
**EXHIBITS TO THE DIRECT TESTIMONY
OF
DAVID J. EFFRON**

EXHIBIT A

RESUME OF DAVID J. EFFRON, CPA

UTILITY REGULATION EXPERIENCE

Presentation of testimony on behalf of offices representing customer interests on various utility matters involving electric, gas, telephone, and water utilities in the following jurisdictions: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Missouri, Nevada, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, Washington, and FERC.

Assistance to attorneys in preparing discovery, cross-examination, post-hearing briefs, and analysis of orders; provision of technical assistance during settlement negotiations.

Assistance to attorneys in Rhode Island, Maryland, Massachusetts, Illinois, and Texas regarding electric utility restructuring matters.

CABLE CONSULTING EXPERIENCE

Assistance to local franchising authorities in financial feasibility reviews, regulation of cable rates, franchise fee audits, and negotiation of franchise agreements.

OTHER BUSINESS EXPERIENCE

Supervision of capital project analysis, capital budgets, spending reports, leasing program, and special studies; feasibility studies, accounting systems, statistical surveys; audits of publicly held companies in various industries.

EMPLOYMENT HISTORY

<u>Dates</u>	<u>Company</u>
March 1982 - Present	Berkshire Consulting Services (Self-employed)
January 1977 - February 1982	Georgetown Consulting Group
April 1975 - January 1977	Gulf & Western Industries
February 1973 - March 1975	Touche Ross & Company

EDUCATION

Columbia University, MBA, 1973
Dartmouth College, BA Economics, 1968

HONORS AND AWARDS

Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974 Certified Public Accounting Examination in New York State.
Graduated from Dartmouth College with distinction in the field of Economics

EXHIBIT B

NATIONAL GRID/PPL RHODE ISLAND
ILLUSTRATIVE MERGER ADJUSTMENT TO ADIT
(\$MILLION)

As of 31-Dec	National Grid ADIT	PPL ADIT	ADIT Transaction Adjustment
2021	368.0	2.2	365.8
2022	358.1	13.0	345.1
2023	339.7	21.9	317.8
2024	317.7	19.7	298.1
2025	311.2	23.7	287.6
2026	312.9	33.6	279.3
2027	312.4	39.7	272.6
2028	311.7	45.2	266.5
2029	308.4	48.9	259.5
2030	307.2	58.4	248.9
2031	304.4	69.0	235.4
2032	299.3	79.9	219.4
2033	291.8	90.8	200.9
2034	283.6	104.0	179.6
2035	273.8	119.4	154.3
2036	261.2	135.1	126.1
2037	246.9	151.1	95.8
2038	231.7	167.8	63.9
2039	217.6	185.5	32.2
2040	204.5	203.2	1.3
2041	187.2	206.6	(19.5)
2042	170.6	191.0	(20.4)
2043	151.7	170.6	(18.9)
2044	132.1	150.4	(18.3)
2045	117.3	133.3	(16.0)
2046	105.7	117.3	(11.7)
2047	90.6	101.5	(10.8)
2048	76.0	85.5	(9.5)
2049	64.9	73.3	(8.4)
2050	54.9	61.4	(6.5)
2051	44.1	49.8	(5.8)
2052	33.1	38.6	(5.5)
2053	22.1	27.3	(5.3)
2054	11.6	16.1	(4.5)
2055	3.2	6.6	(3.5)
2056	2.5	5.7	(3.2)
2057	2.1	4.7	(2.6)
2058	1.9	3.9	(2.0)
2059	1.7	3.2	(1.5)
2060	1.8	2.2	(0.4)
2061	1.6	1.8	(0.2)

EXHIBIT C

Division 2-3

Request:

Referring to paragraph 11 of the Petition, please:

- a. provide the expected accounting entries by PPL Rhode Island and National Grid USA to book PPL Rhode Island's purchase of all of National Grid USA's equity interests in Narragansett;
- b. explain why PPL Rhode Island and National Grid USA have agreed to make an election under section 338(h)(10) of the Internal Revenue Code to have the Transaction treated as an asset sale for federal income tax purposes, given that the Transaction is structured as a purchase by PPL Rhode Island of all of National Grid USA's equity interests in Narragansett; and
- c. describe the effects of that election to have the Transaction treated as an asset sale for federal income tax purposes. The response should include, but not be limited to, the effect of this election on the balances of the Narragansett's accumulated deferred income taxes existing at the time of the Transaction.

Response:

a. In accordance with Generally Accepted Accounting Principles in the U.S., PPL RI will account for the Transaction using the acquisition (or purchase) method of accounting for business combinations. As a result, PPL RI will recognize the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The resulting difference between the purchase price and the fair value as of the acquisition date of the identifiable assets acquired and liabilities assumed will be recognized as goodwill. The related purchase accounting journal entries, including the creation of goodwill, will be recorded at PPL RI and will not be pushed down to Narragansett, resulting in no changes to Narragansett's books related to the purchase accounting journal entries.

At this time, we are still assessing the fair values of the assets acquired and liabilities assumed so we are not able to provide the purchase accounting entries to be recorded. PPL RI will be engaging a third-party specialist to assist in determining the fair values. PPL and PPL RI will supplement this response as appropriate as the assessment of the fair values of the assets acquired and liabilities assumed is completed.

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 Second Set of Data Requests

Issued on June 11, 2021

b. As a general matter, when a buyer and seller of stock in a corporation jointly make an election under Internal Revenue Code Section 338(h)(10), the transaction is treated as an asset sale and acquisition for federal income tax purposes. Generally, buyers prefer an asset acquisition from a tax perspective because it allows a "step-up" in the tax basis of the acquired assets to fair market value, which allows for greater tax depreciation. In addition, any excess of the purchase price over the fair market value of the acquired assets may give rise to goodwill that may be amortized over a fifteen-year period for federal income tax purposes. For this reason, PPL agreed to make this election.

Please see National Grid USA's response to data request Division 2-3, subpart b, for an explanation of National Grid USA's reasons for agreeing to this election.

c. The effect of the election will be to increase the tax basis in the target assets to fair market value. PPL expects that the fair market value of the acquired assets will be approximately equal to the book values of such assets, as of the closing date. This increase in the tax basis of the acquired assets to fair market/book values will result in the reduction/elimination of accumulated deferred income taxes ("ADIT") existing at the time of the Transaction. While the reduction/elimination of such ADIT will result in an increase to Narragansett's rate base, in a future proceeding setting base rates, PPL will make a proposal to hold customer impacts neutral in relation to the rate impact associated with the elimination of ADIT as of the date of the transaction. With the stepped-up tax basis, there will be offsetting ADIT generated in the future. Therefore, the impact is a function of the point at which rates are reset, and PPL's proposal will address the circumstances existing at that point. Similarly, to the extent that the reduction/elimination of such ADIT impacts Narragansett's FERC formula transmission rates, which are passed through to Narragansett's distribution customers, PPL's proposal will address the impact of any such FERC formula transmission rate changes on Narragansett customers.

Division 2-36

Request:

Referring to paragraph 38 of the Petition, please:

- a. provide any available estimate of the acquisition premium that will be booked, but not recovered through rates, as a result of the Transaction;
- b. State whether the Applicants will seek to include the effect of the acquisition premium or transaction costs in the capital structure used for ratemaking purposes; and
- c. provide any available estimate of the transaction costs related to the Transaction. The response should itemize and quantify all such Transaction costs, regardless of whether PPL will seek to recover such costs in Rhode Island retail rates.

Response:

- a. PPL's current estimate of the acquisition premium is \$1.0 billion. Narragansett currently has goodwill on its books of \$725 million. The acquisition premium anticipated to be recorded by PPL will not be pushed down to Narragansett's balance sheet and will be retained on PPL's corporate balance sheet.
- b. PPL and PPL RI will not seek to include the effect of the acquisition premium or transaction costs in the capital structure used for ratemaking purposes. See PPL and PPL RI's response to data request Division 2-3. The purchase accounting journal entries, including the creation of additional goodwill/acquisition premium, will be recorded at PPL RI and will not be pushed down to Narragansett, resulting in no changes to Narragansett's books and therefore, will not be included in the capital structure used for ratemaking purposes. In addition, see PPL and PPL RI's response to data request Division 1-33. PPL will not seek recovery of transaction costs and such costs will not be included in the capital structure used for ratemaking purposes.
- c. See PPL and PPL RI's response to data request Division 1-32. At this time PPL and PPL RI do not have an estimate of what the total Transaction costs will be as they continue to assess system needs. PPL and National Grid continue to work together to ascertain that estimate.

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 Fourth Set of Data Requests
Issued on July 30, 2021

Division 4-4

Request:

The response by PPL Corporation and PPL Rhode Island Holdings, LLC to Division 2-3, subpart a states that "PPL RI will recognize the identifiable assets acquired and liabilities assumed at their acquisition date fair values." Please confirm that post-Transaction the utility property on Narragansett's books of account will continue be stated at its original cost when first devoted to public utility service.

Response:

PPL and PPL RI confirm that post-Transaction the utility property on Narragansett's books of account will continue to be stated at its original cost when first devoted to public utility service.

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 Fourth Set of Data Requests

Issued on July 30, 2021

Division 4-5

Request:

The response by PPL Corporation and PPL Rhode Island Holdings, LLC to Division 2-3, subpart c states that "PPL expects that the fair market value of the acquired assets will be approximately equal to the book values of such assets, as of the closing date." Please describe any potential differences between the fair market value of the acquired assets and the book value of such assets as of the closing date, and explain the accounting for any such differences.

Response:

PPL and PPL RI do not expect that there will be any differences between the fair market value of the acquired assets and the book value of the acquired assets as of the closing date. PPL and PPL RI used the term "approximately equal" in their response to data request Division 2-3, subpart c because it is possible that there will be minor differences in the book value and the fair market value arising due to tax impacts related to book to tax differences arising in the acquisition.

Division 4-7

Request:

The response by PPL Corporation and PPL Rhode Island Holdings, LLC to Division 2-3, subpart c states that “[w]hile the reduction/elimination of such ADIT will result in an increase to Narragansett’s rate base, in a future proceeding setting base rates, PPL will make a proposal to hold customer impacts neutral in relation to the rate impact associated with the elimination of ADIT as of the date of the transaction.” Please describe the mechanism that will be implemented “to hold customer impacts neutral” and provide an example of the calculations “to hold customer impacts neutral” based on the balance of ADIT existing at the time of the Transaction.

Response:

PPL and PPL RI have not yet identified the mechanism they will use to hold customer impacts neutral from the increase to Narragansett’s rate base from the reduction/elimination of ADIT as a result of the Transaction. Accordingly, they cannot provide an example of the calculations to do so based on the balance of ADIT existing at the time of the Transaction.

After the Transaction closes, PPL and PPL RI will operate Narragansett under the existing rate structures, which do not reflect any impacts from the reduction/elimination of ADIT resulting from the Transaction. When PPL and PPL RI file for any adjustments to Narragansett’s customer rates that would reflect impacts resulting from the increase to rate base resulting from the reduction/elimination of ADIT, they will consult with the Rhode Island Division of Public Utilities and Carriers (the “Division”) to determine the specific mechanism they will propose to hold customer impacts neutral. The rate base impact of the elimination/reduction of ADIT will change over time, and the mechanism deployed will need to take into account what that impact will be at the time of the proposed rate adjustments, as well as how the rate base impact will change over time. Regardless of the specific mechanism, PPL and PPL RI’s proposal will specifically identify the rate impact from the rate base increase resulting from the elimination/reduction of ADIT and demonstrate how PPL and PPL RI offset that impact clearly and transparently for the Division and the Rhode Island Public Utilities Commission to review and evaluate to confirm that the elimination/reduction of ADIT does not result in rate increases to customers.

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

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
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

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.