

BEFORE THE
STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

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

Docket No. D-21-09

**SURREBUTTAL TESTIMONY OF
DAVID J. EFFRON**

**ON BEHALF OF
THE RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS
ADVOCACY SECTION**

DECEMBER 9, 2021

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IN RE: Petition of PPL Corporation, PPL)
Rhode Island Holdings, LLC, National Grid)
USA, and the Narragansett Electric)
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Company to PPL Holdings, LLC and
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**SURREBUTTAL TESTIMONY OF
DAVID J. EFFRON**

1

I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is David J. Efron.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET?**

5 A. Yes. I submitted direct testimony on November 3, 2021. My qualifications and
6 experience are included with my direct testimony.

7

II. PURPOSE OF SURREBUTTAL TESTIMONY

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. In this surrebuttal testimony, I respond to the Rebuttal Testimony of PPL Witness
10 Johnson. In particular I respond to Witness Johnson’s Rebuttal Testimony regarding
11 the issues of (1) restatement of pension and postretirement benefits other than
12 pensions (“PBOP”) assets and liabilities to their fair value at the time of the merger
13 or acquisition; and (2) the mechanism to hold customer impacts neutral in relation to

1 the rate impact associated with the elimination of accumulated deferred income taxes
2 (“ADIT”) as of the date of the Transaction.

3 **III. ISSUES RAISED BY PPL REBUTTAL**

4 **A. Pension and PBOP Assets and Liabilities**

5 **Q. DID PPL RESPOND TO YOUR TESTIMONY REGARDING THE EFFECT**
6 **OF THE TRANSACTION ON THE VALUATION OF PENSION AND PBOP**
7 **ASSETS AND LIABILITIES?**

8 A. Yes. Witness Johnson states that “PPL and PPL RI agree with Mr. Effron’s assertion
9 that the remeasurement at Transaction close should not alter Narragansett’s revenue
10 requirement, and they agree that it will not do so at the time of Transaction close.”¹

11 **Q. DOES THE PPL REBUTTAL RESOLVE YOUR CONCERNS REGARDING**
12 **THE EFFECT ON THE TRANSACTION ON THE VALUATION OF**
13 **PENSION AND PBOP ASSETS AND LIABILITIES?**

14 If this represents an enforceable commitment that any restatement of plan assets and
15 liabilities to fair value upon acquisition after Transaction closing will not increase
16 Narragansett’s revenue requirement to a level higher than the level that would exist
17 in the absence of the Transaction, yes. Such a commitment does not mean that there
18 should never be any adjustment to the revenue requirement based on the pension and
19 PBOP plan assets on an indefinite basis. It means only that customers should be held

¹ Rebuttal Testimony of Bethany L. Johnson at 31:2 (“Johnson Rebuttal Test.”).

1 harmless from the booking of any revaluation of plan assets and liabilities as a result
2 of the Transaction.

3 **B. Accumulated Deferred Income Taxes**

4 **Q. DOES PPL AGREE WITH YOUR PROPOSED MECHANISM TO HOLD**
5 **CUSTOMERS HARMLESS FROM THE ELIMINATION OF ADIT AS A**
6 **RESULT OF THE TRANSACTION?**

7 A. PPL Witness Johnson states that “[a]lthough Mr. Effron’s proposed mechanism may
8 be a reasonable approach, whether it is the approach that PPL and PPL RI should
9 adopt cannot be determined at this time.”²

10 **Q. DID PPL IDENTIFY ANY PROBLEMS OR DEFICIENCIES WITH YOUR**
11 **RECOMMENDED MECHANISM?**

12 A. No. Witness Johnson asserts that “[b]ecause PPL and PPL RI have not yet
13 determined when they will make the next rate case filing for Narragansett, they
14 cannot specifically identify the precise approach that will effectively hold impacts
15 neutral.”³ My proposed mechanism takes account of both: (1) what the ADIT on the
16 acquired assets from the time of the acquisition going forward under continuing
17 National Grid ownership would be; and (2) the ADIT on the acquired assets going
18 forward under PPL ownership. It recognizes how the difference between those

² Johnson Rebuttal Test. at 33.

³ *Id.*

1 balances changes from year to year, and its efficacy is not dependent on the timing
2 of the next rate case filing for Narragansett.

3 I do not mean to imply that my proposed mechanism is the only way to hold
4 customers harmless from the loss of ADIT or that some other mechanism might not
5 also be appropriate. However, PPL has not identified any problems with my
6 recommendation, described any necessary modifications, or offered any potential
7 alternatives.

8 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9 A. Yes.