

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
BRUCE R. OLIVER**

**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)
Company for Authority to Transfer) Docket No. D-21-09
Ownership of the Narragansett Electric)
Company to PPL Holdings, LLC and)
Related Approvals)

**SURREBUTTAL TESTIMONY OF
BRUCE R. OLIVER**

I. INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE**
3 **RECORD.**

4 A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive, Fairfax
5 Station, Virginia, 22039.

6 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

7 A. I am employed by Revilo Hill Associates, Inc., and serve as President of the firm. I
8 manage the firm’s business and consulting activities. I also direct the preparation and
9 presentation of economic, utility planning, and regulatory policy analyses for our
10 clients.

11 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

12 A. My testimony in this proceeding is presented on behalf of the Advocacy Section of the
13 Division of Public Utilities and Carriers (hereinafter “Division Advocacy Section”).

1 **Q. ARE YOU THE SAME BRUCE R. OLIVER WHO PREVIOUSLY**
2 **SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF**
3 **OF THE DIVISION ADVOCACY SECTION?**

4 A. Yes, I am.

5 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. This surrebuttal testimony responds to the rebuttal testimonies of witnesses Kelly and
8 Willey for National Grid and witnesses Bellar,¹ Bonenberger,² and Reed and Dane³ for
9 PPL. Although PPL Corporation (“PPL Corp.”) and PPL Rhode Island Holdings, LLC
10 (“PPL RI”) (together, “PPL”) witness Jirovec indicates that his rebuttal testimony
11 addresses my direct testimony, it is unclear which portions of his testimony, if any,
12 actually address my direct testimony.⁴ In that context, the fact that I do not explicitly
13 address Witness Jirovec’s rebuttal should not be construed as my acceptance of his
14 rebuttal arguments.

¹ Rebuttal Testimony of Lonnie E. Bellar (“Bellar Rebuttal Test.”).

² Rebuttal Testimony of David J. Bonenberger (“Bonenberger Rebuttal Test.”).

³ Rebuttal Testimony of John J. Reed and Daniel S. Dane (“Reed and Dane Rebuttal Test.”).

⁴ Rebuttal Testimony of Todd. J. Jirovec.

II. SUMMARY

Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE REBUTTAL TESTIMONY AND SUPPLEMENTAL DATA REQUEST RESPONSES THAT HAVE BEEN OFFERED BY THE PETITIONERS IN THIS PROCEEDING?

A. The Petitioners' plans for operation of Narragansett's gas system and protecting the safety, reliability, and affordability of service for Rhode Island gas customers still fail to support a Division finding that the proposed transaction is consistent with the public interest and will not ultimately diminish the facilities available for the provision of gas service in Rhode Island.

In this period of substantially increased energy commodity costs for both natural gas and electricity, the ability to prudently and cost-effectively contract for gas supplies, gas transportation, and gas storage services is particularly critical to the protection of ratepayer interests. Approval of this transaction will mean the loss of economies of scale in the procurement and management of gas supplies in the gas markets on which Narragansett is dependent. This factor coupled with PPL's lack of experience in the procurement and management of liquefied natural gas ("LNG") raises substantial concern that ratepayers will be exposed post-transaction to increases in gas costs that might otherwise be avoidable. As gas cost increases are flowed through the Gas Cost Recovery ("GCR") mechanism and are not part of base rate determinations, protection of Rhode Island gas users from such potentially avoidable cost increases cannot easily be accomplished through Rhode Island's gas regulatory processes.

1 Likewise, the Petitioner's Rebuttal Testimony does not offer any workable solutions
2 for addressing the Advocacy Section's concerns regarding:

3 (1) PPL's large projected increases in Salaries and Benefits for Narragansett's
4 Gas Operations and Customer Service functions; and

5 (2) Protection of the Narragansett gas system from increases in the frequency
6 of hazardous gas leaks per 100 miles of mains and/or per 1,000 services
7 operated in light of the worse-than-industry-average performance with
8 respect to those metrics by PPL's only gas distribution subsidiary, LG&E.

9 **Q. HAS THE REBUTTAL TESTIMONY OF WITNESSES FOR THE**
10 **PETITIONERS CAUSED YOU TO ALTER ANY OF THE FINDINGS AND**
11 **RECOMMENDATIONS PRESENTED IN YOUR DIRECT TESTIMONY?**

12 A. No, it has not.

13 **III. RESPONSE TO NATIONAL GRID WITNESSES KELLY AND WILLEY**

14 **Q. NATIONAL GRID WITNESSES KELLY AND WILLEY ASSERT AT PAGES**
15 **33 AND 34 OF THEIR REBUTTAL TESTIMONY THAT THE PETITIONERS**
16 **HAVE MET THE STANDARD FOR APPROVAL OF THE TRANSACTION.**
17 **DO YOU CONCUR?**

18 A. No, I do not. I disagree with their assessment for two primary reasons.

19 First, in the absence of greater specifics regarding how, when and where new facilities
20 will be developed in Rhode Island (including a primary Gas Control Center, a backup
21 Gas Control Center, a Customer Service Center, and a Training facility) the only

1 conclusion that the Division can reasonably reach is that the Transaction will diminish
2 the facilities available to provide safe and reliable service to Rhode Island gas
3 customers. The Petitioners have not identified where such facilities will be located,
4 when those facilities will be completed, or how much each facility will cost. Although
5 PPL represents that the referenced facilities may provide “incremental benefits” for
6 Rhode Island consumers, no information has been provided to date regarding the
7 expected value to consumers of any incremental benefits that are anticipated or the
8 portion of the costs of each facility that will be incurred to provide such incremental
9 benefits.⁵ In the absence of such information, any subsequent regulatory challenge to
10 claimed costs and/or benefits for those facilities will inherently be characterized by
11 PPL as an application of 20/20 hindsight.

12 Second, the transaction proposed in this proceeding is unlike any other Rhode Island
13 energy utility merger or acquisition that the Division has been asked to review over the
14 last 30 years. Importantly, there are no identified synergy savings and no discernible
15 immediate ratepayer benefits. Rather, ratepayers will be faced with considerable risk
16 of increased costs in the post-transition period as economies of scale and synergies are
17 lost, and as PPL attempts to learn how to run a gas system that faces very different
18 operational challenges than its Louisville Gas and Electric (“LG&E”) gas system in
19 Kentucky. National Grid’s assistance to PPL during the transition period under the
20 proposed Transition Services Agreement (“TSA”) provides no assurance that the levels

⁵ Bonenberger Rebuttal Test. at 33:4-5.

1 of costs, safety, and service reliability to which Rhode Island gas customers will be
2 exposed in the post-transition period will be comparable to (let alone an improvement
3 over) those presently experienced. In this context, there is no basis for a finding that
4 the proposed transaction is consistent with the public interest.

5 Even a base rate stay out (or freeze of base rates) cannot ensure that Rhode Island gas
6 customers will be protected against otherwise avoidable increases in gas purchase
7 costs, and the Petitioners have offered no regulatory mechanism for assuring that
8 Narragansett's gas costs will not rise relative to those experienced by Rhode Island
9 consumers under National Grid ownership or relative to the gas costs experienced by
10 customers of other New England gas utilities. Although PPL has touted that its gas
11 costs for LG&E have been lower than those for other Kentucky gas utilities, PPL has
12 offered no mechanism for comparing the gas cost performance that can be expected for
13 Narragansett under PPL ownership with gas costs for other New England utilities.

14 **Q. WITNESSES KELLY AND WILLEY ASSERT THAT INTEGRATING**
15 **NARRAGANSETT INTO PPL IS NOT AN INSURMOUNTABLE TASK AS**
16 **BOTH NATIONAL GRID AND PPL USE SHARED SERVICES MODELS.⁶ DO**
17 **YOU AGREE?**

18 A. I do. However, the question of whether Narragansett can be integrated into PPL's
19 corporate structure is of less substantive importance than the impacts on service

⁶ Joint Rebuttal Testimony of Christopher Kelly and Duncan Willey at 11:5-6 ("Kelly and Willey Rebuttal Test.").

1 reliability, safety, and costs that may result from such integration. In non-regulated
2 industries, acquired organizations are frequently integrated into the organizational
3 structures of new corporate parents. But, there is no guarantee that such integration
4 processes will ultimately be cost-effective or favorable for customers of the acquired
5 entity. Utilities are more than just commodities to be traded by larger utility holding
6 companies. They have public service obligations that must be met and fiduciary
7 responsibilities to their customers, as well as their shareholders. For the proposed
8 transaction to be consistent with the public interest, the new ownership structure must
9 render safe and reliable service at reasonable cost. Whether one corporate entity can
10 integrate another into its corporate structure does not address the impacts of the
11 integration process on the costs and quality of services provided by the absorbed entity.
12 The simple observation that both National Grid and PPL use shared services provides
13 little insight regarding the costs and benefits of the services shared. As I explained in
14 my direct testimony, PPL's gas operations with Narragansett included would still
15 represent a comparatively small fraction of the size of National Grid's overall gas
16 operations. The representation by witnesses Kelly and Willey that National Grid is
17 confident that PPL will achieve similar economies of scale Narragansett once it is fully
18 integrated into PPL⁷ is not supported by any record evidence. Moreover, the
19 development of a transition plan does not, in and of itself, demonstrate confidence in
20 PPL's ability to achieve comparable economies of scale. PPL might be able to achieve

⁷ *Id.* at 11:8-10.

1 economies of scale similar to those for National Grid in such areas as accounting, legal,
2 and financial services, but there is no evidence that PPL will be able to achieve
3 comparable economies of scale in purchasing natural gas, gas transportation and
4 storage services, and the equipment and materials needed to operate and maintain
5 Rhode Island’s natural gas system. Rather, as observed in my direct testimony, the
6 scale of National Grid’s gas operations far exceeds that for the combined LG&E and
7 Narragansett gas systems in terms of customers served and miles of mains and numbers
8 of services operated.⁸

9 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE PETITIONERS’**
10 **PLANS FOR TRANSFERRING EXPERIENCE AND EXPERTISE FROM**
11 **NATIONAL GRID TO PPL?**

12 A. I do. Organizations typically provide greater compensation to employees who have
13 demonstrated experience and expertise because of the added value they provide. If
14 experience and expertise can be readily transferred, the value of the information to be
15 transferred must be questioned. The information provided by the Petitioners to date
16 lacks detail regarding the frequency and/or duration of training sessions and the subject
17 matter to be addressed in each scheduled training session. There is also no specification
18 of the credentials of the persons who will conduct the referenced training sessions.
19 Also, National Grid indicates that “the Service Company will transfer appropriate
20 knowledge and historical data, including physical documents and electronic files,” no

⁸ Direct Testimony of Bruce R. Oliver at 14:8-21:4, 32:3-33:47 (“Oliver Direct Test.”).

1 insight is provided regarding what National Grid considers “appropriate knowledge and
2 historical data.” In some areas, these concerns may seem unnecessary or insignificant.
3 However, PPL’s recognition of substantive differences between its LG&E gas
4 operations and Narragansett’s gas operations, as well as PPL’s admitted need to expand
5 and enhance its understanding of PPL’s gas operations, emphasize the substance of
6 information to be transferred and the manner in which critical information will be
7 transferred.

8 **Q. WITNESSES KELLY AND WILLEY SUGGEST THAT THE LEVEL OF**
9 **EXPERIENCE AND EXPERTISE OF THE DIRECT NARRAGANSETT**
10 **EMPLOYEES TRANSFERRING TO THE PPL ORGANIZATION IS THE**
11 **SAME AS THE EXPERTISE CURRENTLY WITHIN NATIONAL GRID. DO**
12 **YOU ACCEPT THAT REPRESENTATION?**

13 A. Only in part. Certainly it is expected that persons transferring to PPL will have the
14 same knowledge and expertise after the transfer that they have exhibited prior to the
15 transfer. However, in a service company such as that operated by National Grid, much
16 of the knowledge and expertise resides within individuals who service National Grid’s
17 broader portfolio of utilities and often spend only a portion of their time on
18 Narragansett-related matters. In these situations, transferring a comparatively junior
19 employee to PPL would not ensure a full transfer of the knowledge necessary to
20 efficiently and cost-effectively procure needed commodities and services and plan and
21 operate the Narragansett gas system.

1 I note, for example, that in Narragansett’s recent annual GCR filings, testimony on gas
2 cost and gas supply management issues has been provided by panels of witnesses. In
3 the most recent filing (Rhode Island Public Utilities Commission (“RIPUC”) Docket
4 No. 5080) the panel presenting such testimony included Elizabeth Arangio, Megan
5 Borst, and Samara Jaffe. Ms. Arangio is Director of Gas Supply Planning for National
6 Grid USA Service Company. She has testified in nearly all of Narragansett’s GCR
7 proceedings over the last decade, and she is responsible for gas supply planning for the
8 resource portfolios of all of National Grid’s gas utility subsidiaries. She also manages
9 National Grid’s Customer Choice programs. Ms. Jaffe is the Director of Gas
10 Contracting, Compliance and Hedging for National Grid USA and has appeared as a
11 witness in each of the last three Narragansett GCR proceedings. Ms. Borst is a Lead
12 Planner in the National Grid USA gas supply group and the most junior member of the
13 current panel. Docket No. 5080 represents the first GCR proceeding in which she has
14 appeared.

15 Decisions regarding which of these individuals, if any, is transferred from the National
16 Grid USA Service Company to Narragansett/PPL Rhode Island could have a
17 substantial impact on the level of expertise that will ultimately be available to
18 Narragansett in the gas supply planning area. Similar observations can be made with
19 respect to transfers of personnel in other areas. Transfer of more junior staff may not
20 ensure maintenance of equivalent levels of experience and expertise to guide

1 Narragansett's gas operations after PPL assumes full responsibility for those
2 operations.

3 I also observe that National Grid's Supplemental Response to the Advocacy Section's
4 Data Request 7-36, Attachment 7-36-2-5, page 9 of 12, indicates that twelve (12)
5 additional persons will need to be recruited and trained as System Controllers to operate
6 the Rhode Island Gas Distribution System.⁹ This does not reflect a situation in which
7 Narragansett/PPL Rhode Island will have the same the experience and expertise
8 available after the transition period that it has currently. Rather, even by the end of the
9 transition period Narragansett will have a Gas Control Center staff that will include a
10 disproportionately large portion of personnel who are inexperienced with respect to
11 Narragansett's gas procurement and operations.

12 Similar observations can be made with respect to the staffing of transition and post-
13 transition activities in other areas. The Petitioners' transition plan does not effectively
14 assure that the requisite level of experience and expertise will be available to
15 Narragansett either during or after the transition period.

16 **Q. HAVE YOU REVIEWED THE NATIONAL GRID'S SUPPLEMENTAL**
17 **RESPONSE TO THE ADVOCACY SECTION'S DATA REQUEST 7-36?**

18 A. Yes. I have reviewed the full supplemental response which was provided on November
19 23, 2021 (i.e., the same day that the Petitioners filed their Rebuttal Testimony),

⁹ Advocacy Section's Data Request 7-36, attach. NG-DIV 7-36-5-2 supplemental, at 9. A copy of all data responses cited in this testimony are contained in Exhibit C to my direct testimony.

1 including its multiple attachments. Based on my review of those materials, I offer the
2 following observations. Most importantly, the descriptions offered for the vast
3 majority of the identified TSA task areas contain no information regarding the fees to
4 be assessed for the specified services to be provided. In most cases the fee information
5 is either left blank or listed as “TBD” (i.e., to be determined). Thus, we continue to
6 lack an appropriate basis for assessing the reasonableness of either the structure of costs
7 or the total costs for the support National Grid will provide under the TSA.

8 **Q. WITNESSES KELLY AND WILLEY TESTIFY THAT THE SERVICE**
9 **COMPANY WILL TRANSFER “APPROPRIATE KNOWLEDGE AND**
10 **HISTORICAL DATA” TO PPL.¹⁰ DOES THIS ANSWER ONE OF YOUR**
11 **CONCERNS?**

12 A. No, not at all. What National Grid believes will constitute “appropriate knowledge and
13 historical data” cannot be determined from the Kelly and Willey Rebuttal Testimony.¹¹
14 Moreover, National Grid has not outlined the criteria it would use to determine the
15 adequacy and appropriateness of information, documents, and electronic files that it
16 would transfer to PPL. For example, the transfer of ownership must not be permitted
17 to result in the effective erasure of data regarding significant elements of the history of
18 Narragansett’s gas and electric operations. As proposed, the transaction is intended to
19 keep Narragansett intact as an operating entity, and in that context, there is no reason

¹⁰ Kelly and Willey Rebuttal Test. at 15:17-19.

¹¹ *Id.*

1 that data should be transferred for less than its full operating history. Likewise, PPL,
2 as the new party responsible for Narragansett, will need full information regarding the
3 environmental response programs, including such items as past and current contracts,
4 reports filed, costs incurred, insurance claims, reports submitted, and any present or
5 past disputes and litigation. Given National Grid’s current management structure, it is
6 unclear how much of this information presently resides with the National Grid USA
7 Service Company and how much is maintained by Narragansett.

8 **Q. DO WITNESSES KELLY AND WILLEY CORRECTLY REFLECT THE**
9 **CONTENT OF YOUR DIRECT TESTIMONY WHEN THEY SUGGEST IN**
10 **THE QUESTION AT PAGE 18, LINES 9-11, THAT YOU BELIEVE**
11 **NATIONAL GRID WILL NOT SUPPORT PPL RHODE ISLAND THROUGH**
12 **THE END OF THE TRANSITION PERIOD?**

13 A. No. I did not say that National Grid “will not support” PPL RI. Rather, my testimony
14 states:¹²

15 ... it must be considered that the importance and priority attributed to
16 transition activities by National Grid and its Service Company **may not**
17 **be the same** after an approval of the Transaction by the Division. With
18 continuing responsibilities for multiple larger gas utility systems in
19 Massachusetts and New York, it would not be surprising for those non-
20 Rhode Island systems to be given greater priority in allocations of time
21 for more experienced Service Company personnel.

22 I also state:

¹² Oliver Direct Test. at 64:11-16 (emphasis added).

1 There is no assurance that the persons who will be assigned to assist
2 Narragansett and PPL during the transition period or will be employed
3 by PPL to perform key functions after the end of the transition period
4 will be highly qualified individuals who possess “significant
5 institutional” of Rhode Island’s gas operations.¹³
6

7 I stand by these assessments. Moreover, I note that my concerns are consistent with
8 those reflected in the settlement of proceedings in New Hampshire which resulted in
9 National Grid’s transfer of ownership of Energy North Natural Gas and Granite State
10 Electric Company to Liberty Utilities. There was sufficient concern regarding the
11 support National Grid would provide under the TSAs for those transactions that the
12 settlement agreement in that proceeding required National Grid to post a significant
13 escrow to ensure its continued support of those utilities during a transition period.¹⁴

14 **Q. SHOULD NATIONAL GRID’S CONTRACTUAL OBLIGATIONS UNDER**
15 **THE PROPOSED TSA IN THIS PROCEEDING BE VIEWED AS ADEQUATE**
16 **ASSURANCE OF THE QUALITY OF SERVICES THAT NATIONAL GRID**
17 **WILL PROVIDE AFTER THE CLOSING OF THE TRANSACTION?**

18 A. No. National Grid’s representation is that it is “contractually obligated” to provide
19 services and support to Narragansett under the Share Purchase Agreement and TSA.
20 That is of little value in the absence of objective measures of its performance and more
21 direct ties between National Grid’s performance under such metrics and the amounts

¹³ Oliver Direct Test. at 64:1-5.

¹⁴ See Settlement Agreement – Joint Petition for Authority to Transfer Ownership § III.E, ¶ 2, Division Docket No. DG 11-040 (Apr. 10, 2012) (“Conditions Agreed to by National Grid”). As stated therein, “Such Escrow Funds will be held for the purposes of securing the provision of Transition Services by National Grid.”

1 National Grid will bill for transition services. For most of the specified TSA tasks,
2 such performance measures are either non-existent or presented in such terms that
3 National Grid may exercise considerable discretion in terms of how tasks are executed
4 and who is assigned to perform specific tasks. There is no assurance that each task will
5 be performed by experienced and well-qualified personnel. Nor is there any assurance
6 that qualified personnel will necessarily be available to provide advice on critical
7 matters.

8 The National Grid USA Service Company will be operating with a reduced staff as a
9 result of significant transfers of personnel to PPL Rhode Island, but it will need to
10 continue to provide services for four other larger gas utilities. In that context, there is
11 considerable potential for priority conflicts between the performance of TSA tasks and
12 the performance of on-going support functions for National Grid's gas utility
13 operations in Massachusetts, New York City, Long Island, and upstate New York (i.e.,
14 Niagara Mohawk). This is particularly true where the terms of the TSA do not specify
15 who will perform specific tasks. In such situations, less experienced, lower level
16 personnel can be readily substituted for more experienced and expert person without
17 fear of a claim that National Grid has breached its contractual obligations. Regardless
18 of the representations in the Kelly and Willey Rebuttal Testimony, once ownership of
19 Narragansett is transferred to PPL, it will be PPL and not National Grid that will be
20 accountable for Narragansett's performance.

1 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF WITNESSES**
2 **KELLY AND WILLEY AT PAGE 23, LINES 5-13, IN WHICH THEY**
3 **ADDRESS THE IMPACT OF THE DELAYED START-UP OF THE FIELDS**
4 **POINT LNG LIQUEFACTION FACILITY.**

5 A. Witness Kelly and Willey assert that the impact of such a delay will be the same
6 regardless of the ownership of Narragansett. I do not agree. The history of
7 Narragansett's gas operations suggests that unexpected requirements for additional
8 supplies of gas liquids (i.e., LNG) can be very costly and disproportionately impact
9 Narragansett's overall gas supply costs. National Grid has experience with the
10 procurement and trucking of gas liquids under adverse market conditions. PPL has
11 admitted that it has no prior experience with either the procurement or trucking of gas
12 liquids. Yet, PPL represents that it will assume control of Narragansett's LNG
13 Operations as of Day 1 (i.e., immediately upon the closing of the Transaction).

14 **Q. TABLE 2 ON PAGE 17 OF THE REBUTTAL TESTIMONY OF NATIONAL**
15 **GRID WITNESSES KELLY AND WILLEY PROVIDES APPROXIMATE**
16 **NUMBERS OF SERVICE COMPANY EMPLOYEES THAT NATIONAL GRID**
17 **EXPECTS TO TRANSFER TO PPL. DOES THIS INFORMATION ADDRESS**
18 **YOUR CONCERNS ABOUT POST-ACQUISITION CAPABILITIES OF**
19 **NARRAGANSETT AND PPL?**

20 A. No. The information offered only shows the numbers of employees that National Grid
21 expects to transfer to PPL by broad functional categories. It does not: (a) segregate

1 numbers of union and non-union employees; (b) specify the responsibilities the
2 transferred employees will assume; (c) indicate the education, training and experience
3 levels of transferring employees; or (d) provide the qualifications of the transferring
4 employees for the positions to which they will be assuming. Furthermore, no
5 information is provided regarding the positions that will remain vacant within
6 Narragansett after the referenced employee transfers are completed in the absence of
7 new hires.

8 **Q. WITNESSES KELLY AND WILLEY ASSERT THAT THE LNG EMPLOYEES**
9 **TRANSFERRED FROM THE SERVICE COMPANY ARE THE SAME**
10 **EMPLOYEES THAT NARRAGANSETT PRESENTLY RELIES UPON.**
11 **SHOULD THE DIVISION ACCEPT THAT REPRESENTATION AS**
12 **ASSURANCE THAT NARRAGANSETT'S LNG FACILITIES WILL BE**
13 **OPERATED RELIABLY IN FUTURE PERIODS?**

14 A. No. National Grid's witnesses fail to disclose that the two Senior Supervisors
15 (identified in Attachment NG-DIV 5-1-1 to National Grid's response to the Advocacy
16 Section's data request 5-1) who will be transferred to PPL Rhode Island have very
17 limited tenures with National Grid and very little time in their current positions. As I
18 observe in my direct testimony at page 69, lines 7-11, one has been with National Grid
19 only since **June of this year** (2021).¹⁵ That individual has never been through a winter
20 heating season with Narragansett, and has no documented prior experience in the

¹⁵ Oliver Direct Test. at 69:7-11.

1 operation of LNG facilities. The other identified Senior Supervisor has only been with
2 National Grid since **July 27, 2020**, and again has no documented prior LNG
3 experience. Thus, the experience of those two Senior Supervisors with Narragansett’s
4 LNG facilities and operations is quite limited.

5 **Q. PLEASE RESPOND TO THE REPRESENTATIONS WITNESSES KELLY**
6 **AND WILLEY OFFER REGARDING THE INDIVIDUALS WITH LNG**
7 **EXPERIENCE THAT WILL TRANSFER TO PPL RHODE ISLAND.**

8 A. The rebuttal testimony of witnesses Kelly and Willey make representations regarding
9 the staffing of Narragansett’s LNG operations on Day 1.¹⁶ At lines 5-7, reference is
10 made to an “additional Service Company employee was recently named the future
11 Manager of LNG Operations at PPL.”¹⁷ However the name of that individual is not
12 disclosed and no resume is provided for the referenced individual. In addition, National
13 Grid’s witnesses state, “a significant number of employees with LNG- and gas-related
14 experience who will transfer to PPL Rhode Island on Day 1 to ensure that Rhode Island
15 gas customers continue to receive comparable LNG services under PPL ownership.”¹⁸
16 However, no information is provided from which we can assess either the significance
17 of the number of transferring employees with LNG and gas-related experience or the
18 experience and qualifications of those employees for the assignment for which those

¹⁶ Kelly and Willey Rebuttal Test. at 20:5-17.

¹⁷ *Id.* at 20:5-7.

¹⁸ *Id.* at 20:14-17.

1 individuals will be responsible. Thus, it is not possible to validate National Grid's
2 claim that those transfers will "ensure that Rhode Island gas customers continue to
3 receive comparable LNG services under PPL ownership."¹⁹

4 Further, although witnesses Kelly and Willey reference a large contingent of employees
5 who will transfer from the Service Company to support Narragansett's gas operations,
6 the only individual specifically identified in their testimony is Michele Leone who will
7 be VP of Gas Operations.

8 **Q. WITNESSES KELLY AND WILLEY ASSERT THAT THERE IS A**
9 **"PLETHORA" OF GAS UTILITY MANAGEMENT, FORECASTING, AND**
10 **PLANNING PERSONNEL RESIDENT IN RHODE ISLAND. SHOULD THE**
11 **DIVISION ACCEPT THAT REPRESENTATION?**

12 A. No. National Grid's witnesses do not identify any current gas utility management,
13 forecasting, and/or planning personnel that are currently resident in Rhode Island.
14 More importantly National Grid's witnesses miss the context in which my concern was
15 presented. My concern related to the availability of persons not presently employed by
16 Narragansett or National Grid to fill open gas utility management, forecasting and
17 planning positions. National Grid's rebuttal fails to provide any information regarding
18 the number of persons presently residing in Rhode Island who are not currently
19 employees of Narragansett, National Grid, or an affiliate who might be available to fill
20 management, forecasting, and/or planning positions for PPL Rhode Island.

¹⁹ *Id.*

1 **Q. DO YOU CONCUR WITH THE ASSERTION OF WITNESSES KELLY AND**
2 **WILLEY THAT PPL CAN CONTINUE TO MANAGE NARRAGANSETT’S**
3 **CANADIAN ASSETS IN A MANNER SIMILAR TO THAT CURRENTLY**
4 **USED BY NATIONAL GRID?**

5 A. No, I do not. Witnesses Kelly and Willey do not address the comparatively small size
6 of Narragansett’s Canadian assets and the impact on bargaining power of removing
7 those assets from the larger National Grid gas asset portfolio. A smaller asset portfolio
8 generally serves to limit a third party asset manager’s flexibility and increase the costs
9 of managing the portfolio per dekatherm (“Dth”) of gas managed. A larger portfolio
10 can provide a third party asset manager more flexibility, expectations of greater asset
11 management revenue, and opportunities for greater profit potential per Dth of gas
12 managed. If the transaction proposed in this proceeding is approved, it should be
13 expected that future Narragansett/PPL negotiations for management of such Canadian
14 assets will yield lesser benefit for Narragansett and its gas customers than the current
15 arrangement.

16 **Q. WOULD A DECISION BY PPL TO MOVE TO THIRD PARTY ASSET**
17 **MANAGEMENT FOR NARRAGANSETT’S ENTIRE PORTFOLIO**
18 **ALLEVIATE CONCERNS WITH RESPECT TO GAS ASSET**
19 **MANAGEMENT?**

20 A. No, it would not. Such a change would undermine the existing Natural Gas
21 Procurement Management Program (“NGPMP”) mechanism which, as I demonstrated

1 in my direct testimony, has produced substantial gas cost benefits for Rhode Island gas
2 customers. The NGPMP was designed to create incentives for National Grid to
3 maximize gas asset management benefits for Rhode Island gas customers through
4 National Grid's in-house management of such assets. With a movement to broader use
5 of third-party gas asset management the NGPMP would need to be eliminated.

6 Third-party asset management arrangements differ significantly from in-house asset
7 management. The benefits of third-party asset management are typically determined
8 upfront. Through a bidding process third-party managers determine the compensation
9 they would offer Narragansett/PPL for use of Narragansett's gas assets when they are
10 not needed to satisfy Rhode Island's gas supply requirements. In the Asset
11 Management Agreement ("AMA") bidding process, third-party managers determine
12 the share of expected asset management revenues that it will retain for its own benefit,
13 as well as the level of market risk to which it will be exposed. However, most, if not
14 all, of the potential revenue upside that can result from market fluctuations during a
15 year is typically retained by the third-party asset manager, and ratepayers only receive
16 a portion of the safest and most predictable revenue streams. Once a third-party asset
17 manager is selected, both Narragansett's asset management revenues and ratepayer
18 benefits for the performance period (typically a year) are fixed and there are no further
19 opportunities to incent improved performance.

20 By contrast, in-house gas asset management provides on-going incentives for the utility
21 to maximize asset management revenues and ratepayer benefits throughout any

1 identified performance period. Under Narragansett's current NGPMP incentive
2 structure, in-house management of gas assets by National Grid has proven effective in
3 extracting a greater share of overall asset management revenues for the benefit of
4 ratepayers while also providing Narragansett opportunities for incentive compensation
5 over and above its regulated revenue requirement. Moreover, the NGPMP provides
6 these incentives for increased ratepayer and shareholder benefits without exposing
7 Narragansett to significant market risk. Thus, under in-house management of gas assets
8 the levels of ratepayer and shareholder benefit can be expanded during the period
9 through astute asset management.

10 Over time, National Grid has found that limited elements of its natural gas assets for
11 narrowly-defined market segments can be more effectively managed by third-parties.
12 In those instances, all revenues from those arrangements are extracted from the
13 NGPMP revenue sharing mechanism and instead flow directly to Narragansett
14 customers. However, there is no evidence that total replacement of the current NGPMP
15 with third-party asset management would produce ratepayer benefits comparable to
16 those achieved under the NGPMP for any year since its establishment.

17 **IV. RESPONSE TO PPL WITNESS BELLAR**

18 **Q. HAS WITNESS BELLAR ACCURATELY CHARACTERIZED YOUR**
19 **CONCERNS REGARDING PPL'S GAS OPERATIONS EXPERIENCE?**

20 **A.** No. His testimony takes my concerns out of context and misconstrues their focus and
21 intent. When I discussed a "dearth" of experience, I was specifically referencing the

1 pool of talent currently available within Rhode Island to fill **new or vacated positions**
2 for Narragansett's gas system. Neither Witness Bellar nor any other rebuttal witness
3 for the Petitioners has provided any evidence of the size of the pool of available gas
4 management, forecasting, and planning expertise that presently resides in Rhode Island
5 that would be available to fill open positions for Narragansett/PPL Rhode Island.

6 Further, as I have discussed in response to National Grid witnesses Kelly and Willey,
7 it is clear that Petitioners have fallen well short of demonstrating the depth of
8 experience and expertise available to Narragansett after the close of the transaction and
9 after the end of the transition period. When focus is placed on current Narragansett
10 employees who are expected to continue their employment with Narragansett and the
11 current National Grid USA Service Company employees who are expected to transfer
12 to Narragansett/PPL Rhode Island, the depth of experience and expertise that would be
13 available to Narragansett after the close of the transaction and after the end of the
14 transition period cannot be reliably assessed.

15 **Q. WITNESS BELLAR'S REBUTTAL TESTIMONY AT PAGES 16-17**
16 **ATTEMPTS TO RESPOND TO YOUR CONCERN REGARDING PPL'S**
17 **EXPERIENCE WITH FINANCIAL HEDGES. HOW DO YOU RESPOND?**

18 A. Witness Bellar fails to provide a compelling answer to my concerns.

19 He begins his response with a representation that "the Kentucky Public Service
20 Commission does not require the use of financial hedging by local gas distribution

1 companies in Kentucky.”²⁰ Yet, the absence of a requirement for the use of financial
2 hedges by the Kentucky Public Service Commission does not address the lack of
3 experience on the part of LG&E and PPL with the use of financial hedges in natural
4 gas markets. The Rhode Island Public Utilities Commission also does not require the
5 use of financial hedging in Narragansett’s management of its gas procurement costs.
6 Thus, there is no relevant distinction presented.

7 Witness Bellar then discusses LG&E use of its on-system storage physical as a
8 “physical” hedge against winter price volatility. However, he does so without
9 addressing either: (1) the fact that Narragansett gas system does not have the geological
10 formations required for on-system underground storage of natural gas;²¹ and (2) that
11 Narragansett’s more limited LNG storage facilities are used primarily for service
12 reliability and do not constitute a substantial tool for winter season gas cost hedging.
13 Moreover, Witness Bellar fails to acknowledge the substantial differences in the types
14 of expertise required to engage in financial hedging as opposed to physical hedging.
15 Effective use of financial hedges requires very specific expertise in the use of financial
16 instruments and options trading that represent tools and areas of expertise not required
17 to manage physical hedges through the operation of underground storage facilities. As

²⁰ Bellar Rebuttal Test. at 16:9-11.

²¹ The absence of underground storage and physical hedging options for Narragansett is underscored by the Rebuttal Testimony of PPL Witnesses Reed and Dane at page 39, line 5, which states, “[t]here is no underground storage in New England due to ‘**geologic unsuitability**’” (emphasis added). Reed and Dane Rebuttal Test. at 39:5 (quoting Northeast Gas Association, “The Role of LNG in the Northeast Gas (and Energy) Market” (https://www.northeastgas.org/about_lng.php, accessed November 17, 2021)).

1 the Division has seen in multiple interactions with National Grid personnel over the
2 last several years (e.g., Stephen McCauley and John Protano), the development and
3 evaluation of financial hedging strategies for natural gas utilities often requires
4 complex analytic and modelling capabilities as well as more detailed and refined
5 understandings of daily and monthly gas use patterns that may be less critical for the
6 management of physical hedges through underground storage.

7 **Q. SHOULD THE DIVISION ACCEPT WITNESS BELLAR'S SUGGESTION**
8 **THAT THERE WOULD BE NO LOSS OF BARGAINING STRENGTH FOR**
9 **NARRAGANSETT IF IT IS SEPARATED FROM THE NATIONAL GRID**
10 **PORTFOLIO OF GAS PURCHASING REQUIREMENTS?**

11 A. No. Witness Bellar's observations on this matter yield a myopic and highly misleading
12 portrayal of bargaining strength issues for Narragansett. He also overlooks the
13 structure and organization through which National Grid pursues gas supply planning
14 and procurement on behalf of its gas utility subsidiaries. Although separate gas supply,
15 transportation, and storage contracts are signed for each of the individual utilities that
16 are operated as part of the National Grid gas utility portfolio, the contracts entered into
17 by each utility are evaluated and negotiated by a single team of gas procurement and
18 planning professionals within the National Grid USA Service Company. As a result,
19 there are often common elements in the portfolios of the utilities operated by National
20 Grid. Furthermore, at times gas supply arrangements are planned and simultaneously
21 negotiated for two or more National Grid gas utility subsidiaries.

1 The influence of the size of National Grid's overall portfolio of gas supply and
2 transportation requirements can be readily observed in several of Narragansett's gas
3 supply and transportation service arrangements. For example, it appears unlikely that
4 construction of a gas liquefaction facility, such as the Fields Point facility, would have
5 been undertaken solely for Narragansett's requirements.²² In addition, National Grid's
6 use of Canadian gas supplies delivered through Dawn was only developed under
7 National Grid as part of its larger gas supply portfolio and the more direct access of
8 National Grid's Niagara Mohawk subsidiary to the Canadian gas transportation system.
9 Furthermore, it is clear from my involvement in several Narragansett long-term
10 planning and gas cost recovery proceedings that National Grid's participation in the
11 Algonquin Incremental Market project was negotiated jointly for Narragansett and
12 Boston Gas Company. While each of those utilities may have separate contracts with
13 Algonquin for those services, the contracts for Boston Gas and Narragansett were
14 negotiated simultaneously by the same National Grid Service Company personnel.²³
15 The experience, expertise and leadership found in National Grid's gas supply and

²² Oliver Direct Test. at 71:5-72:5.

²³ Evidence of National Grid's coordinated approach to the planning, negotiation, and management of gas supply, transportation, and storage arrangements for the utilities that comprise National Grid's current gas utility portfolio can be found in the statements of qualifications presented by National Grid witnesses in multiple GCR proceedings. As previously noted, Elizabeth Arangio is responsible for gas supply planning for the resource portfolios of all of National Grid's gas utility subsidiaries. Ms. Samara Jaffe is responsible for the acquisition of long-term gas supply and pipeline capacity, gas contract management, and gas trading activities for all of National Grid's gas distribution companies in Massachusetts, Rhode Island, and New York. In addition, Mr. John Protano is responsible for all financial hedging activity for the National Grid regulated natural gas utilities, as well as structuring and optimizing the natural gas assets of National Grid's gas distribution utilities.

1 procurement professionals cannot be easily or cost-effectively replicated by an entity
2 with much smaller gas procurement requirements.

3 **Q. AT PAGE 17, LINES 12-13, OF WITNESS BELLAR’S REBUTTAL**
4 **TESTIMONY, HE CHARACTERIZES YOUR DIRECT TESTIMONY AS**
5 **“COMPARING LG&E’S LEAK PERCENTAGES TO THOSE OF NATIONAL**
6 **GRID.” IS THAT AN ACCURATE PORTRAYAL OF YOUR PRESENTATION**
7 **ON GAS LEAK ISSUES?**

8 A. No. His portrayal of my testimony on gas leak issues is inaccurate and misleading.
9 First, Witness Bellar fails to acknowledge my focus on **hazardous** gas leaks. Nowhere
10 in Witness Bellar’s Rebuttal Testimony do we find any reference to hazardous gas
11 leaks. Yet, the annual reports file by gas distribution utilities throughout the US with
12 the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) provide
13 separate reporting of **hazardous leaks** by cause and **total leaks** by cause for both gas
14 mains and gas service lines.
15 Second, Witness Bellar suggests that the “raw data” do not tell the full story.²⁴ He
16 implies that the greater numbers of gas leak reported for LG&E are a function of the
17 greater numbers of customer that LG&E serves and the greater numbers of service lines
18 installed on the LG&E system when compared with Narragansett’s gas system in

²⁴ Bellar Rebuttal Test. at 17:14-19. Witness Bellar does not clearly identify the “raw data” to which he refers, but I assume it is the gas leak data that have been included in annual reports to PHMSA for LG&E and Narragansett’s Rhode Island operations.

1 Rhode Island.²⁵ However, Witness Bellar fails to address the fact that the presentation
2 of hazardous leak data in my direct testimony accounts for differences in the size of the
3 LG&E and Narragansett gas systems by converting the raw PHMSA data to measures
4 of hazardous leaks per 100 miles of gas mains and hazardous leaks per 1,000 services
5 installed. On the basis of those measures, my direct testimony demonstrates that
6 LG&E's hazardous leak rates are above the industry average while Narragansett's
7 **hazardous** leak rates are below the industry average.

8 Finally, I appreciate Witness Bellar's observation that the PHMSA data does not
9 include information regarding leaks associated with equipment such as valves,
10 regulators, and control relief equipment. However, Witness Bellar provides no data
11 regarding the frequency of either total leaks or hazardous leak on such equipment for
12 either LG&E or Narragansett. It is impossible to compare leak data for equipment that
13 PHMSA has not required gas distribution utilities to report. I also trust that if PHMSA
14 perceived that leaks on the types of equipment referenced by Witness Bellar were a
15 significant safety concern, PHMSA would revise its reporting requirements to include
16 such information. Again, from a safety perspective there is a need to differentiate total
17 leaks from **hazardous** leaks.

²⁵ Witness Bellar cites a somewhat greater difference between the numbers of customers served by LG&E and the numbers of customers served by Narragansett than the data I relied upon in my direct testimony reflect. However, Witness Bellar offers no citations to sources for the data he has relied upon, and I have been unable to verify them. By contrast, my direct testimony provides the sources of data upon which I relied.

1 **Q. WHAT IS YOUR RESPONSE TO WITNESS BELLAR’S REBUTTAL**
2 **TESTIMONY AS IT RELATES TO LG&E’S CUSTOMER SATISFACTION**
3 **SURVEY RESULTS?**

4 A. In his direct testimony, Witness Bellar asserted that in 2019 J.D. Power Company rated
5 LG&E the top Midwest gas utility in terms of **business** customer satisfaction.²⁶
6 Witness Bellar’s Rebuttal testimony presents data in his Rebuttal Testimony that verify
7 my observation that LG&E’s 2020 **residential** Customer Satisfaction Survey results
8 were not in the lower half of gas utilities nationally. He also shows a sharp decline in
9 LG&E’s business customer satisfaction rating between 2019 and 2020. Witness Bellar
10 suggests that the sharp drops observed in LG&E’s business and residential customer
11 satisfaction results between 2019 and 2020 were the product of significant opposition
12 to an LG&E pipeline project from “some landowners.” However, no survey questions
13 or response data are provided to support that claim.²⁷

14 **Q. WHAT WEIGHT SHOULD BE GIVEN TO THE LOWER CUSTOMER**
15 **SATISFACTION RESULTS THAT WITNESS BELLAR SHOWS FOR**
16 **NATIONAL GRID’S RHODE ISLAND OPERATIONS?**

17 A. Very little. As Witness Bellar observes, there are a number of factors that influence
18 customer satisfaction scores. Key among those factors is typically price. Given Rhode

²⁶ 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 (May 4, 2021), Ex. 3 (Initial Testimony of Lonnie E. Bellar).

²⁷ Bellar Rebuttal Test. at 21:10-22:2.

1 Island's location, essentially at the end of the U.S. interstate gas pipeline system, Rhode
2 Island gas costs are typically among the highest in the U.S. LG&E's more mid-stream
3 location on the eastern US interstate gas pipeline system, combined with its ability to
4 utilize local underground natural gas storage facilities, provides LG&E greater
5 opportunity to supply gas to its customers at lower cost. But for such inherent price
6 differences I suspect that customer satisfaction ratings in Rhode Island could surpass
7 those for LG&E.

8 I would also submit, in response to witness Bellar, that customer satisfaction ratings
9 are strongly influenced by customers' direct interactions with utility personnel,
10 particularly through call center contacts.²⁸ Some utilities have developed measures of
11 customer satisfaction based on surveys of persons who contact their Call Centers and
12 have direct contact with utility customer service representatives. Thus, the quality of
13 "customer service" and "customer satisfaction" levels tend to be highly correlated.

14 **Q. WITNESS BELLAR INDICATES THAT LG&E WILL PROVIDE GAS LOAD**
15 **FORECASTING FOR NARRAGANSETT. DO YOU FIND THAT**
16 **ARRANGEMENT TO BE APPROPRIATE?**

17 A. No. Sound load forecasting requires sensitivity to the local markets in which service
18 is provided. Forecasting methods and algorithms used for the Louisville, Kentucky
19 area are not necessarily the same as those that would be appropriate for Narragansett's
20 Rhode Island service territory. There are often significant differences in forecasting

²⁸ Bellar Rebuttal Test. at 19:12-16.

1 and planning assumptions and relationships modeled for even service territories in
2 relatively close proximity. For example, significant differences are found in the
3 forecasts National Grid has developed for its Rhode Island and Massachusetts gas
4 service territories (i.e., service areas that have much closer geographic proximity than
5 LG&E's Kentucky operations). There are also differences in government regulations
6 and policies across jurisdictions that must be considered.

7 Furthermore, the development of appropriate forecasts of gas service requirements
8 typically requires substantial interaction between forecasters and a utility's marketing
9 and field personnel to understand economic development and gas usage trends within
10 a service territory. Forecasters based in Kentucky would not have as much familiarity
11 with local development patterns and would require substantially greater interface with
12 Narragansett's Rhode Island service territory to produce forecasts that are sensitive to,
13 and reflective of, development and usage trends in Rhode Island. Gas load forecasts
14 are not simply a numerical process, and well-conceived forecasting efforts generally
15 benefit from greater awareness of local issues, local regulations, and local development
16 patterns.

17 **Q. WITNESS BELLAR REPRESENTS THAT LG&E'S DISTRIBUTION**
18 **INTEGRITY MANAGEMENT GROUP CONTINUES TO MONITOR LEAKS**
19 **AND FAILURES. OF WHAT RELEVANCE IS THAT STATEMENT?**

20 A. None. Essentially all gas distribution utilities monitor leaks and failures. Key
21 differences among gas distribution utilities lie in their effectiveness in reducing the

1 numbers of **hazardous** leaks and timely repairing or replacing mains and services when
2 hazardous leaks are identified. Although LG&E has replaced all of its most leak prone
3 gas mains and reduced its reported main leaks accordingly, its track record with respect
4 to replacing hazardous leaks on services (the portion of the gas system in closest
5 proximity to customers' dwellings and places of business) leaves considerable room
6 for improvement.

7 **V. RESPONSE TO PPL WITNESS BONENBERGER**

8 **Q. EXHIBIT B TO WITNESS BONENBERGER'S REBUTTAL TESTIMONY**
9 **PROVIDES PPL'S TRANSITION COST ESTIMATES FOR SIX**
10 **CATEGORIES OF TRANSITION COSTS. DO YOU HAVE ANY COMMENTS**
11 **REGARDING THOSE COST ESTIMATES?**

12 A. Yes, I do. The limited detail provided impedes any effort to assess the impacts of those
13 expenditures on Narragansett's gas system costs of service and the benefits that gas
14 customers in Rhode Island might expect to derive from the estimated expenditures. Of
15 PPL's total transition cost estimate, \$315.0 million or 77% is associated with the
16 implementation of new Information Technology ("IT") systems. Although footnote 1
17 to Exhibit B lists eighteen IT systems for which costs are apparently included in the
18 \$315 million estimate, costs for individual systems are not shown.²⁹ Also, importantly,
19 PPL provides no information regarding the estimated portion of those costs that it

²⁹ Bonenberger Rebuttal Test., Ex. B n.1.

1 anticipates will be incurred to provide incremental benefits to Narragansett customers
2 and the portion that represents costs for replacing or modifying existing systems
3 without enhancements.³⁰ Additionally, PPL provides no estimates of the expected
4 value to Narragansett customers of the incremental benefits that are expected to result
5 from the identified IT systems. Thus, no basis exists for assessing the cost-
6 effectiveness or costs and benefits of these substantial IT related expenditures. Without
7 the up-front establishment of PPL's cost and benefit expectations subsequent efforts to
8 challenge PPL's recovery of transition costs in rate proceedings before the RIPUC may
9 be characterized as hindsight and rejected on that basis. Since the Commission is
10 provided no opportunity to opine on the merits and appropriateness of PPL's planned
11 expenditures prior to the Division's rendering of a decision in this docket, it is
12 incumbent upon the Division to as part of its application of the public interest standard
13 to ensure that expenditures for which PPL indicates it may seek recovery in future rate
14 proceedings are prudent and will not adversely impact the bills of Rhode Island
15 consumers.

16 Second, footnote 2 to Witness Bonenberger's Exhibit B, identifies three types of
17 facilities (i.e., Customer Service Center, Training Center, Distribution Control Center)
18 for which PPL expects to incur transition costs.³¹ However, only an aggregate cost

³⁰ Rebuttal Testimony of PPL Witness Bonenberger, page 32, lines 7-8, indicates that "PPL will seek recovery of only those costs that generate incremental benefits for customers." Bonenberger Rebuttal Test. at 32:7-8.

³¹ *Id.*, Ex. B n.2.

1 estimate is provided. Moreover, once again, no estimates are provided of either the
2 value of expected incremental benefits from those facilities or the costs of obtaining
3 such incremental benefits. I also note that it is unclear whether the facilities cost
4 estimate provide includes a **backup** Distribution Control Center as well as a **primary**
5 Distribution Control Center.

6 Third, no reference is made in Witness Bonenberger's Exhibit B to the costs that PPL
7 will incur for transition support provided by National Grid under the TSA. As a result,
8 it is unclear whether any or all TSA costs are included in the transition cost estimates
9 presented in Exhibit B. There is also no indication of the portions of the cost estimates
10 in Exhibit B that comprise Operating expenditures and the portions that represent
11 Capital investments.

12 Finally, Exhibit B includes \$15.4 million for estimated severance costs, but PPL
13 provides no information regarding the composition of those costs, the numbers of
14 persons for which it expects to pay severance costs, and the positions vacated or
15 eliminated through the severance of certain current employees. Likewise, no
16 information is offered regarding the costs that PPL expects to incur to recruit and train
17 replacements for persons that are severed. It seems unlikely that PPL would incur
18 \$15.4 million of severance costs without incurring any costs for hiring and training new
19 employees for either the positions vacated or for newly created positions.

20 **Q. DOES WITNESS BONENBERGER PROVIDE ANY UPDATED**
21 **INFORMATION REGARDING WHEN EACH NEW RHODE ISLAND**

1 **FACILITY LISTED IN FOOTNOTE 2 TO EXHIBIT B IS EXPECTED TO BE**
2 **PLACED IN SERVICE?**

3 A. No. He does not. PPL has also still not provided information regarding where each
4 facility will be located and when each is expected to become operational.

5 **Q. WITNESS BONENBERGER STATES, “PPL’S EXPERIENCE THUS FAR HAS**
6 **NOT INDICATED THAT IT WILL NEED TO PAY A SALARY PREMIUM TO**
7 **ATTRACT QUALIFIED TALENT TO WORK FOR NARRAGANSETT.”³²**
8 **WHAT WEIGHT SHOULD BE GIVEN TO THAT REPRESENTATION?**

9 A. None. Witness Bonenberger’s assertion is unsupported, and it is unclear what PPL
10 experience he is referencing. Considering that PPL has no prior experience with
11 respect to hiring persons for positions in either RI or New England, the basis for
12 Witness Bonenberger’s assertion must be questioned.

13 **Q. HOW DO YOU ANSWER WITNESS BONENBERGER’S ASSERTION THAT**
14 **YOU “CHERRY PICK” CERTAIN DATA POINTS FROM ATTACHMENT**
15 **PPL-DIV 1-54-1?**

16 A. My responsibilities for the Advocacy Section in this proceeding focus on the impacts
17 of the proposed transaction on Narragansett’s gas system operations and costs. In that
18 context, I have highlighted two key elements of PPL’s estimated costs that would
19 adversely impact Narragansett’s gas system customers. Those are Gas Operations and

³² Bonenberger Rebuttal Test. at 31:1-2.

1 Customer Operations., For those two areas within PPL’s cost estimates, dramatic
2 increases are projected in Salaries and Benefits (i.e., 21% for Gas Operations and 37%
3 Customer Operations). Witness Bonenberger does not deny the accuracy of those
4 percentage increases, nor does he provide a compelling case for why those increases in
5 Salaries and Benefits are necessary and appropriate. His use of the phrase “cherry
6 picks” is simply an attempt to distract from the substance of my presentation. Witness
7 Bonenberger cites to specific increases in staffing (i.e., the numbers of Full Time
8 Equivalent employees that PPL believes Narragansett will require, but he does not
9 document or address wage premiums or added benefits that PPL must incur for its Gas
10 Operations and Customer Operations personnel. Moreover, the projected salary and
11 benefit increases are inconsistent with: (1) witness Bonenberger’s previously discussed
12 representation that PPL’s experience does not suggest a need to pay salary premiums
13 to attract qualified talent to work for Narragansett; and (2) the representations of other
14 Petitioner witnesses that assert PPL can be expected to achieve economies of scale
15 comparable to those presently achieved by National Grid.

16 **Q. WITNESS BONENBERGER’S REBUTTAL TESTIMONY ARGUES THE**
17 **MERITS OF PPL’S “HYBRID [MANAGEMENT] MODEL” THAT BLENDS**
18 **SHARED SERVICES WITH GREATER LOCAL CONTROL.³³ IS THERE**
19 **MERIT IN THE HYBRID MODEL THAT PPL PROPOSES TO UTILIZE?**

³³ *Id.* at 35:11-36:14.

1 A. Essentially every utility holding company engages in some version of a hybrid
2 management model. Although in concept local presence and control appears to offer
3 some benefit to Rhode Island, how much decision-making authority will actually be
4 delegated to Rhode Island based management personnel is unclear. In addition, there
5 is nothing in PPL's commitments in this proceeding that ensures that the touted "local
6 control" will not be diluted over time. Furthermore, the record in this docket lacks a
7 systematic assessment of the costs and benefits of increased local presence and
8 increased local control. Narragansett must respond to the requirements and directives
9 of the RIPUC regardless of where its decision makers are physically located.

10 **Q. OF WHAT VALUE IS WITNESS BONENBERGER'S REPRESENTATION**
11 **THAT PPL EXPECTS THAT OPERATING COSTS FOR NARRAGANSETT**
12 **WILL GO DOWN?**³⁴

13 A. None. Given that PPL has not completed a full business plan and budget for
14 Narragansett's operation after the transition period, his assessment of Narragansett's
15 post-transition period costs is purely speculative. Furthermore, PPL's proposals in this
16 proceeding make no commitment to overall lower costs for Narragansett at any point
17 in the future. If PPL was confident that Narragansett's costs will go down, I would
18 have expected PPL's presentation in this case to be laced with claims of synergy
19 savings as I have been presented in numerous other utility merger and acquisition

³⁴ *Id.* at 36:17.

1 proceedings. Yet, no explicit claims of synergy savings are presented by the
2 Petitioners, and no proposals for sharing synergy savings with Narragansett customers
3 have been outlined.

4 **Q. WHAT IS YOUR ASSESSMENT OF WITNESS BONENBERGER'S**
5 **ASSERTION THAT "PPL COULD OPERATE A PURE SHARED SERVICES**
6 **MODEL THAT IS SUBSTANTIALLY SIMILAR TO NATIONAL GRID USA'S**
7 **CURRENT MODEL WITH CENTRALIZED OPERATIONS FOR ALL ITS**
8 **UTILITIES FROM PENNSYLVANIA?"**³⁵

9 A. I accept that PPL could attempt to implement a pure shared services model with
10 centralized operations in Pennsylvania. I do not accept that such a model could achieve
11 results for Narragansett's gas operations that would be "substantially similar" to those
12 that presently flow to Narragansett's gas system from National Grid's shared services
13 model. I also find no substantive basis for Witness Bonenberger's claim that:

14 "Rhode Island-based operations with support from centralized
15 services in Pennsylvania and Kentucky will be as efficient and
16 effective as current operations – and could bring incremental
17 benefits to Narragansett customers."³⁶

18 As previously explained, from a gas system perspective, the more remote location of
19 LG&E, Narragansett's end-of-the-pipeline location, its absence of on-system

³⁵ *Id.* at 38:11-13.

³⁶ *Id.* at 38:2-6.

1 underground storage, and the smaller combined size of Narragansett and LG&E when
2 compared with the portfolio of gas utilities presently operated by National Grid, are all
3 inconsistent with the notion that PPL can provide gas system benefits comparable to
4 those presently derived through National Grid's management.

5 Any suggestion that a local management team (in whatever form ultimately
6 implemented) will be sufficient to offset the economies of scale associated with a much
7 larger portfolio of gas utility operations is at best speculative and not supported by any
8 quantitative analysis. Under National Grid, most of Narragansett's leadership and
9 support is presently based in Waltham, MA. Admittedly that is not in Rhode Island,
10 but it is much more representative of a local presence than PPL's proposed reliance on
11 leadership and support in Pennsylvania and/or Kentucky.

12 **VI. RESPONSE TO PPL WITNESSES REED AND DANE**

13 **Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE REBUTTAL**
14 **TESTIMONY SUBMITTED BY PPL WITNESSES REED AND DANE?**

15 A. The Reed and Dane Rebuttal Testimony is laced with numerous representations that
16 are not supported by record evidence. In the absence of appropriate support, such
17 representations should not be relied upon as a basis for approving the proposed
18 transaction. Moreover, certain of the positions taken by Reed and Dane are directly
19 contradicted by other witnesses for PPL and/or National Grid.

1 **Q. DOES PPL HAVE A TRACK RECORD OF SUCCESSFULLY ACQUIRING**
2 **GAS BUSINESSES AS REED AND DANE ASSERT IN THEIR REBUTTAL**
3 **TESTIMONY?**

4 A. No. PPL’s track record is quite limited. As discussed in my direct testimony, PPL’s
5 only foray into the gas distribution business prior to its acquisition of LG&E’s
6 combined gas and electric operations was short-lived. After acquiring two small gas
7 distribution utilities in Pennsylvania in the 1990’s, PPL soon resold those businesses to
8 UGI Corporation under the rationale that gas distribution was not part of PPL’s “core
9 business.”³⁷

10 **Q. WITNESSES REED AND DANE ARGUE THAT THE ADVOCACY SECTION**
11 **EXPANDS THE PUBLIC INTEREST STANDARD TO INCLUDE**
12 **CONSIDERATION OF ISSUES TYPICALLY RESERVED FOR CASES**
13 **BEFORE THE RIPUC.³⁸ IS THAT ACCURATE?**

14 A. No. The RIPUC would face a dilemma if subsequent to the approval of the transaction
15 it is found that PPL cannot provide safe and reliable utility services to Rhode Island
16 gas customers at reasonable cost when compared to the costs that Narragansett
17 currently incurs. In that event, the RIPUC might have to choose between either: (1)
18 excluding substantial costs and jeopardizing the financial health of Narragansett’s gas
19 utility operations; or (2) allowing cost increases to the financial detriment of Rhode

³⁷ See Oliver Direct Test. at 17:14-18:3.

³⁸ Reed and Dane Rebuttal Test. at 14:3-6.

1 Island consumers. This trade-off is precisely why the Division must consider the
2 expected longer-term impacts of the transaction on Narragansett's costs and service
3 reliability as part of its evaluation of the merits of the proposed transaction. The Reed
4 and Dane approach to considering the public interest impacts of the proposed
5 transaction would inappropriately shift risk from PPL (i.e., the acquiring entity) to
6 Rhode Island ratepayers.

7 **Q. DO YOU AGREE WITH WITNESSES REED AND DANE REGARDING THE**
8 **COMPARATIVE FOOTPRINTS OF NATIONAL GRID AND PPL?**

9 A. No. The efforts of witnesses Reed and Dane to characterize PPL's footprint as wider
10 than National Grid's footprint have no merit as they relate to the current gas operations
11 of those two holding companies. With the acquisition of Narragansett, PPL's gas
12 service would be more aptly described as two footprints separated by about 800 miles.
13 Combined under PPL, LG&E and Narragansett would serve a little **over 600,000 gas**
14 **customers**. By contrast, National Grid presently serves about **3.4 million gas**
15 **customers** in New York, Massachusetts, and Rhode Island. All of National Grid's 3.4
16 million gas customers are located within roughly a 150 mile radius. Thus, National
17 Grid is more appropriately viewed as having a wider single geographic footprint than
18 PPL.

19 Although LG&E is clearly more geographically distant from Rhode Island than
20 National Grid's other gas utilities, that geographic distance does not constitute a
21 broader footprint. Rather, the Narragansett RI operations are sufficiently distant from

1 LG&E to constitute a separate footprint. By contrast, the footprint of National Grid's
2 gas operations in Rhode Island, Massachusetts and New York is much wider than the
3 gas system footprint PPL would offer.

4 **Q. AT PAGE 20 OF THE REED AND DANE REBUTTAL TESTIMONY, THEY**
5 **SUGGEST THAT PPL'S KENTUCKY OPERATIONS ALREADY HAVE THE**
6 **NEEDED IN-HOUSE EXPERTISE TO MANAGE NARRAGANSETT'S GAS**
7 **PORTFOLIO. DO YOU AGREE?**

8 A. No, I do not. Witness Bellar makes a similar representation, but he also recognizes
9 important operational differences between the Narragansett and LG&E gas systems and
10 admits that PPL will need to "build upon its internal capabilities and gain expertise in
11 managing the Narragansett portfolio in a manner consistent with past practices of
12 National Grid."³⁹ PPL witness Bellar further testifies that PPL has taken steps to build
13 its knowledge and skill in gas procurement in the New England market by retaining a
14 third-party consultant.⁴⁰ If in fact PPL already possesses the needed in-house expertise
15 to manage Narragansett's gas portfolio, then the measures described by Witness Bellar
16 to augment PPL's knowledge and skill with respect to gas procurement in the New
17 England market would be unnecessary.

18 **Q. REED AND DANE ASSERT THAT RHODE ISLAND OPERATIONS WILL**
19 **BENEFIT FROM PPL'S EXPERIENCE IN KENTUCKY, WHERE PPL**

³⁹ Bellar Rebuttal Test. at 16:3-6.

⁴⁰ *Id.* at 13:2-10.

1 **OPERATES UNDER RULES AND REQUIREMENTS TO ENCOURAGE THE**
2 **PROVISION OF LOW-COST GAS SUPPLIES AND REDUCE PRICE**
3 **VOLATILITY.⁴¹ DO YOU AGREE?**

4 A. No, I do not. Apparently Reed and Dane were unaware of the incentive structures
5 under which Narragansett operates in Rhode Island and overlooked the section of my
6 direct testimony which demonstrates that the Rhode Island incentive structure has
7 produced greater benefits for customers than the rules and requirements in Kentucky
8 have produced for LG&E customers.⁴² LG&E’s gas procurement practices in
9 Kentucky offer no incremental benefits for Narragansett’s gas system. To the contrary,
10 LG&E might learn some lessons from Narragansett’s gas procurement practices and
11 gas cost incentive structures.

12 **Q. WITNESSES REED AND DANE TOUT THE SUCCESS OF UTILITY**
13 **OWNERSHIP TRANSFERS BETWEEN UTILITY HOLDING COMPANIES,**
14 **CITING TRANSACTIONS IN NEW HAMPSHIRE.⁴³ SHOULD THOSE**
15 **EXAMPLES HAVE A BEARING ON THE DIVISION’S DETERMINATION**
16 **REGARDING THE TRANSACTION PROPOSED IN THIS PROCEEDING?**

17 A. No. The referenced transfers of ownership are labeled as successful without any
18 discussion of the criteria used to assess “success” for each transaction. Apparently,

⁴¹ Reed and Dane Rebuttal Test. at 20:6-9.

⁴² Oliver Direct Test. at 74:1-79:3 & Figs. 3, 4.

⁴³ Reed and Dane Rebuttal Test. at 39:14.

1 Reed and Dane consider a transfer a success when the acquiring party assumes full
2 responsibility for the transferred utility without further assistance from the seller (i.e.,
3 when the transition period ends). That may be a sufficient criterion from a utility
4 holding company perspective, but it does not consider post-closing or post-transition
5 period impacts on the costs, quality, and/or reliability of service that the utility's
6 customers may experience.

7 **Q. WITNESSES REED AND DANE SUGGEST THAT THE DECISION OF THE**
8 **NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION TO APPROVE THE**
9 **TRANSFER OF ENERGY NORTH TO LIBERTY ENERGY SHOULD**
10 **PROVIDE THE DIVISION COMFORT THAT PRIOR EXPERIENCE IN GAS**
11 **UTILITY MANAGEMENT AND OPERATIONS SHOULD NOT BE A MAJOR**
12 **CONCERN. DO YOU AGREE?**

13 A. No. The New Hampshire case is distinguishable from the situation here for several
14 reasons. First, National Grid's transfer of ownership of Granite State Electric Company
15 and Energy North Natural Gas, Inc. to Liberty Utilities was resolved through a
16 **negotiated settlement** and the number and substance of the provisions of the
17 settlement accepted by the New Hampshire Public Utilities Commission ("NHPUC")
18 in that proceeding far exceed the commitments offered by the Petitioners in this docket.
19 Additionally, in New Hampshire the regulatory body responsible for approving the
20 merger is the same regulatory body responsible for the approval of rates. Further, as
21 noted earlier in this testimony, the he settlement of the referenced New Hampshire

1 proceeding included requirements for National Grid’s provision of \$28.5 million in
2 escrow funds. Given the comparatively small size of Granite State and Energy North,
3 that requirement (which was made in 2012) could equate to over \$100 million in this
4 proceeding when adjusted for inflation and the larger size of Narragansett’s gas and
5 electric operations. The referenced New Hampshire settlement also included the
6 establishment of multiple performance metrics, numerous reporting requirements, and
7 substantial on-going monitoring of the adherence of both National Grid and Liberty
8 Utilities to the terms of their Transition Services Agreement. Furthermore, the NHPUC
9 explicitly observed in its analysis of the Settlement Agreement that the commitments
10 contained therein provided “certain rate impact protections for customers.”⁴⁴

11 **VII. CONCLUSION**

12 **Q. DO YOU HAVE ANY CONCLUDING OBSERVATIONS?**

13 A. I do. The proposed transaction is purely the product of corporate interests. There are
14 no identified synergy savings to be derived from the transaction for Rhode Island or
15 Rhode Island gas utility customers. Although it may be advantageous for National Grid
16 to acquire Western Power Distribution (“WPD”) from PPL to consolidate its hold on
17 power distribution in the United Kingdom, that does not justify the impacts on Rhode
18 Island consumers of National Grid’s decision to transfer ownership of its Rhode Island
19 electric and gas utility operations to PPL. This is particularly true from a gas utility

⁴⁴ State of New Hampshire Public Utilities Commission, Order No. 25,370, at 30, Docket No. DG 11-040 (May 30, 2012).

1 perspective. Gas distribution is not perceived by PPL as part of its core business, and
2 extracting Narragansett's gas operations from the larger and more advantageous
3 National Grid portfolio of gas utilities for broader corporate purposes will not serve
4 either the interests of Rhode Island gas consumers or Rhode Island's overall public
5 interest.

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

7 **A.** Yes, it does.