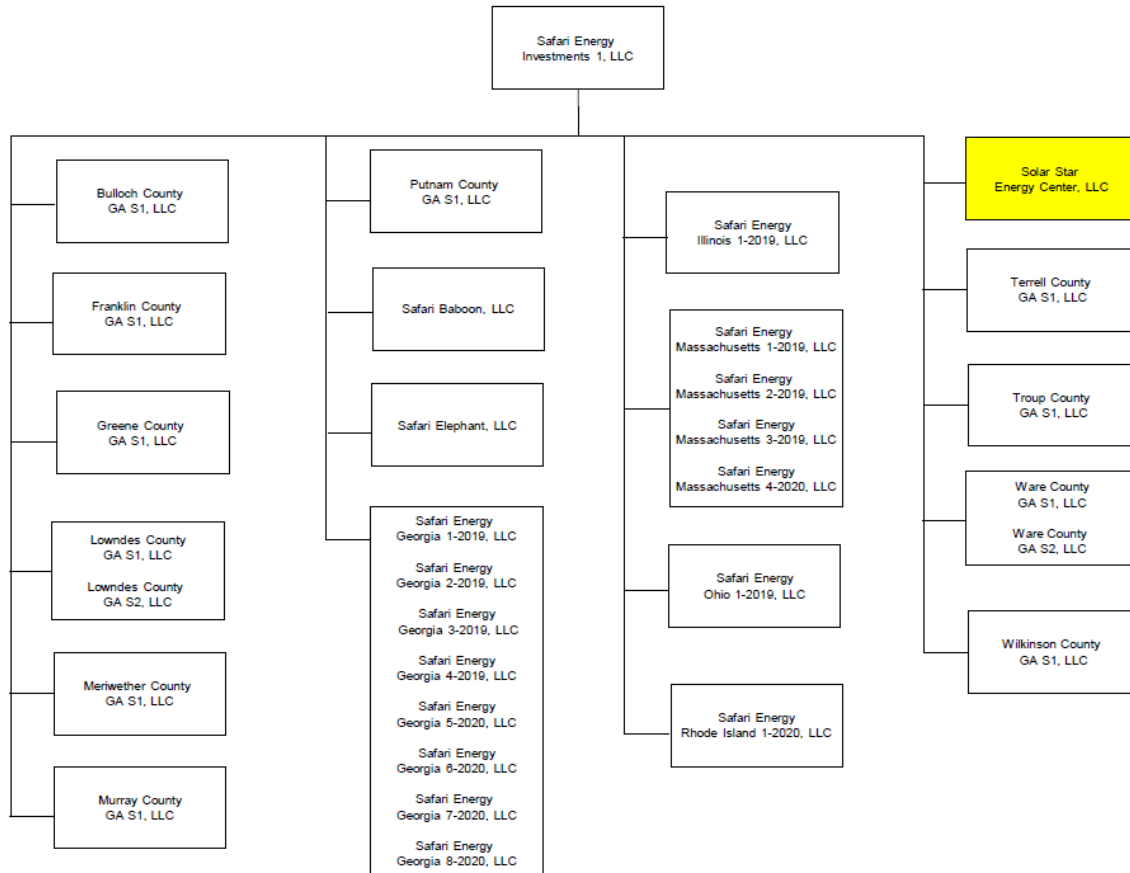
### Chapter 2 - Corporate Organization

See the following pages for PPL Corporation's Organization chart.









**PPL CORPORATION  
COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Chapter 3 - Transactions with Affiliates**

PPL Services Corporation (PPL Services) and PPL EU Services Corporation (PPL EU Services) were formed as service companies to provide services for affiliated companies. PPL Services and PPL EU Services may enter into service agreements, which may establish the general terms and conditions for providing those services. Services provided are detailed in this chapter.

PPL Services and PPL EU Services employees provide services to regulated and non-regulated entities. Regulated affiliates receive services at cost, pursuant to the service agreements. Non-regulated affiliates generally receive services at cost; however, certain services may permit pricing at fair-market value. The provisions included in contracts and service agreements govern transactions among PPL Services, PPL EU Services and their regulated and non-regulated affiliates.

**PPL Services – Description of Services**

Department/Activity	Description	Assignment Method
<b>Corporate Audit Services</b>		
Audit-SOX Testing	Conduct testing of key SOX controls and perform exposure and remediation testing for SOX deficiencies.	Directly Assignable – Company-Specific Direct Assignment
SOX Compliance	Provide coordination, implementation and maintenance of the company's program for compliance with the Sarbanes-Oxley Act of 2002.	Directly Assignable – Company-Specific Direct Assignment
Auditing	Conduct operating audits and audits of accounting records and other records maintained by the company. Issue audit reports and provide recommendations for improving processes and the internal control framework.	Directly Assignable – Company-Specific Direct Assignment
<b>Chairman</b>		
Office of President	Executive oversight of PPL Corporation and all affiliates.	Directly Assignable – Number of Operating Segments Ratio
Office of President – Jet	All costs associated with corporate Jet contract, including both fixed and variable costs.	Directly Assignable – Company-Specific Direct Assignment
Strategic Development Support	Provide support for any special projects of a strategic nature.	Directly Assignable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
Corporate Systems		
Corporate Systems-UIP	Provide services associated with the UIP budget and model system. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Instances Ratio
Corporate Systems-WSS	Provide services associated with the WallStreet treasury system. These services include costs incurred related to application subscription fees and application support costs.	Directly Assignable – Number of Licenses Ratio
Corporate Systems-Wausau	Provide services associated with the Wausau treasury system. These services include costs incurred related to application maintenance fees and application support costs.	Directly Attributable – Number of Transactions Ratio
Corporate Systems-HFM	Provide services associated with the HFM system. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Users Ratio
CaseWare Electronic WorkPapers	Provide services associated with the CaseWare Electronic workpaper system used by Financial Reporting. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Users Ratio
Corporate Systems Business Line Support	Direct support related to a specific business line on a project by project basis.	Directly Assignable – Company-Specific Direct Assignment
Corporate Systems - TRAX	Provide services associated with the TRAX treasury system. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Interfaces Ratio; Number of Transactions Ratio
Corporate Systems - Quantum	Provide services associated with the Quantum treasury system. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Licenses Ratio

Department/Activity	Description	Assignment Method
Corporate Systems Controller Applications	Provide services associated with Controller's department system, including but not limited to PeopleSoft BMI. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Users Ratio
Corporate Systems Treasury Applications	Provide services associated with Controller's department system, including but not limited to TRECS, ICS, MCS, BIRPD, Taulia, and UPCS. These services include costs incurred related to application maintenance fees and application support costs.	Directly Assignable – Number of Users Ratio
Corporate Systems Other Corporate Applications	Provide services associated with OGC and Corporate Audit departments system, including but not limited to PeopleSoft BMI. These services include costs incurred related to application maintenance fees and application support costs.	Indirectly Attributable – Corporate Systems Indirect
Corporate Systems Administrative & General	Oversight of all products for corporate applications.	Indirectly Attributable – Corporate Systems Indirect
<b>Enterprise Security</b>		
Corporate Compliance Officer	Provide support to chief compliance officer in OGC.	Directly Assignable – Number of Employees Ratio
Cyber Security Risk Management	Services associated with setting cybersecurity strategy, providing security risk management governance and oversight of security controls in the first line of defense, and support and facilitation of risk management activities across the enterprise. This function includes services associated with risk quantification and executive metrics, global cybersecurity policies, cyber hunting/active defense, assessing security posture/maturity, and real time visibility and monitoring of subsidiary cyber hygiene.	Directly Assignable – Corporate Information Security Ratio



Department/Activity	Description	Assignment Method
Enterprise Security Business Line Support	Direct support related to a specific business line on a project by project basis.	Directly Assignable – Company-Specific Direct Assignment
Strategic Development Support	Provide support for any special projects of a strategic nature.	Directly Assignable – Company-Specific Direct Assignment
<b>Financial</b>		
Office of President	Executive oversight of PPL Corporation and all affiliates.	Directly Assignable – Number of Operating Segments Ratio
Budgeting and Planning Services	Provide services related to managing, coordinating and reporting for the budgeting and forecasting process.	Indirectly Attributable – Financial Indirect
International Accounting Services	Maintain the general ledger and perform specialized accounting for international companies.	Directly Assignable – Company-Specific Direct Assignment
Tax Compliance and Planning	Provide corporate income tax compliance, budgeting and forecasting, including tax legislation.	Indirectly Attributable – Financial Indirect
International Tax Compliance and Planning	Provide international income tax compliance, budgeting and forecasting.	Directly Assignable – Company-Specific Direct Assignment
Tax Accounting and Reporting	Prepare consolidated and subsidiary federal, state and local income tax returns; current and deferred tax accounting; utility gross receipts tax; sales/use tax; project development.	Indirectly Attributable – Financial Indirect
Tax Compliance and Reporting – EU	Tax compliance and reporting, specific to PPL Electric Utilities.	Directly Assignable – Company-Specific Direct Assignment
Corporate Accounting	Provide accounting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and the FERC Uniform System of Accounts (USofA), performing U.S. GAAP general ledger account analyses, reconciliations and consolidations and business and financial system support consultation.	Indirectly Attributable – Financial Indirect
Audit Fees	Corporate audit fees incurred.	Indirectly Attributable – Financial Indirect

Department/Activity	Description	Assignment Method
Financial Reporting	Provide accounting and reporting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and the FERC Uniform System of Accounts (USofA), accounting research and interpretation and promulgation of accounting and internal control procedures, and external financial reports.	Directly Attributable – Business Line-Specific Task Ratio
Internal Reporting	Provide internal financial reporting.	Directly Attributable – Number of Operating Segments Ratio
Financial Consulting Services	Provide services associated with special projects.	Directly Assignable - Company-Specific Direct Assignment
Distributed Energy Services	Provide support for any special projects related to Distributed Energy Resources.	Directly Assignable – Company-Specific Direct Assignment
Delaware Co Services	Provide support for Delaware companies.	Directly Assignable - Company-Specific Direct Assignment
Investor Relations	Provide support for handling the company's shareholders and investors meetings and questions.	Directly Attributable – Book Enterprise Value Ratio
Investor Services Fees	Manage fees paid to transfer agent for investor services activity.	Directly Attributable – Book Enterprise Value Ratio
Financings	Provide support for the company's credit, investing and financing activities and borrowings.	Indirectly Attributable – Financial Indirect
Rating Agencies	Manage the company's credit rating through Moody's and S&P.	Directly Attributable – Book Enterprise Value Ratio
Cash Management	Manage the daily financing and short term liquidity needs for the company.	Indirectly Attributable – Financial Indirect
Treasury Controls	Manage controls around the files sent to and from the bank daily, receipt disbursements, bank reconciliations, and legal compliances.	Indirectly Attributable – Financial Indirect
Billing	Manage/bill customers' accounts for their electric usage monthly.	Directly Attributable – Number of Items Processed Ratio

Department/Activity	Description	Assignment Method
Remittance Processing	Provide remittance processing, customer payments, and collection services.	Directly Attributable – Number of Items Processed Ratio
Cash Receipt Exception Posting	Manage the cash receipts that do not have the correct customer billing account number or any account number as well as any unknown checks that were posted or automated payments that were not applied correctly.	Directly Attributable – Number of Items Processed Ratio
Credit Services	Provide support related to credit services through Moody's and S&P.	Directly Assignable – Company-Specific Direct Assignment
Vendor Servicing	Process payments to vendors for the company.	Directly Attributable – Number of Items Processed Ratio
Cash Processing Scanning Services	Manage the records scanning process. Allows the business lines to find their hard copies through the record series numbers.	Directly Assignable – Company-Specific Direct Assignment
Pensions – Domestic Only	Provide pension services for domestic companies only.	Directly Attributable – Plan Assets Ratio, Number of Plan Participants Ratio
Pensions – PA Only	Provide pension services for Pennsylvania-based companies only.	Directly Attributable – Number of Plan Participants Ratio
Stock Based Compensation	Provide services relating to the establishment and oversight of stock-based compensation to employees.	Directly Attributable – Number of Employees Ratio
Compensation and Benefits	Provide services relating to the establishment and oversight of compensation for employees. Also, provide services relating to the establishment and oversight of benefits plans for employees, retirees and survivors.	Directly Attributable – Number of Employees Ratio
Insurance Services – General	Provide overall support for managing the insurance process.	Directly Attributable – Insurance Policies Ratio
Risk Strategy	Manage and assess risk within the organizations including liability risks, claims, security, environmental and safety.	Indirectly Attributable – Financial Indirect
Strategic Development Support	Provide support for any special projects of a strategic nature.	Directly Assignable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
Distributed Energy Resources Support	Provide support for Distributed Energy Resources-specific work or special projects.	Directly Assignable – Company-Specific Direct Assignment
Safari Energy Support	Provide support for Safari Energy-specific work or special projects.	Directly Assignable – Company-Specific Direct Assignment
Training	Provide/coordinate general training to Financial Department employees. Costs for specific training are charged to the appropriate activity. For example, costs for compensation and benefits training would be charged to that activity rather than general training.	Directly Assignable – Company-Specific Direct Assignment
<b>Human Resources</b>		
Employee Communications	Provide services related to administration of PPL Corp employee survey.	Directly Attributable – Number of Employees Ratio
Board Services	Provide services related to the compensation and security of the board of directors.	Directly Attributable – Book Enterprise Value Ratio
HR Support to Business Lines	Direct support related to a specific business line on a project by project basis.	Directly Assignable – Company-Specific Direct Assignment
Corporate HR Services	Executive oversight over all HR related functions.	Indirectly Attributable – Human Resources Indirect
Corporate HRBP Services	Provide services related to employee relations issues including compensation/pricing, job descriptions, managerial support and performance discussions.	Indirectly Attributable – Human Resources Indirect
Corporate HR Regulatory/Compliance	Provide services related to employee compliance including employee handbook/policy updates, compliance training, and review and approval of any regulatory requirements (affirmative action/vets).	Indirectly Attributable – Human Resources Indirect
HR Technical Support	Provide technical support and maintenance related to internal myHR site.	Indirectly Attributable – Human Resources Indirect
Employee Engagement Services	Perform activities measuring level of employee satisfaction of Corporate Services organization.	Indirectly Attributable – Human Resources Indirect

Department/Activity	Description	Assignment Method
Corporate HR Talent Acquisition Services	Provide services related to the marketing, finding, and acquiring of prospective candidates for available job opportunities at PPL.	Indirectly Attributable – Human Resources Indirect
Physical Security	Provide security services related to company assets, including routine emergency services and regulatory compliance.	Directly Attributable – Number of Employees Ratio
Protective Services	Provide security-related services to PA-based employees, including carrying out personal risk assessments, background checks, and investigations.	Directly Attributable – Number of Employees Ratio
Emergency Management/Business Continuity	Provide services related to administration and coordination of disaster recovery/business continuity plans.	Indirectly Attributable – Human Resources Indirect
Talent Management and D&I Services	Provide training services for PPL Corp employees attending leadership classes and administering Pennsylvania business resource group activities.	Directly Attributable – Number of Employees Ratio
Corporate Compensation and Benefits Services	Provide compensation and benefit services to PA-based non-executive employees. This also includes retirement plan services for employees and retirees eligible in the plan.	Directly Attributable – Number of Employees Ratio
Executive Services	Provide services related to the compensation and security of company executives.	Directly Attributable – Number of Employees Ratio
Training	Provide general training costs to Pennsylvania-based employees. Costs for specific training are charged to the appropriate activity. For example, costs for compensation and benefits training would be charged to that activity rather than general training.	Indirectly Attributable – Human Resources Indirect

Department/Activity	Description	Assignment Method
<b>Office of General Counsel</b>		
Corporate Compliance Office	Provide various compliance services for all affiliated entities including compliance assessment and risk management, code of conduct, anti-fraud, ethics, helpline management and Critical Infrastructure Protection (CIP) Compliance. Allocation percentage is both direct to the business lines and indirect for services using headcount ratio provided by Financial Planning.	Directly Attributable – Number of Employees Ratio
PPL Corporation	Provides Corporate Communications and Public Affairs services that support corporate strategy, branding and identity.	Indirectly Attributable – OGC Indirect
PPL Corporation Federal Government Relations	Maintaining relationships with government policy makers and conducting lobbying activities at the federal level.	Directly Assignable – Company-Specific Direct Assignment
Corporate Media Relations	Provide internal and external communication support including design of corporate website and publications.	Indirectly Attributable – OGC Indirect
People for Good Government (PGG)	Public Affairs administration of People for Good Government.	Indirectly Attributable – OGC Indirect
State Government Relations	Support as needed to EU's state government relations office to maintain relationships with state government policy makers and conducting lobbying activities at the state level.	Directly Assignable – Company-Specific Direct Assignment
Public Affairs and Corporate Communications Administration	Administrative management of Corporate Communications and Public Affairs.	Indirectly Attributable – OGC Indirect
Corporate Relations	Provide community relations functions, corporate sponsorships to local organizations, and admin support for the PPL Foundation.	Directly Assignable – Company-Specific Direct Assignment
PPL EU Services	Corporate Communications advise to PPL EU Services.	Directly Assignable – Company-Specific Direct Assignment
PPL Electric Utilities	Public Affairs consultation/support for PPL Electric Utilities.	Directly Assignable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
PPL Global – US	Public Affairs consultation/support for PPL Global.	Directly Assignable – Company-Specific Direct Assignment
PPL Global – International	Public Affairs consultation/support for PPL Global.	Directly Assignable – Company-Specific Direct Assignment
Development – General	Amortization of prepaid PPL Arena expense.	Directly Assignable – Company-Specific Direct Assignment
Annual Meeting/Proxy	Legal services and Corporate Communications costs to manage the annual meeting and printing of the Proxy and Annual Report.	Directly Attributable – Book Enterprise Value Ratio
Board Services	Board member fees and expenses.	Directly Attributable – Book Enterprise Value Ratio
PPL Subsidiaries	Legal services related to subsidiaries of PPL Corporation	Directly Assignable - Company-Specific Direct Assignment
Distributed Energy Services	Provide support for any special projects related to Distributed Energy Resources.	Directly Assignable – Company-Specific Direct Assignment
Safari Energy	Provide support for any special projects related to Safari Energy.	Directly Assignable – Company-Specific Direct Assignment
PPL Renewables	Provide support for any special projects related to PPL Renewables.	Directly Assignable – Company-Specific Direct Assignment
General Corporate	Legal services related to corporate governance and securities.	Indirectly Attributable – OGC Indirect
Corporate External and Public Affairs	Legal services related to support of lobbying efforts managed by Public Affairs.	Indirectly Attributable – OGC Indirect
PPL Strategic Development	Legal services related to mergers and acquisitions.	Directly Assignable – Company-Specific Direct Assignment
Labor and Employment	Legal services related to PPL Services labor and employment matters.	Indirectly Attributable – OGC Indirect
Corporate – FERC Related	Legal services related to PPL Corporate FERC related matters.	Indirectly Attributable – OGC Indirect
PPL/EU Corporate Issues	Legal services related to bargaining unit contract negotiations.	Directly Assignable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
Office Expenses	Legal department administrative support expenses including wages, travel, subscriptions, training, etc. not specifically identified to a business line or activity.	Indirectly Attributable – OGC Indirect
Collections – Customer Support	Legal services related to collections on delinquent accounts and resolution of customer PUC complaints.	Directly Assignable – Company-Specific Direct Assignment
PPL EU Distribution	Legal services related to support of legal matters related to PPL EU Distribution business.	Directly Assignable – Company-Specific Direct Assignment
PPL EU Transmission	Legal services related to support of legal matters related to PPL EU Transmission business.	Directly Assignable – Company-Specific Direct Assignment
PPL EU Services	Legal services related to support of legal matters related to PPL EU Services.	Directly Assignable – Company-Specific Direct Assignment
PPL TransLink	Legal services related to support of legal matters related to PPL TransLink business.	Directly Assignable – Company-Specific Direct Assignment
PPL Global Issues	Legal services related to advice on PPL Global business issues.	Directly Assignable – Company-Specific Direct Assignment
LKE Servco Support	Legal services related to advice on Kentucky business issues.	Directly Assignable – Company-Specific Direct Assignment
<b>PPL Services Corporate</b>		
PPL Services	Non-support group specific PPL Services' costs, including rent and EU Services allocated costs, stock and ICA compensation, as well as high-level benefits adjustments.	Indirectly Attributable – Overall Support Group Direct/Indirect Ratio, Support Group Weighted Average Cost Ratio, 3-Factor Indirect Ratio
Depreciation	Depreciation recorded over the estimated useful life of property owned by PPL Services.	Directly Assignable – Company-Specific Direct Assignment; Indirectly Attributable – 3-Factor Indirect Ratio



## PPL EU Services – Description of Services

PPL EU Services employees from each department are provided cost collecting numbers allowing them to positive time report for specific projects as well as specific business lines they are supporting where appropriate. Remaining department costs are then allocated based on one of the prescribed methods listed below.

Department/Activity	Description	Assignment Method
All EU Services Departments – Emergency Support *(exception: Logistics Services)	Provide support to emergency events including but not limited to: storms, IT events such as telephony systems, email systems and system applications, cyber and physical attacks and pandemic situations. *Logistics services performs the same function in emergency support as it does in normal operations, therefore, that group maintains their normal operations charging in all situations.	Directly Assignable – Company-Specific Direct Assignment
All EU Services Department – Charitable Contribution	Provide support in the form of payments, donations or volunteer hours for charitable, social or community welfare purposes.	Unattributable
EU Services Communications		
Energy Efficiency Support	Provide communications, advertising and marketing for energy efficiency program.	Directly Assignable – Company-Specific Direct Assignment
External Communications	Through digital and printed materials and personal contact with key stakeholders in the community, the group ensures that PPL EU’s key messages and business objectives are delivered clearly and consistently in all sectors.	Indirectly Attributable – EU Services Indirect
Internal Communications	Provide employee and customer-directed communications including company intranet/internet, employee newsletters, announcements, speeches, graphic design, presentations and customer newsletter and bill inserts.	Indirectly Attributable – EU Services Indirect

Department/Activity	Description	Assignment Method
<b>EU Services Facilities</b>		
Building Operations and Maintenance	Provide vehicle /equipment leases, office administration and supplies, interior structures, equipment preventive maintenance, corrective maintenance, breakdown maintenance, operations, furniture maintenance and repairs, grounds maintenance, cleaning services and electric usage for all company owned buildings.	Directly Attributable – Square Footage Ratio
Customer Requests	Office and equipment relocations and specific work requests not included in building operations and maintenance activities.	Directly Assignable – Company-Specific Direct Assignment
Rent and Lease Costs	Building rents (lease payments and revenues) for non-PPL owned facilities.	Directly Assignable – Square Footage Ratio
<b>EU Services Finance</b>		
Accounting and Reporting	Provide accounting and reporting in conformity with the Securities and Exchange Commissions (SEC), U.S. Generally Accepted Accounting Principles (GAAP), the FERC Uniform System of Accounts (USofA), and the Pennsylvania Public Utility Commission (PaPUC), accounting research and interpretation and promulgation of accounting and internal control procedures, performing general ledger account and project analyses, reconciliations and consolidation, support to internal and external financial reports and audits, and business and financial system support and consultation.	Indirectly Attributable – EU Services Indirect
Energy Acquisition	Provide services related to managing the PPL Electric Utilities' default service programs, and scheduling and settlement activities with PJM Interconnection, L.L.C.	Directly Assignable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
Ethics and Compliance	Provide leadership and direction in the area of compliance to federal regulations imposed by the Federal Energy Regulatory Commission ("FERC"), including compliance to the North American Electric Reliability Corporation ("NERC") electric reliability standards and Critical Infrastructure Protection("CIP") standards. Compliance and Ethics Program oversight.	Indirectly Attributable – EU Services Indirect
Miscellaneous Billing	Provide billing and collections services to non-customer related billing activities such as property damage.	Directly Assignable – Company-Specific Direct Assignment
Planning and Analysis	Provide financial planning, analysis, forecasting and reporting.	Indirectly Attributable – EU Services Indirect
Property Accounting	Provide reporting and controls services including 10K, 10Q, Form 1, Form 3Q, Form 60, Cost of Service, Annual Depreciation Report, Depreciation Study, Mortgage tagging/release, FERC formula rate and related interrogatories, Sarbanes-Oxley activities, internal reporting, key performance indicators and forecasting related to property accounting. Providing monthly plant close and support utilizing Power Plant fixed asset systems including journal entry review and preparation as well as manage the expenditure requisition process.	Indirectly Attributable – EU Services Indirect
Property Accounting / Business Line Support	Provide guidance and training to business lines.	Directly Attributable – Company-Specific Direct Assignment

Department/Activity	Description	Assignment Method
Regulatory Affairs	Protects the interests of PPL Electric Utilities acting as the primary contact between PPL Electric Utilities and the Public Utility Commission working closely to coordinate filings, draft comments and drive PPL's regulatory strategy as well as handle community relations for PPL Electric Utilities, serving as the primary liaison between the company and local government officials, media relations and play a critical role in awarding funds to many worthwhile community groups and organizations.	Indirectly Attributable – EU Services Indirect
Regulatory Operations	Provide services for PPL Electric's compliance with the regulatory requirements of the PaPUC, the Federal Energy Regulatory Commission ("FERC") and other regulatory agencies, as necessary. As part of this function, the group is responsible for the preparation, review, technical oversight and guidance of the development, content and structure of cost of service and revenue requirement studies.	Directly Assignable – Company-Specific Direct Assignment
State Government Relations	Establishes and maintains key relationships with policymakers advocating for and against legislation and policy changes that impact PPL Electric Utilities while being closely involved with PPL's political action committee (PAC) and People for Good Government to support policymakers that protect the interests of PPL Electric Utilities.	Directly Assignable – Company-Specific Direct Assignment
EU Services HR		
Benefits	Provide services relating to the establishment and oversight of benefit plans for employees, retirees and survivors. This also includes vendor management, compliance with various laws and regulations, administrative vendor billings and maintenance of all personnel records.	Directly Attributable – Number of Employees Ratio

Department/Activity	Description	Assignment Method
Business Partners	Provides consultation and coaching regarding human resource and organizational issues, HR planning, recruitment and selection support and employee relations support.	Directly Assignable – Company-Specific Direct Assignment
Compensation	Provide services relating to the establishment and oversight of compensation policies for employees.	Directly Attributable – Number of Employees Ratio
Health Services	Provide services relating to the establishment and oversight of health services policies, procedures and forms for employees.	Directly Attributable - Number of Employees Ratio
Human Resource Information System	Provide support for implementing and maintaining information system access, configuration, and operation.	Directly Attributable - Number of Employees Ratio
Labor Relations	Provide communication and oversight for union matters, negotiation of union contracts and union dispute resolution services.	Directly Attributable - Number of Bargaining Unit Employees Ratio
Payroll Services	Provide services relating to payroll and compensation, time reporting and employee expenses.	Directly Attributable - Number of Employees Ratio
Talent Management	Provide initiatives and programs designed to support the PPL Electric Utilities' diversity strategy, with an emphasis on creating, designing and implementing the strategies and programs to achieve the company's diversity vision. This includes fostering and managing the internal and external relationships necessary to driving initiatives within the company and wider community customer base.	Directly Attributable - Number of Employees Ratio

Department/Activity	Description	Assignment Method
EU Services Information Technology ("IT") Services		
Cyber Security and Information	Provide services regarding all functions for data analytics, cyber security, and information management, cyber security governance and architecture, cyber security policy and controls, information governance, data architecture and strategy, access management and data analytics including cyber security analytics.	Directly Attributable – Number of Active Directory Group Users Ratio
Operations	Provide 24x7 operations center (fusion operation center, security operation center, triage/first responders, application support, help desk support, on-premise operations, end user device support (printers, work stations, cell phones, iPads, etc.), radio support and telecom and fiber management.	Directly Attributable – Number of Active Directory Group Users Ratio
Transformation	Provide services related to identity, research new technology trends, innovate and experiment with new technologies, partner with the business on new technology by understanding the current and future business needs, provide oversight and guidance on new technology needs, deploy new technologies while defining how to integrate with existing technologies, enforce standards, and continually optimize usage and costs.	Directly Attributable – Number of Active Directory Group Users Ratio
Planning	Provide services including budgeting and financial management, change management/work management, project (product) management, quality assurance, portfolio management, governance processes, performance management and asset management.	Directly Attributable – Number of Active Directory Group Users Ratio

Department/Activity	Description	Assignment Method
EU Services Supply Chain and Logistics Services		
Supply Chain Administration	Provide maintenance and analysis of the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance. Provide order management and general field support services for system maintenance, developing and monitoring of key performance metrics, supplying day to day variance and reconciliation reporting services and performing supplier certification services. Identify qualified minority and women owned businesses that are able to participate in competitive bidding opportunities.	Directly Attributable – Number of Employee Ratio
Contract Management	Provide contract management activities primarily related to the acquisition of contracted services in support of the completion of construction projects.	Directly Assignable – Company-Specific Direct Assignment
Materials Sourcing	Provide order management, logistics and inventory management services.	Directly Assignable – Company-Specific Direct Assignment
Warehouse Support	Provide services to purchase, store, handle and distribute materials and supplies as well as perform testing on meters and rubber goods.	Directly Assignable – Company-Specific Direct Assignment
EU Services Technical Development & Instruction		
Emergency Preparedness	Ensure PPL Corporation PA entities are prepared to respond effectively to emergency events including but not limited to: storms, IT events such as telephony systems, email systems and system applications, cyber and physical attacks, and pandemic situations.	Directly Attributable- Number of Employees Ratio
Training	Provide initiatives and programs designed to support personal and professional growth, with an emphasis on employee and leadership training, individual and career development, performance management, coaching, mentoring, session planning and employee engagement.	Directly Assignable – Company-Specific Direct Assignment

**PPL CORPORATION**  
**COST ALLOCATION AND TRANSFER PRICING MANUAL**  
**Chapter 4 - Cost Assignment Methods**

The cost of services provided by PPL Services and PPL EU Services will be directly assigned, distributed or allocated by activity, project/sub-project, FERC account, customer segment or another appropriate basis. PPL Services and PPL EU Services do not allow for direct charging of costs to affiliates. All costs must be recorded on PPL Services' or PPL EU Services' books and be allocated, either directly or indirectly. The methodologies listed below pertain to all other costs which are allocated based upon the fully distributed cost of providing the service.

***Directly Assignable*** – Expenses incurred for activities and services exclusively for the benefit of one affiliate.

***Directly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using direct measure of cost causation.

***Indirectly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using general measures of cost causation.

***Unattributable*** – Expenses or portions thereof incurred for activities and services that have been determined as not appropriate for apportionment.

**PPL Services Assignment Methods**

PPL Services will allocate the costs of service among the affiliated companies using one of several methods that most accurately distribute the costs. The method of cost allocation varies based upon the department rendering the service. Costs incurred between support groups within PPL Services, i.e. OGC costs for PPL Services-related HR issues, are indirectly allocated. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business. Rates are generally determined annually, semi-annually or monthly (based upon actual usage). The assignment methods used by PPL Services are as follows:

**Book Enterprise Value Ratio** – This ratio is calculated based on book enterprise value. The ratio is calculated on an annual basis.

**Business Line-Specific Task Ratio** – A weighted average of the time to complete various tasks and the number of business lines the tasks supported, calculated for a specific functional area. The ratio is calculated on an annual basis.

**Company-Specific Direct Assignment** – 100% of these costs are directly allocated to the specific company for which services were provided.



**Insurance Policies Ratio** – This ratio is based upon a composite percentage of individual insurance policies. This ratio is calculated on an annual basis.

**Number of Employees Ratio** – Based on the number of employees benefiting from the performance of a service. Examples may include executive headcount for executive services, PA-only headcount for compensation and benefits accounting, all-employee headcount for corporate compliance costs, etc. This ratio is calculated on an annual basis.

**Number of Instances Ratio** – This ratio is based upon the number of instances for a specific system. This ratio is updated on an annual basis.

**Number of Items Processed Ratio** – This ratio is based upon the number of items processed. This ratio is updated on a monthly basis, based upon actual usage.

**Number of Licenses Ratio** – This ratio is based upon the number of licenses for a specific system. This ratio is updated on an annual basis.

**Number of Operating Segments Ratio** – This ratio is based upon the number of operating segments covered by PPL Corporation. This ratio is calculated on an annual basis.

**Number of Plan Participants Ratio** – This ratio is based upon the number of participants in the pension plan. This ratio is updated semi-annually.

**Number of Users Ratio** – This ratio is based upon the number of users for a specific system. This ratio is updated on an annual basis.

**Number of Transactions Ratio** – This ratio is based upon the number of transactions processed. This ratio is updated on an annual basis.

**Overall Support Group Direct/Indirect Ratio** – The composite of total direct and indirect support group budgeted costs. This ratio is updated on an annual basis.

**Plan Assets Ratio** – This ratio is based upon the split of Pennsylvania and Kentucky plan assets in the pension. This ratio is updated semi-annually.

**Support Group Weighted Average Cost Ratio** – This ratio is a composite of costs by support group and the support group indirect ratio. This ratio is updated on an annual basis.

**Number of Interfaces Ratio** – This ratio is based upon the number of instances between PA & KY in TRAX and PA is further split by interface volume count. This ratio is updated on an annual basis.

### **PPL EU Services Assignment Methods**

PPL EU Services will allocate the costs of service among the affiliated companies using one of several methods that most accurately distribute the costs. The method of cost allocation varies based upon the department and/or group within a department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business. Rates are generally determined annually, semi-annually or monthly (based upon actual usage). The assignment methods used by PPL EU Services are as follows:

**Company-Specific Direct Assignment** – 100% of these costs are directly allocated to the specific company for which services were provided.

**Number of Bargaining Unit Employees Ratio** – Based on the number of bargaining unit employees benefiting from the performance of a service. This ratio is calculated on an annual basis.

**Number of Employees Ratio** – Based on the number of employees benefiting from the performance of a service. Examples may include PA-only headcount for compensation and benefits accounting, all-employee headcount for emergency command center costs, etc. This ratio is calculated on an annual basis.

**Number of Active Directory Group Users Ratio** – This ratio is based upon the number of employees granted access to objects and other resources such as computers, networks, operating systems, servers, directories, etc. managed by our IT Department. This ratio is updated on an annual basis.

**Square Footage Ratio** - A ratio based on the square footage of space rented, the numerator of which is the square footage rented by an associate company and the denominator is the total square footage rented to all associate companies. This ratio is updated annually, based upon actual occupancy.

### **Indirect Cost Allocation Methodology and Procedures**

(Note: As filed in the 2015 PPL Electric Utilities PUC Electric Rate Case as Filing Requirement Attachment II-D-8b)

In May 2002, the PUC issued its Focused Management and Operations Audit Report on PPL Electric and PPL Gas Utilities Corporation's utility subsidiaries. As part of that report, the PUC recommended a change to the PPL Corporation (PPL) method of allocating indirect costs from PPL Service Company (Service Co.) and PPL. The allocation method used through December 31, 2002 was a single factor allocation method using Invested Capital to determine the portion of indirect costs to be allocated to subsidiaries of PPL. Additionally, this method also determined if any of the indirect costs should not be allocated to a particular subsidiary or subsidiaries if the subsidiary or subsidiaries did not receive a

benefit from the processes incurring those costs. The PUC, however, indicated that a single factor indirect cost allocation method was not appropriate, although the PUC did agree that excluding certain subsidiaries from certain indirect cost allocations was appropriate.

In its audit, the PUC recommended that support costs be allocated using a three-factor methodology. The PUC recommended that the three-factor methodology should contain an employee or payroll factor, an asset or investment factor, and an operation and maintenance expense factor. Effective January 2003, PPL accepted the PUC's recommended three-factor method.

The three-factor allocation methodology results in a reasonable allocation of indirect costs to all subsidiaries of PPL. Because these subsidiaries are involved in several businesses, they may have disproportionate amounts of invested capital, operation and maintenance expenses and employees, when compared to other PPL subsidiaries. Through the three-factor allocation methodology, all subsidiaries that comprise a material proportion of PPL, as measured by either invested capital, operation and maintenance expenses, or employees, will receive an equitable proportion of the indirect cost allocation.

#### CALCULATION OF THE MULTI – FACTOR INDIRECT COST ALLOCATION

1. The first factor calculates each subsidiary's proportion of invested capital relative to its affiliates. For this calculation, invested capital includes all of the following components of invested capital for subsidiaries (Short Term Debt, Long Term Debt Due in One Year, Long Term Debt, Minority Interest, Company Obligated Preferred Stock, Preferred Stock, and Common Equity) that are added together and allocated by each subsidiary's relative Invested Capital as compared to its affiliates.
2. The second and third factors calculate each subsidiary's proportion of operation and maintenance expenses and number of employees relative to its affiliates. For these factors, the methodology generally is the same as for Invested Capital. Each subsidiary's data is summed and allocated by each subsidiary's relative operation and maintenance and employee data as compared to its affiliates.
3. PPL determined that each of the three factors was equal in importance and, therefore, the sum of the three was divided by three to obtain the average multi-factor allocation % for each subsidiary. For simplicity, and to reduce immaterial allocations, subsidiaries with a multi-factor average allocation rate of less than 1% are identified and do not receive an allocation from PPL Services.

#### EXCLUDING THE ALLOCATION OF CERTAIN INDIRECT COSTS TO AFFILIATES THAT DO NOT BENEFIT FROM THOSE COSTS

1. Each year, Support Groups analyze their indirect costs to determine which PPL subsidiaries do not receive a significant portion of their services. If these services and related costs are significant, the Support Groups isolate them from other indirect costs to ensure that the PPL subsidiaries that do not receive a benefit from the costs are not allocated costs applicable to those services. Support Groups identify either specific costs to be excluded or an appropriate % of services that should be excluded based on the operation and the expenses incurred.
2. After the Support Groups determine which PPL subsidiaries benefit from their services (or a % of them if applicable), Financial Planning calculates the allocation rate for each Support Group. If all of a particular Support Group's costs benefit the same set of PPL subsidiaries equally, the appropriate allocation method for that Support Group is obtained using the average multi-factor allocation % for each subsidiary as discussed on Page 1 of Attachment II-D-8b. If, however, a portion of the costs only benefit certain subsidiaries, while the balance of the costs benefit another set of subsidiaries, then, for accounting simplicity, a Support Group blended multi-factor allocation factor is calculated for that Support Group and used for allocating all the costs of that Support Group.

**PPL CORPORATION  
COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Chapter 5 - A Description of Assets, Services, and Products Provided by the Regulated Entity to Non-Affiliates**

In addition to delivering electric service to customers, PPL Electric Utilities Corporation (EU), a regulated entity, also provides products and services to some other non-affiliates (individuals, companies, or organizations outside the PPL Corporation family of companies). A significant portion of these functions and services pertain to repairing “pole hits”, extending power lines, and relocating customers’ services that generally correspond to the regulated business. Another example of services provided by EU includes interconnection services provided for independent power producers. These functions and services are billed to non-affiliates at the fully loaded cost.

**PPL Electric Utilities Rent Charges**

PPL Electric Utilities charges rent to occupants of its buildings. Intercompany rent charges include the costs of the Facilities Department to maintain and service the buildings as well as utility services associated with the buildings, such as electricity, water and sewer. These general costs are allocated and billed to the occupants of PPL Electric Utilities building space based on square footage occupied. Specific tenant services provided are billed to the recipient of the service. Finally, a rent adder is applied to all rent bills. The rent adder is based on a semi-annual market study of building rent rates within the PPL Electric Utilities service area and is used to increase the rent charges from cost to market rates.

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**Chapter 6 - Time Distribution and Asset Transfer Policies**

**Overview**

PPL Services and PPL EU Services utilize PowerPlan to setup activity and project/sub-project combinations to equate to services. Departments may set up multiple projects/sub-projects that map to services, or there may be a one-to-one relationship. On a monthly basis, each support group will review its costs and allocate the costs directly or indirectly, as appropriate.

Time Distribution

PPL Services and PPL EU Services have two methods of distribution to record employee salaries and wages while providing services for affiliated entities: positive time reporting and exception time reporting. Each department's or position's job activities will dictate the time reporting method used.

**Positive Time Reporting**

Positive time reporting requires an employee to track all chargeable hours every day. Each department or project manager is responsible for ensuring employees charge the appropriate time codes for the services performed. This form of time reporting is documented in the timekeeping systems, which upon completion, is approved by the employee's immediate supervisor.

**Exception Time Reporting**

Exception time reporting requires an employee to be assigned a task profile with default accounting. An employee who is an exception time reporter is only required to report overtime, variations to regular time (i.e. vacation, sick) and variations to default projects. These allocation percentages shall be reviewed on an annual basis, or when an employee's tasks and responsibilities change, to update to actual allocation percentages when needed.

Asset Transfers

Unless otherwise permitted by regulatory authority or exception, (i) transfers or sales of assets from regulated affiliates to non-regulated affiliates will be priced at the greater of cost or fair market value; (ii) transfers or sales of assets from non-regulated affiliates to regulated affiliates will be priced at the lower of cost or fair market value and (iii) transfers of assets between regulated affiliates shall be priced at no more than cost less depreciation. Settlement of liabilities will be treated in the same manner.

Note that transfers or sales of utility assets are subject to PA Statute 1102 and require the utility to file for regulatory approval unless the original cost of the items to be transferred is less than \$5,000 for non-realty and \$50,000 for realty, or if the property to be transferred is obsolete, worn out or otherwise unserviceable. All transfers of capital assets should be reviewed with PPL EU Services Property Accounting.

**PPL CORPORATION**  
**COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Appendix A – National Association of Regulated Utility Commissioners Guidelines for Cost Allocations and Affiliate Transactions**

**Guidelines for Cost Allocations and Affiliate Transactions:**

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to federal and state law. Each state or federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of



a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

#### A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.
2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.
3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.
4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.
6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.
7. Direct Costs - costs which can be specifically identified with a particular service or product.
8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.
9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes, but not limited to, overhead costs, administrative and general, and taxes.
11. Non-regulated - that which is not subject to regulation by regulatory authorities.
12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
13. Regulated - that which is subject to regulation by regulatory authorities.

14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

#### B. COST ALLOCATION PRINCIPLES

1. The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.
2. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
3. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
4. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
5. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.
6. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
7. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
8. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

#### C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to

ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.
2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.
3. A description of all assets, services and products provided by the regulated entity to non-affiliates.
4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

#### D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.
2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.
4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

#### E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.
2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.
3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.
4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.
5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

#### F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions associated with the provision of each service or product and the use or sale of each asset for the following:
  - a. Those provided to each non-regulated affiliate.
  - b. Those received from each non-regulated affiliate.
  - c. Those provided to non-affiliated entities.
2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

**PPL CORPORATION  
COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Appendix B – Affiliate Interest Agreement**



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July 21, 2016

***VIA ELECTRONIC FILING***

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: PPL Electric Utilities Corporation - Amended Services Agreement with PPL  
Corporation and Certain Subsidiaries  
Docket No. G-2016-**

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Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric"), pursuant to Chapter 21 of the Public Utility Code, 66 Pa.C.S. Chapter 21, is a proposed Services Agreement between PPL Electric and PPL Corporation. This Services Agreement is intended to supersede and replace PPL Electric's existing Services Agreement dated November 1, 2014, that was previously approved by the Pennsylvania Public Utility Commission ("Commission").

PPL Electric is filing this Services Agreement primarily to add LG&E and KU Services Company, a PPL Corporation subsidiary, to the existing Services Agreement. This will allow PPL Electric to provide and receive services from LG&E and KU Services Company, and vice versa. The initial impetus for this Services Agreement is to accommodate the consolidation of certain information technology and related services among several PPL Corporation subsidiaries, but other services may be provided over time. Additionally, the proposed Services Agreement updates the list of current PPL Corporation subsidiaries, which is provided as Appendix A.

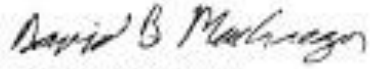
PPL Electric respectfully requests that the enclosed Services Agreement be considered as expeditiously as possible, consistent with the 30-day period for consideration of affiliate transactions set forth in Section 2102(b) of the Public Utility Code, 66 Pa.C.S. § 2102(b).

ALLIANTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.  
A PENNSYLVANIA PROFESSIONAL CORPORATION

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Rosemary Chiavetta  
July 21, 2016  
Page 2

Respectfully submitted,



David B. MacGregor  
Principal

DBM/ctw  
Enclosure

cc: Paul T. Diskin  
Anthony J. Rametta

14545136v1



### Services Agreement

This Agreement is made as of \_\_\_\_\_, by and between PPL Corporation, a Pennsylvania corporation ("PPL Corporation"), and PPL Electric Utilities Corporation, a Pennsylvania corporation ("PPL Electric"). This Services Agreement supersedes and replaces the Services Agreement between PPL Electric and PPL Corporation dated November 1, 2014.

WHEREAS, PPL Corporation is an energy and utility holding company and, under its Articles of Incorporation, may engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law; and

WHEREAS, PPL Electric is a subsidiary of PPL Corporation and is engaged in providing electric distribution, transmission and default supply service to customers in portions of central eastern Pennsylvania subject to regulation by the Pennsylvania Public Utility Commission ("PaPUC") and the Federal Energy Regulatory Commission ("FERC"); and

WHEREAS, PPL Corporation and PPL Electric each possess knowledge and skill in various aspects of business operations; and

WHEREAS, the provision of certain services between PPL Corporation and PPL Electric will enable the parties to obtain these services effectively and efficiently; and

WHEREAS, PPL Corporation desires to procure services from PPL Electric on a non-exclusive basis, and PPL Electric is willing to provide these services; and

WHEREAS, PPL Electric desires to procure services from PPL Corporation on a non-exclusive basis, and PPL Corporation is willing to provide these services;

**NOW, THEREFORE**, in consideration of the agreements set forth herein and intending to be legally bound hereby, PPL Corporation and PPL Electric agree as follows:

**A. Services**

1. PPL Corporation agrees to provide, on an as-available basis, such services as may from time to time be requested by PPL Electric. These services may include management, supervisory, construction, engineering, accounting, legal, financial or similar services, as necessary and appropriate to the safe, efficient and/or cost effective operation of PPL Electric's business. A non-exclusive list of services that may be provided to PPL Electric includes, but is not limited to:

- Management services.
- Supervisory services.
- Construction services.
- Engineering services.
- Restoration of utility services.
- Information Technology services.
- External Affairs services.
- Human Resources services.
- Environmental Management services.
- Financial services.
- Auditing services.
- Risk Management services.
- Insurance services.

- Legal services.
- Call Center services.
- Billing services.
- Purchasing services.
- Supply Chain services.
- Real Estate services.
- Facilities Management services.
- Electronic data interchange ("EDI") services.
- Administrative services.
- Corporate Secretarial services.
- Other services that may be necessary for the safe, efficient and/or cost-effective operation of PPL Electric's business.

2. PPL Electric agrees to provide, on an as-available basis, such services as may from time to time be requested by PPL Corporation. These services may include management, supervisory, construction, engineering, accounting, legal, financial or similar services, as necessary and appropriate to the safe, efficient and/or cost effective operation of PPL Corporation's business, including, but not limited to, the non-exclusive list of services set forth in Paragraph A(1) above.

3. PPL Corporation and PPL Electric may obtain services of this nature from time to time on an as-needed basis. Neither PPL Corporation nor PPL Electric is under any obligation to procure a set amount of services pursuant to this Agreement.

**B. Pricing**

The price for services provided pursuant to Section A of this Agreement will be determined as set forth below; provided however that if a particular transaction is

subject to regulation by the FERC or another federal regulatory agency, and the rules of these agencies require a pricing mechanism that is different than provided herein, the Parties will follow the rules required by the federal agency, as applicable.

1. Direct Assignment

Pricing under this Agreement will be based on a direct assignment or attribution to the affiliate receiving the service to the extent reasonably possible.

2. Allocation

If pricing cannot be determined based on a direct assignment or attribution, it will be based on an allocation between the parties based on a reasonable approximation of the costs attributable to each party(ies).

If pricing cannot be determined as provided above, costs will be allocated using a three-factor methodology. The three factors are: (1) invested capital, (2) operation and maintenance expense, and (3) number of employees. The first factor will be calculated based upon each subsidiary's proportion of invested capital relative to its affiliates. The second factor will be based on each subsidiary's proportion of operation and maintenance expenses relative to its affiliates. The third factor will be based on each subsidiary's number of employees relative to its affiliates.

Each of the three factors will be weighted equally in importance. Therefore, the sum of the three factors will be divided by three to obtain the average multi-factor allocation percentage for each subsidiary. To reduce immaterial allocations, subsidiaries with a multi-factor average allocation rate of less than 1 percent will not receive an allocation.

PPL Corporation and/or its subsidiaries maintain Support Groups which may provide services to PPL Corporation and its subsidiaries. Support Groups will periodically analyze their indirect costs to determine which PPL Corporation subsidiaries do not receive a significant portion of their services. If these services and related costs are significant, the Support Groups will isolate them from other indirect costs to ensure that the PPL Corporation subsidiaries that do not receive a benefit from the costs are not allocated costs applicable to those services. Support Groups will identify either specific costs to be excluded or an appropriate percentage of services to be excluded based on the operation and the expenses incurred.

After the Support Groups determine which PPL subsidiaries benefit from their services (or a percentage of them if applicable), the allocation rate for each Support Group will be calculated. If all of a particular Support Group's costs benefit the same set of PPL Corporation subsidiaries equally, the appropriate allocation method for that Support Group will be obtained by using the average multi-factor allocation percentage for each subsidiary as discussed above. If, however, a portion of the costs only benefit certain subsidiaries, while the balance of the costs benefit another set of subsidiaries, then a Support Group blended multi-factor allocation factor will be calculated for that Support Group and used for allocating all the costs of that Support Group.

**C. General**

**1. Subsidiary Participation**

"PPL Corporation" as used in this Agreement includes all subsidiary and affiliated companies of PPL Corporation other than PPL Electric and LG&E and KU Energy, LLC's ("LKE") utility subsidiaries Louisville Gas and Electric Company and Kentucky

Utilities Company. A current list of PPL Corporation's subsidiaries is provided as Appendix A to this Agreement. PPL Electric will file an update of this list annually with the PaPUC. New PPL Corporation subsidiaries that are added before each annual update will be subject to this Agreement in the meantime. As set forth above, LKE's subsidiaries, Kentucky Utilities Company ("KU"), Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP"), Louisville Gas and Electric Company ("LG&E") are not parties to this Agreement. This Agreement does not bind or otherwise obligate KU or LG&E. In the event that PPL Electric seeks to enter into a services contract with LKE's subsidiaries KU or LG&E, PPL Electric will file a separate affiliate agreement to cover those services.

2. Term

The term of this Agreement shall commence on the date first set forth above or the date on which the PaPUC approves this Agreement, whichever is later. Thereafter, this Agreement shall continue in full force and effect until terminated by either of the parties upon 15 days' written notice to the other party of its election to do so.

3. Billing

The party providing services under Section A of this Agreement shall bill on a monthly or more frequent basis the party receiving such services. Such bills shall reference the service provided and the associated prices, which shall be determined in accordance with Section B of this Agreement.

4. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties have executed this Agreement as set forth  
below.

**PPL Corporation**

By: Stephen K. Pappalardo

**PPL Electric Utilities Corporation**

By: Matthew C. Burns

## Appendix A

### PPL CORPORATION SUBSIDIARIES AND AFFILIATES

Airborne Clean Energy Ltd.	PPL EU Services Corporation
Airborne Pollution Control, Inc.	PPL Foundation
Aztec Insurance Limited	PPL Global, LLC
Central Networks Trustees Limited	PPL Infrastructure Services, LLC
CEP Commerce, LLC	PPL Island Limited
CEP Landing, Inc.	PPL Midlands Limited
CEP Reserves, Inc.	PPL Power Insurance Ltd.
DCUSA Limited	PPL Services Corporation
DHA, LLC	PPL Strategic Development, LLC
Downtown Commercial Loan Fund, LLC	PPL TransLink, Inc.
Ebusiness South West Limited	PPL UK Holdings, LLC
Electralink Limited	PPL UK Investments Limited
Electric Energy, Inc.	PPL UK Resources Limited
Electricity Association Services Limited	PPL UK Distribution Holdings Limited
Electricity Pensions Limited	PPL WEM Limited
Electricity Pensions Trustee Limited	PPL WPD Limited
Energy Networks Association Limited	Smart Energy Code Company Limited
FCD LLC	South Wales Electricity Share Scheme Trustees Limited
Gemserv Limited	South Western Helicopters Limited
Hyder Limited	Spinnaker Quay Management Company Limited
Hyder Profit Sharing Trustee Limited	Surf Telecoms Limited
Hyder Share Scheme Trustee (2) Limited	The Ombudsman Service Limited
Hyder Share Scheme Trustee Limited	Victory Park Management Company Limited
Indiana-Kentucky Electric Corporation	Western Kentucky Energy Corp.
Infralec 1992 Pension Trustee Limited	Western Power Distribution (East Midlands) plc
Jopps & Eastern Railroad Company	Western Power Distribution (West Midlands) plc
Kelston Properties Limited	Western Power Distribution (South Wales) plc
Kelston Properties 2 Limited	Western Power Distribution (South West) plc
Kentucky Utilities Company	Western Power Distribution Investments Limited
Lexington Utilities Company	Western Power Distribution plc
LG&E and KU Capital LLC	Western Power Generation Limited
LG&E and KU Energy LLC	Western Power Pension Trustee Limited
LG&E and KU Foundation Inc.	Willow Farm Management Company Limited
LG&E and KU Hydro I LLC	WPD Foundation
LG&E and KU Services Company	WPD Investments Limited
LG&E Energy Inc.	WPD Limited
LG&E Energy Marketing Inc.	WPD Limited (Guernsey)
Louisville Development Bancorp, Inc.	WPD Midlands Networks Contracting Limited
Louisville Gas and Electric Company	WPD Midlands Properties Limited
Merchants Landing (Amenities) Limited	WPD Distribution Networks Holdings Limited
Met-South, Inc.	WPD Property Developments Limited
Meter Operator Services Limited	WPD Property Investments Limited
Meter Reading Services Limited	WPD Property Limited
Metro Bank, Inc.	WPD Share Scheme Trustees Limited
Midwest Electric Power, Inc.	WPD Smart Metering Limited
MRA Service Company Limited	WW Share Schemes Trustees Limited
Northmere Limited	
Ohio Valley Electric Corporation	
PMDC Chile, LLC	
PMDC International Holdings, Inc.	
PP&L Residual Corporation	
PPL Capital Funding, Inc.	
PPL Cayman, LLC	
PPL Electric Utilities Corporation	
PPL Energy Funding Corporation	



**PPL CORPORATION**  
**COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Appendix C – Accounting Policies and Procedures Number 906 – Collection of Costs Associated with Acquisitions and Divestitures**

**Section: Other Last Update/Review: 11/16/20**

**Subject: Collection of costs associated with acquisitions and divestitures**

**Number: 906 Contact: Marci Haydt**

**I. Purpose**

To establish procedures for the collection of costs associated with acquisitions and divestitures, with the primary goal of ensuring that the costs of such activities do not result in the subsidization of non-regulated affiliates by regulated affiliates.

**II. Applicability**

This policy is applicable to all affiliated companies that consolidate up to PPL Corporation. LKE, DER and WPD are expected to have supporting procedures to ensure that costs incurred associated with acquisitions and divestitures are tracked and reported consistent with this policy.

**III. Definitions**

Affiliated company: a PPL Corporation Business Unit (legal entity or non-legal entity; domestic or international).

Strategic Development Group: a PPL Energy Funding unregulated affiliate that leads merger and acquisition/disposition activities. The Strategic Development Group is not part of an operating segment and is independent of any and all PPL Corporation regulated affiliates.

**IV. Accounting Practice**

Costs associated with acquisitions and divestitures are generally expensed on the Statement of Income, in accordance with GAAP.

**V. Procedures**

**Cost Collecting**

- The Strategic Development Group generally initiates activities associated with acquisitions and divestitures. The Strategic Development Group requests a project (cost collecting

number) be created in BMI to accumulate charges and track costs. Financial Planning creates the project for the Strategic Development Group.

- The Strategic Development Group forms a core team from across the PPL Corporation that will initially be involved with the specific project. Confidentiality agreements are executed as appropriate.

The Strategic Development project leader or their appointee must instruct all team members on the proper accounting of costs:

- Team members from business line affiliates other than PPL Services and PPL EU Services, LKE and WPD are permitted to directly charge the Strategic Development project number, mapped to a general ledger account provided by Financial Planning.
- Team members from PPL Services or PPL EU Services support groups must each create a project within their own group and charge their own project. It is the responsibility of each PPL Services team member to ensure costs emanating from within their own group are properly collected. This includes the need to override pre-determined accounting. Each month they must provide Financial Planning relevant cost information for transfer to Strategic Development through the monthly Service Level Agreement (SLA) journal entry process. Again, these projects must be mapped to a general ledger account provided by Financial Planning.
- Team members from LKE, DER and WPD also ensure that their costs associated with acquisition and divestiture activities are collected and accounted in accordance with their supporting procedures. Financial Planning must be contacted to ensure that such costs are recorded consistently on the consolidated financial statements.

In certain instances it may be advantageous to transfer such costs to PPL Corporation. Such situations would require consultation between LKE, DER or WPD management with representatives from PPL's corporate Financial Department (Controller's, Tax and Financial Planning.)

### **Accounting**

- Financial Reporting/Technical Accounting, Corporate Accounting and the applicable accounting group within the Controller's Department will determine appropriate mapping of costs associated with acquisitions and divestitures to specific line items on the Statement of Income.
- Corporate Accounting will coordinate segment reporting impacts with Financial Planning.

## **VI. Responsibilities**

Questions should be directed to the Manager-Corporate Budgeting in Financial Planning or the Director-Shared Accounting Services in the Controller's Department.

## **VII. Regulatory Guidance**

Pennsylvania Public Utility Commission and Federal Energy Regulatory Commission Standards of Conduct stipulate that PPL Corporation is subject to the separate cross-subsidization restrictions on affiliate transactions involving sales and purchases of non-power goods and services.

**PPL CORPORATION**  
**COST ALLOCATION AND TRANSFER PRICING MANUAL**

**Appendix D – LG&E and KU Service Company Cost Allocation Manual**

**LG&E and KU Services Company**  
**Cost Allocation Manual**

Effective [January 1, 2020]

CAM	Cost Allocation Manual
CCS	Customer Care System
FERC	Federal Energy Regulatory Commission
HR	Human Resources
IT	Information Technology
KPSC	Kentucky Public Service Commission
KU	Kentucky Utilities Company
LG&E	Louisville Gas and Electric Company
LKC	LG&E and KU Capital LLC
LKE	LG&E and KU Energy LLC
LKE Foundation	LG&E and KU Foundation
LKS	LG&E and KU Services Company
PPL	PPL Corporation
PPL Capital	PPL Capital Funding, Inc.
PPLEU	PPL Electric Utilities Corporation
PPLEU Services	PPL EU Services Corporation PPL
PPL Insurance	Power Insurance, Ltd.
PPL Services	PPL Services Corporation
PUHCA 2005	The Public Utility Holding Company Act of 2005
SEC	U.S. Securities and Exchange Commission
VSCC	Virginia State Corporation Commission

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## **I. INTRODUCTION**

PUHCA 2005 states that centralized service companies must maintain and make available to the FERC their books, accounts and other records in the specific manner and preserve them for the required periods as the FERC prescribes in Title 18 Code of Federal Regulations Part 368 of the FERC Uniform System of Accounts. These records must be in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. The purpose of this CAM is to document the methods, policies and procedures that LKS will follow in performing certain services for affiliate companies and in receiving certain services or charges for affiliated companies from PPL Services, PPLEU Services and other PPL entities. In developing this CAM the overriding goal was to protect investors and consumers by ensuring the methods, policies and procedures contained in this CAM were PUHCA 2005 compliant so that LKS, PPL Services, and PPLEU Services costs are fully segregated, and fairly and equitably allocated among the affiliate companies. LKS was authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC on December 6, 2000, and commenced operations January 1, 2001. LKE is a Kentucky limited liability company and the parent of KU and LG&E. KU and LG&E are subject to the jurisdiction of and oversight by the KPSC. In addition, KU is subject to the jurisdiction of and oversight by the VSCC. PPL Services and PPLEU Services are Delaware corporations authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates, including LKE. Under Kentucky regulatory law, KU and LG&E are required to have a cost allocation manual on file with the KPSC. KU is required to have a services agreement for any affiliate transaction approved by the VSCC prior to the transaction.

Periodic changes to the CAM may be necessary due to future management decisions, changes in the law, interpretations by state or federal regulatory bodies, changes in structure or activities of affiliates, or other internal procedures.

## **II. CORPORATE ORGANIZATION**

### **OVERVIEW**

LKE is an indirect wholly-owned subsidiary of PPL, headquartered in Allentown, Pennsylvania. LKE has five direct subsidiaries: LG&E, KU, LKC, and LKS. LKE has an affiliate relationship with LKE Foundation due to overseeing all operations of the foundation.

LKE and its utility subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity. LG&E is also engaged in the storage, distribution, and sale of natural gas. LKE and its subsidiaries are subject to the regulatory provisions of PUHCA 2005. LG&E and KU are subject to regulation by the FERC and the KPSC. KU is also subject to regulation by the VSCC.

PPL is a holding company with nine direct subsidiaries, including LKE, PPLEU, PPL Services, PPLEU Services, PPL Capital Funding, Inc., PPL Insurance, and PPL Energy Funding

Corporation, the direct parent of CEP Reserves Inc. PPL, PPLEU, PPL Services and PPLEU Services are subject to the provisions of PUHCA 2005.

## **LKE's UTILITY OPERATIONS**

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E is a wholly-owned subsidiary of LKE. LG&E supplies electricity and natural gas to customers in Louisville and adjacent areas in Kentucky.

KU, incorporated in Kentucky in 1912 and in Virginia in 1991, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky and Virginia. KU is a wholly-owned subsidiary of LKE.

LG&E and KU have mutual assistance agreements with PPLEU for system restoration in emergencies.

## **SERVICE COMPANIES**

LKS, a Kentucky corporation, is a centralized service company registered under PUHCA 2005 and is authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC dated December 6, 2000, and commencing operation January 1, 2001. LKS is the service company for affiliated entities, including LKE, LG&E, KU, and LKC and provides a variety of administrative, management, engineering, construction, environmental and support services. LKS provides its services at cost, as permitted under PUHCA 2005.

Development of the LKS organization was predicated on the fact that if the employee performed activities benefiting more than one affiliate, that employee would become a part of the LKS organization. In many respects, employees working in typical finance, administrative and general, management and other support departments are fully subject to LKS organizational placement.

Many operational employees dedicated to providing a service to just one affiliate, by definition, are not subject to LKS placement. However, management and support staff overseeing the business activities of more than one of these operational groups are subject to LKS placement.

As a result of PPL's acquisition of LKE, PPL became a multi-state utility holding company subject to PUHCA 2005. PPL Services and PPLEU Services, Delaware corporations, are centralized services companies registered under PUHCA 2005 and authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates. PPL Services and PPLEU Services are the service companies for affiliated PPL entities, including PPL Electric Utilities Corporation, and provide a variety of administrative, management, environmental, and support services. PPL Services and PPLEU Services provide their services at cost, as permitted under PUHCA 2005.



## **OTHER BUSINESS OPERATIONS**

LKE Foundation, a charitable foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, makes charitable contributions to qualified entities.

LKC is a holding company for other LKE non-utility businesses which are generally inactive from an operational standpoint, but have certain remaining support or contingent business obligations.

LKS transacts business for LKE Foundation, LKC and PPL and its affiliates on behalf of LKE.

LKE also receives services from CEP Reserves Inc. that benefit its non-utility activities.

### III. TRANSACTIONS WITH AFFILIATES

#### OVERVIEW

LKE formed LKS, as a service company to provide services for affiliated companies. PPL formed PPL Services and PPLEU Services as service companies to provide services for affiliated companies. LKS, PPL Services, PPLEU Services, and affiliated companies (or their parent entities) may enter into service agreements, which may establish the general terms and conditions for providing those services, including those mentioned in Section IV of the CAM.

At formation, certain LG&E, KU and LKE employees became employees of LKS and such employees continued to provide services to the regulated and non-regulated entities. Similarly, at formation, certain PPL employees became employees of PPL Services and PPLEU Services and such employees continued to provide services to the regulated and non-regulated entities.

Regulated affiliates receive services at cost, pursuant to the service agreements. Non-regulated affiliates generally receive services at cost; however, certain services may permit pricing at fair- market value. The provisions included in contracts or service agreements govern transactions among LKS, PPL Services, PPLEU Services, and their regulated and non-regulated affiliates.

KU and LG&E are required by the KPSC and the VSCC to use the “stand alone” method for allocating their respective tax liabilities (or tax benefits) so that such tax liabilities (or tax benefits) will not exceed the tax liabilities (or tax benefits) each would incur if it filed its tax returns separately from the consolidated returns filed by PPL. KU and LG&E have filed a separate PPL Corporation and Subsidiaries tax allocation agreement with the KPSC and the VSCC. The allocation of the respective tax liabilities (or tax benefits) of KU and LG&E therefore are not within the scope of this CAM.

#### Definitions of Cost

***Tariff Rate*** – The price charged to customers under applicable tariffs on file with federal or state regulatory commissions.

***Fair Market Value*** – The price held out by a providing entity to the general public in the normal course of business (i.e. the price at which a reasonable buyer and a reasonable seller are willing to transact in the normal course of business).

***Cost*** – The charge used for transactions with affiliates for which no tariff rate or fair market value is applicable. LKS follows the definition of cost defined in PUHCA 2005.

### IV. DESCRIPTION OF SERVICES

The following table provides service descriptions along with the frequency of services provided and the primary affiliate receiving the services. See below for definitions of frequency and primary affiliates. The table also contains the cost assignment methods used to allocate indirectly attributable costs for these

services, when necessary. Note that a departmental charge ratio may also be used for any service with indirectly attributable costs, but only if the use of the cost assignment method for the service would not result in the fair assignment of costs.

Detailed descriptions of cost assignment methods are provided in Section V. Also see section V for definitions of directly assignable, directly attributable and indirectly attributable. The cost assignment methods in the table below should be used only when costs of a good or service cannot be directly assignable or directly attributable.

#### **Definitions of Frequency**

***Ongoing*** – Provided on a prearranged, continuous basis (i.e., daily)

***Frequent*** – Provided as requested on a regular basis (i.e., several times per month)

***Infrequent*** – Provided as requested on an irregular basis (i.e., several times per year)

#### **Definitions of Primary Affiliates**

All charges by LKS, PPL Services, and PPLEU Services to affiliated entities follow the principle of fully distributed cost. Primary affiliates receiving the service are designated below as:

R – Regulated (LG&E and KU)

NR – Non-regulated (LKE, LKC, and LKE Foundation)

A – All

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Customer and Customer-Related Services</b>				
Customer Service	Providing call center and customer communication services for both electric and gas customers.	Number of Customers Ratio	Ongoing	R
Sales and Marketing	Providing programs for establishing strategies, oversight for marketing, sales and branding of utility and related services, and conducting marketing and sales programs for economic development and demand side management.	Number of Customers Ratio	Frequent	R
Economic Development and Major Accounts	Maintaining community development, partnerships with state, regional, and local economic development allies, and customized products and services	Number of Customers Ratio	Frequent	R
Meter Reading Services	Providing meter reading and meter data services, including maintaining inventory, quality and environmental issues, policy and standards, technical support, and logistics.	Number of Meters Ratio	Ongoing	R
Cash Remittance	Providing remittance processing, customer payments, and collection services.	Revenue Ratio	Ongoing	R
Billing Integrity	Administering and providing customer billings and credit reviews.	Number of Customers Ratio	Ongoing	R
Energy Efficiency	Providing energy efficiency programs to residential and commercial customers to encourage implementation of energy saving measures.	Number of Customers Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Smart Grid Strategy	Providing leadership and direction for smart meter and smart grid strategy development, investment and decision analysis to support value-added infrastructure deployments.	Number of Customers Ratio	Ongoing	R
Field Services	Completing customer requested service orders generated through Residential Service Center, Business Service Center, KU Business Offices, Billing Integrity and Meter Assets. Supporting Meter Shop activities and Public Safety Response Team needs.	Total Utility Plant Assets Ratio	Ongoing	R
CCS Retail Business Readiness	Providing end user support services, development and capture of business metrics and development, and delivery of training for the Company's CCS.	Number of Customers Ratio	Ongoing	R
<b>Power Production and Generation Services</b>				
Project Engineering	Coordinating and managing all major generation construction.	Generation Ratio	Infrequent	R
System Laboratory	Providing system laboratory services to the generating stations.	Total Utility Plant Assets Ratio	Ongoing	R
Generation	Providing centralized, fleet-wide technical expertise for generation asset management, technical guidance for various functional initiatives and coordination of operational research and development.	Total Utility Plant Assets Ratio; Generation Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Generation Services	Providing management services and oversight to Power Generation.	Total Utility Plan Assets Ratio; Generation Ratio	Ongoing	R
Fuel Procurement	Procuring coal, natural gas, oil and other bulk materials for generation facilities and ensuring compliance with price and quality provisions of fuel contracts.	Contract Ratio	Ongoing	R
<b>Transmission Operations &amp; Services</b>				
Strategy, Reliability and Tariffs	Providing transmission system reliability planning and identifying current and future upgrades that are needed to maintain reliability. Providing facility ratings, drawings and reliability metrics. Coordinating and managing transmission tariffs and agreements with outside parties for use of the transmission system.	Transmission Ratio	Ongoing	R
Operations and Construction	Coordinating and managing all maintenance and capital upgrades to transmission substations. Coordinating and managing all maintenance and capital upgrades to the transmission lines. Providing transmission system control center services. Managing and maintaining the Energy Management System. Coordinating and managing the balance between scheduled transmission usage and actual transmission usage by other companies.	Transmission Ratio; Total Utility Plant Assets Ratio	Ongoing	R
Reliability and Compliance	Ensuring that the Transmission Department is complying with all applicable regulatory standards.	Transmission Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Energy Supply and Analysis Services</b>				
Energy Marketing	Providing market services to take advantage of the highest excess generation prices in the open market.	Generation Ratio	Ongoing	R
Market Forecasting	Providing management services for financial forecasts of the utility market.	Generation Ratio	Frequent	R
Load Forecasting	Providing short- and long-term load forecasting services.	Generation Ratio	Frequent	R
Generation Planning and Analysis	Providing short- and long-term generation planning services.	Generation Ratio	Ongoing	R
<b>Distribution Operations Services</b>				
Network Trouble Dispatch	Providing dispatch services, reporting outage situations and coordinating restoration.	Number of Customers Ratio	Ongoing	R
Electric Engineering	Providing development engineering and construction standards, distribution system planning and analysis, substation construction project management and telecommunications systems design and analyses.	Total Utility Plant Assets Ratio	Ongoing	R
Distribution Asset Management	Leading management and investment decisions regarding distribution assets, including resource allocation, developing uniform standards and procedures, determining performance targets and managing assets information and data.	Number of Customers Ratio; Total Utility Plant Assets Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Forestry	Providing vegetation and tree management.	Total Utility Plant Assets Ratio	Frequent	R
Substation Construction and Maintenance	Providing engineering and design services for substation construction, maintenance and operations areas.	Total Utility Plant Assets Ratio	Frequent	R
Electric Reliability/Analysis	Providing reliability engineering for operation centers, data analytics, support of distribution information technology applications, and mapping services.	Total Utility Plant Assets Ratio	Ongoing	R
<b>Safety and Technical Training</b>				
Safety and Technical Training	Providing safety governance and technical training to company operations areas.	Number of Employees Ratio; Revenue, Total Assets and Number of Employees Ratio; Generation Ratio; Total Utility Plan Assets Ratio; Transmission Ratio	Frequent	R



<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Financial Planning and Budgeting Services</b>				
Budgeting	Providing services related to managing, coordinating and reporting for the budgeting and forecasting process.	Revenue, Total Assets and Number of Employees Ratio; Transmission Ratio; Generation Ratio; Number of Customers Ratio	Frequent	A
Financial Planning	Providing financial planning and forecasting, investment analysis and investment planning reporting.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Controller Organization Services</b>				
Accounting and Reporting	Providing accounting and reporting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and the FERC Uniform System of Accounts (USofA), accounting research and interpretation and promulgation of accounting and internal control procedures, performing U.S. GAAP general ledger account and project analyses, reconciliations and consolidation, internal and external financial reports, and business and financial system support and consultation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Property Accounting	Maintaining, analyzing and reporting related to property records.	Total Utility Plant Assets Ratio	Ongoing	R
Revenue Accounting	Managing and analyzing internal and external revenue reporting.	Revenue Ratio	Ongoing	R
<b>Corporate Tax and Payroll Organization Services</b>				
Payroll	Providing payroll services including the managing of payroll systems.	Number of Employees Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Tax Accounting, Compliance and Reporting	Preparing consolidated and subsidiary federal, state and local income tax returns; current and deferred tax accounting; utility gross receipts tax; sales/use tax; property tax; LKE Foundation returns; and supporting roles for project development and tax legislation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
<b>Audit Services</b>				
Audit Services	Providing coordination, implementation and maintenance of the Company's program for compliance with the Sarbanes-Oxley Act of 2002.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
<b>Sarbanes-Oxley Compliance Services</b>				
Sarbanes-Oxley Compliance	Providing coordination, implementation and maintenance of the Company's program for compliance with the Sarbanes-Oxley Act of 2002.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Treasury Services</b>				
Treasury and Corporate Finance	Providing management and monitoring of cash flows including review and acquisition of business entity cash requirements and procurement of short-term financing and credit lines. Providing overall finance options including evaluating new financing vehicles and instruments, analyzing existing financing positions and raising long-term funds for all entities.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Risk Management	Managing outside providers of risk services comprised of providing insurance and assisting affiliated entities in managing property and liability risks including claims, security, environmental, safety and consulting services.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	R
Credit Administration	Providing management of credit risk for wholesale energy sales and major vendors.	Generation Ratio	Ongoing	R
Energy Marketing Trading Controls	Performing reporting on the trading portfolios. Performing validation of significant transactions, valuation algorithms, ensuring trading system security and testing trading system enhancements.	Generation Ratio	Ongoing	R

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Supply Chain and Logistics Services</b>				
Supply Chain	Maintaining and analyzing the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance. Providing order management, materials handling and logistics and inventory management services. Providing order management and general field support services for system maintenance, developing and monitoring of key performance metrics, supplying day to day variance and reconciliation reporting services and performing supplier certification services. Identifying qualified minority and women owned businesses that are able to participate in competitive bidding opportunities, perform on-going work and ultimately become key supplies to LKE and subsidiaries.	Revenue, Total Assets and Number of Employees Ratio; Number of Employees Ratio	Ongoing	A
Accounts Payable	Processing payments for purchase orders, check requests, employees' expense reimbursements, etc., and providing ad-hoc research and analysis.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>IT Services</b>				
IT Security	Providing services associated with non-project management, security and administrative support. This function includes developing and administering security policies and procedures. Providing services associated with compliance activities and security related administration support. This function includes development, implementation and on-going compliance activities for the NERC Critical Infrastructure Protection (CIP) Program.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
IT Applications Development and Support	Providing services associated with each of the existing applications that IT provides to the business. These services include costs incurred related to application license fees and application support costs. Providing services associated with existing end user tools and related productivity software. Providing end user support services, and development.	Network Users Ratio; Number of Employees Ratio; Number of Customers Ratio; Ultimate Users Ratio	Ongoing	A

<b><u>Service</u></b>	<b><u>Description</u></b>	<b><u>Assignment Method</u></b>	<b><u>Frequency</u></b>	<b><u>Primary Affiliate</u></b>
IT Infrastructure and Operations	Providing services related to the corporate-wide shared computing infrastructure, including servers, storage and data center operations. Providing services related to all corporate-wide network capabilities including wide area transport networks, local area networks, wireless networks, telephone systems, telecommunications for SCADA and two-way radio systems. Providing services related to a number of enterprise applications including e-mail, SharePoint, instant messaging and others. This function includes the operations of the NERC Critical Infrastructure Protection (CIP) Program.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
IT Governance	Providing services including business relationship management, project management, requirements, and planning.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
IT Business Services	Providing services including business analysis, testing, service management and process management	Network Users Ratio; Number of Employees Ratio	Ongoing	A

<b><u>Service</u></b>	<b><u>Description</u></b>	<b><u>Assignment Method</u></b>	<b><u>Frequency</u></b>	<b><u>Primary Affiliate</u></b>
IT Major Projects	Providing services including software system implementations projects and software system upgrade projects.	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A
<b>Compliance, Legal and Environmental Affairs Services</b>				
Legal	Providing various legal services for all affiliated entities including in-house counsel and staff assistance in the areas of, among others, corporate and securities law, employment law, energy, public utility and regulatory law, contract law, litigation, environmental law and intellectual property law, evaluating legal claims and managing legal fees for outside counsel.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Compliance	Providing various compliance services for all affiliated entities including compliance assessment and risk management, code of conduct, anti-fraud, ethics, helpline management and Critical Infrastructure Protection (CIP) Compliance.	Number of Employees Ratio; Total Utility Plan Assets Ratio	Ongoing	A



<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
Environmental Affairs	Providing management services related to performing analyses, monitoring and advocacy of regulatory and legislative environmental matters including securing of permits and approvals, providing environmental technical expertise, environmental compliance and representing the Company in industry groups and before regulatory agencies dealing with environmental issues.	Generation Ratio	Frequent	R
<b>Regulatory Affairs and Government Affairs Management Services</b>				
Regulatory Affairs	Providing management services for compliance with all laws, regulations and other policy requirements, including regulatory filings, expert testimony, tariff administration and compliance, pricing support, and development and monitoring of positions regarding ongoing regulatory matters.	Revenue Ratio	Ongoing	R
Government Affairs Management	Maintaining relationships with government policy makers and conducting lobbying activities.	Revenue Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Corporate Communications and Public Affairs Management Services</b>				
Internal Communications	Providing employee and customer-directed communications including company intranet/internet, employee newsletters, announcements, speeches, graphic design, presentations and customer newsletters and bill inserts.	Number of Employees Ratio	Frequent	A
External and Brand Communications	Providing all administrative and management support for external communication services, brand image management and corporate events.	Number of Customers Ratio	Frequent	A
Public Affairs Management	Providing community relations functions, communicating public information to local organizations and providing oversight for communications to employees.	Number of Customers Ratio	Frequent	A
<b>Operating Services</b>				
Facilities and Buildings	Providing building and grounds maintenance including coordination of office furniture and equipment	Facilities Ratio; Transmission Ratio; Generation Ratio	Ongoing	A
Security	Providing security personnel and security monitoring devices for all affiliated entities.	Number of Employees Ratio	Ongoing	A

<b><u>Service</u></b>	<b><u>Description</u></b>	<b><u>Assignment Method</u></b>	<b><u>Frequency</u></b>	<b><u>Primary Affiliate</u></b>
Production Mail	Providing production mail services for customer bills and other large customer mailings.	Number of Customers Ratio	Ongoing	R
Document	Providing document printing, reproduction services including mail delivery, scanning, off-site storage and document service desk support.	Number of Employees Ratio	Ongoing	A
Process Management and Performance	Provide business process improvements, operational performance measures, benchmarking studies, and rate case analysis for all of Customer Service.	Number of Customers Ratio	Ongoing	R
Right-of-Way	Obtaining and retaining easements or fee simple property for placement and operation of company and affiliate equipment as well as managing real estate assets and maintaining real estate records.	Number of Customers Ratio	Ongoing	R
<b>Transportation Services</b>				
Transportation	Providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles.	Total Utility Plant Assets Ratio; Vehicle Cost Allocation Ratio	Ongoing	A
<b>HR Services</b>				
HR Compensation	Providing services relating to the establishment and oversight of compensation policies for employees.	Number of Employees Ratio	Frequent	A

<b><u>Service</u></b>	<b><u>Description</u></b>	<b><u>Assignment Method</u></b>	<b><u>Frequency</u></b>	<b><u>Primary Affiliate</u></b>
HR Benefits	Providing services relating to the establishment and oversight of benefits plans for employees, retirees and survivors. This also includes vendor management, compliance with various laws and regulations, administrative vendor billings and maintenance of all personnel records.	Number of Employees Ratio	Frequent	A
Other HR Services	Providing initiatives and programs designed to support the company's diversity strategy, with an emphasis on creating, designing and implementing the strategies and programs to achieve the company's diversity vision. This includes fostering and managing the internal and external relationships necessary to driving initiatives within the company and wider community customer base. Providing initiatives and programs designed to support personal and professional growth, with an emphasis on employee and leadership training, individual and career development, performance management, coaching, mentoring, succession planning and employee engagement. Providing communication and oversight for union matters, negotiation of union contracts and union dispute resolution services.	Number of Employees Ratio	Frequent	A
Health and Safety	Providing services relating to the establishment and oversight of health and safety policies for employees.	Number of Employees Ratio	Frequent	A

<u>Service</u>	<u>Description</u>	<u>Assignment Method</u>	<u>Frequency</u>	<u>Primary Affiliate</u>
<b>Executive Management Services</b>				
Executive Management	Providing executive leadership to the corporation, the cost of which is comprised of the compensation and benefits of the corporate officers and executive assistants.	Generation Ratio; Number of Customers Ratio; Network Users Ratio; Number of Employees Ratio; Revenue Ratio; Revenue, Total Assets and Number of Employees Ratio; Total Utility Plant Assets Ratio; Transmission Ratio	Ongoing	A

## V. COST ASSIGNMENT METHODS

### OVERVIEW

The costs of services provided by LKS, PPL Services, and PPLEU Services will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method (see section VI for time reporting procedures). The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully distributed cost of providing the service.

***Directly Assignable*** – Expenses incurred for activities and services exclusively for the benefit of one affiliate. In many respects, these types of expenses relate to non-LKS employees that perform dedicated services to one affiliate, although LKS, PPL Services and PPLEU Services employees also directly report where feasible.

***Directly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using direct measures of costs causation.

***Indirectly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using general measures of cost causation.

***Unattributable*** – Expenses or portions thereof incurred for activities and services that have been determined as not appropriate for apportionment. The unattributable portions of these costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such, may be charged, in whole or in part, to LKC.

### ASSIGNMENT METHODS

LKS, PPL Services, and PPLEU Services will allocate the costs of service among the affiliated companies using one of several methods that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business, but are generally determined annually. Any changes in the ratios, unless otherwise indicated, will be determined no later than May 1<sup>st</sup> of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year. The assignment methods used by LKS, PPL Services, and PPLEU Services are as follows:

**Contract Ratio** – Based on the sum of the physical amount (i.e. tons of coal, mmbtu of natural gas) of the contract for coal and natural gas fuel burned for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

**Departmental Charge Ratio** – A specific department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Analysts for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. The Departmental Charge Ratio will only be used with prior approval by the Controller when other applicable ratios would not result in the fair assignment of costs. These ratios are calculated on an annual basis.

**Facilities Ratio** – Based on a two-tiered approach with one tier based on the number of employees by department or line of business and the other tier based on the applicable department or line of business ratio. The numerator for the number of employees is the number of employees by department or line of business at the facility and the denominator is the total employees at the facility. The numerator and denominator for the applicable department or line of business for the service provided as described in this document.

**Generation Ratio** – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

**Network Users Ratio** – Based on the number of IT network users at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of network users for each specific company, and the denominator is the total number of network users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS network users, to total network users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

**Number of Customers Ratio** – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company's retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis.

**Number of Employees Ratio** – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU and LKC) based on each company's ratio of labor hours to total labor hours. LKC has no employees, but non-utility related labor is charged to it. In some cases, the ratio may be calculated based on the number of employees at a specific location for the first step with the ratio of LKS to total employees being allocated based on labor hours of the employees at the specific location. This ratio is calculated on an annual basis.

**Number of Meters Ratio** – Based on the number or types of meters being utilized by customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis.

**Ownership Percentages** – Based on the contractual ownership percentages of jointly-owned generating units, information technology, facilities and other capital projects. This ratio is updated as a result of a new jointly-owned capital projects and is based on the benefit to the respective company. The numerator is the specific company's forecasted usage. The denominator is the total forecasted usage of all respective companies.

**Revenue Ratio** – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

**Revenue, Total Assets and Number of Employees Ratio** – Based on an average of the revenue, total assets and number of employees ratios. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis.

**Total Assets Ratio** – Based on the total assets at year-end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis.

**Total Utility Plant Assets Ratio** – Based on the total utility plant assets at year-end for the preceding year, the numerator of which is for an operating company and the denominator of which is for all



operating companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis.

**Transmission Ratio** –The Transmission Coordination Agreement (TCA) provides “the contractual basis for the coordinated planning, operation, and maintenance of the combined” LG&E and KU transmission system. Pursuant to the terms of the TCA, LG&E/KU “operate their transmission systems as a single control area.” The TCA establishes cost and revenue allocations between LG&E and KU. The Transmission Ratio is based upon Schedule A (Allocation of Operating Expenses of the Transmission System Operator) of the TCA. Transmission System Operator Company allocation percentages are calculated during June of each year to be effective July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E) page 400 line 17(b).

**Ultimate Users Ratio** – Based on the number of ultimate users of an IT product or service (i.e., software, hardware, mobile devices, etc.) at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of ultimate users for each specific company, and the denominator is the total number of ultimate users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS ultimate users, to total ultimate users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

**Vehicle Cost Allocation Ratio** – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

## **VI. TIME DISTRIBUTION, BILLING AND ASSET TRANSFER POLICIES**

### **OVERVIEW**

LKS utilizes Oracle or other financial systems in which project/task combinations are set up to equate to services. In some cases, departments have set up many projects/tasks that map to services. In many cases, there is a one to one relationship between the project/task and the service. The Oracle system also automatically captures the home company (providing the service) and the charge company (receiving the service). Regardless of the method of reporting, charges related to specific services reside on the

company receiving the service and therefore can be identified for billing purposes as well as for preparation of LKS financial statements. This ensures that:

1. Separation of costs among LG&E, KU, LKE's non-regulated subsidiaries and other PPL affiliates will be maintained
2. Intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates and regulated affiliates do not subsidize other regulated affiliates
3. Adequate audit trails exist on the books and records

## **BILLING POLICIES**

Billings for transactions among LKS, PPL Services, PPLEU Services, and other affiliates are issued on a timely basis with documentation sufficient to provide the receiving party with enough detail to understand the nature of the billing, the relevant components, and other information as required by affiliates. Financial settlements for transactions are made within 30 days. Interest charges, which are based on market rates for similar maturities of similarly rated entities as of the date of the loan, may apply. LKS is authorized to act as payment and billing agent on behalf of LKE, LG&E, KU and LKC.

## **ASSET TRANSFERS**

Unless otherwise permitted by regulatory authority or exception, (i) transfers or sales of assets from regulated affiliates to non-regulated affiliates will be priced at the greater of cost or fair market value; (ii) transfers or sales of assets from non-regulated affiliates to regulated affiliates will be priced at the lower of cost or fair market value and (iii) transfers of assets between regulated affiliates shall be priced at no more than cost less depreciation. Settlement of liabilities will be treated in the same manner.

## **TIME DISTRIBUTION**

LKS has three methods of distribution to record employee salaries and wages while providing services for the affiliated entities: Positive time reporting, allocation time reporting and exception time reporting. Each department's job activities will dictate the time reporting method used.

### **Positive Time Reporting**

Positive time reporting or direct time reporting requires all employees in a department to track all chargeable hours every day. Time may be charged to the nearest quarter hour.

Departments that have positive time reporting have labor-based activities that are easily trackable given the project/task code combinations noted above. All employees are given appropriate project numbers

that are associated with the service that is being provided. The proper coding for direct assignment of costs is on various source documents, including the timekeeping system and disbursement requests. Each department or project manager is responsible for ensuring employees charge the appropriate charge codes for the services performed. This form of time reporting is documented in the timekeeping system, which upon completion, is approved by the employees' immediate supervisor.

#### **Allocation Time Reporting**

Allocation time reporting allows for certain departments to set up a predefined allocation percentage to affiliated company project/tasks. This is typically the case when the department is transaction-based, therefore, performing routine, similar tasks benefiting multiple affiliates. Each department will use its ratio (see ratio assignment listing in section V) that was assigned by its Budget Analyst to allocate the appropriate time to individual charge numbers that are associated to that department's services. Unless otherwise permitted by regulatory authority or exception, the selection of ratios and the calculation of allocation percentages should be derived from or bear relationship to an empirical analysis of a prior representative period. These allocation percentages are reviewed on an annual basis to update to actual allocation percentages when needed.

#### **Exception Time Reporting**

If an employee was working on a completely new project that had not been defined within the monthly or annual allocation process, then the employee would be given the new allocation with project/task code, update his/her time allocation accordingly and get his/her manager's approval. If an allocation from a previous pay period needs to be adjusted then that correction must be entered into the timekeeping system.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
Responses to Division's Ninth Set of Data Requests  
Issued on October 1, 2021

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Division 9-94

Request:

The document in Attachment PPL-DIV 1-54-1 provides (at pages 19-25), a set of "Functional Cost Summary Comparisons" and "Corporate Cost Summary Comparisons." To the extent not provided in response to previous data requests, please provide all documents, including analyses, studies, and internal communications that concern or relate to the conclusions reached with respect to each of the areas for which cost comparisons were conducted.

Response:

Counsel for PPL, PPL RI, National Grid USA ("National Grid"), The Narragansett Electric Company ("Narragansett"), and The Rhode Island 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 Rhode Island, National Grid, 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 PPL, PPL Rhode Island, National Grid, and Narragansett to "consider the Advocacy Section's goal of protecting ratepayers when determining scope and relevancy." Based on the scope and breadth of this request, PPL and PPL Rhode Island have applied the rule of reason and used sound judgment in limiting the breadth and scope of documents produced in response to this request, and have considered the Division Advocacy Section's goal of protecting ratepayers in determining which documents it will produce.

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

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
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Division 9-95

Request:

In response to DIV 2-28, PPL states "PPL and PPL RI will evaluate on a case-by-case basis whether they will seek to recover costs necessary to separate Narragansett from National Grid USA and integrate Narragansett into PPL, consistent with the guidance of the Policy Statement." Please supplement this response to reflect any hold harmless commitments to Rhode Island ratepayers with respect to PPL's recovery of capital costs necessary "allow PPL to establish the infrastructure required to operate Narragansett independently."

Response:

PPL and PPL RI are not making any hold harmless commitments at this time with respect to PPL's recovery of capital costs necessary to allow PPL to establish the infrastructure required to operate Narragansett independently. PPL and PPL RI also refer to their responses to data request Division 2-39 and Division 7-46, which describe PPL and PPL RI's intended approach to determine whether to seek recovery of costs related to the transition.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
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Division 9-96

Request:

In response to DIV 1-42(c), PPL states: "PPL and PPL RI do not plan to seek recovery from ratepayers for the costs associated with the [Gas Control Center (GCC)] that do not relate to new or improved technology capabilities to Narragansett, or for costs related to capital investments that would not have been made in the normal course of business for reasons including but not limited to obsolescence. These costs would be recoverable in the ordinary course of business in the absence of PPL RI's purchase of Narragansett, subject to ordinary regulatory and prudence review. PPL and PPL RI will seek recovery for any such costs pursuant to the appropriate cost recovery mechanisms Narragansett already has in place with the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers, under existing statutes, rules, and tariffs." Please identify:

- a. Any "new or improved technology capabilities" PPL expects the GCC to provide to Narragansett; and
- b. The specific types of capital investments associated with the GCC that PPL expects to recover as having "been made in the normal course of business for reasons including but not limited to obsolescence."

Response:

- a. PPL and PPL RI are still in the process of determining what possible new or improved technology capabilities the Gas Control Center ("GCC") will provide to Narragansett.
- b. PPL and PPL RI are also still in the process of determining the specific types of capital investments associated with the GCC that PPL expects to recover as having been made in the normal course of business for reasons including but not limited to obsolescence.

PPL and PPL RI continue to plan to seek recovery for any such costs pursuant to the appropriate cost recovery mechanisms Narragansett already has in place with the Rhode Island Public Utilities Commission, under existing statutes, rules, and tariffs.

PPL and PPL RI also refer to their responses to data requests Division 2-28, Division 2-39, Division 7-46, and Division 9-95.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY  
Docket No. D-21-09  
PPL Corporation and PPL Rhode Island Holdings, LLC's  
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Issued on October 1, 2021

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Division 9-97

Request:

In response to DIV 1-42(b), PPL states: "PPL and PPL RI do not currently have cost estimates for the GCC. Once PPL and PPL RI have prepared such cost estimates, they will provide a supplemental response to this data request." Please supplement PPL's response to provide an updated cost estimate if available.

Response:

PPL plans to install a primary and backup control room and associated SCADA system for the Rhode Island gas system in Rhode Island. Additional time may be required depending on the timing of the transaction closure, the critical path items and the project dependencies which will be identified during the detailed project planning process which has not taken place yet. An updated cost estimate is not available at this time.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,  
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's  
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Issued on October 1, 2021

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Division 9-98

Request:

Various of the Applicants' responses to earlier data requests propounded by the Division offered to supplement responses as necessary—for example, when additional information became available, once studies or analyses were performed, or when plans were formulated. Please update or supplement all earlier responses as necessary.

Response:

On September 30, 2021, PPL and PPL RI supplemented their responses to data requests Division 1-18, 1-19, 1-44, 1-48, 1-54, 2-24, 2-32, 2-33, 2-35, 2-37, 5-15, 5-16, 7-29, 7-41, 7-42, 7-43 and 7-56.

Additionally, in their initial responses, PPL and PPL RI offered to supplement the following responses as necessary: Division 1-1, 1-11, 1-29, 1-37, 1-40, 1-42, 1-45, 1-46, 1-50, 2-3, 2-25, 2-27, 2-31, 2-42, 2-46, and 3-18. At this time, PPL and PPL RI do not have the additional information necessary to supplement these responses. Also, PPL and PPL RI have not formulated or finalized any plans that would necessitate supplementing these responses.

Further, with respect to PPL and PPL RI's response to data request Division 2-46, PPL has responded to several additional data requests regarding its review of Narragansett's Grid Modernization Plan and AMF business case filings and refers to their responses to data requests Division 7-43 (Supplemental), Division 7-45, Division 7-52, and OER 1-21 as supplements to their response to data request Division 2-46.