

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. 2021-09

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES.....	iii
I. INTRODUCTION.....	1
II. ARGUMENT.....	6
A. The legal standard for approval is well settled and does not permit the Advocacy Section to compel National Grid to continue to operate Narragansett.....	6
1. The settled legal standard.....	6
2. The Advocacy Section’s focus on National Grid’s alleged advantages as the incumbent utility is misplaced and contrary to the legal standard. This focus would otherwise compel National Grid to perpetually own and operate Narragansett.....	10
B. PPL easily meets the standard for approval of the Transaction historically applied by the Division under settled law.....	14
1. PPL is a large and experienced utility holding company that safely and reliably operates electric and gas utilities.....	14
2. The undisputed record evidence also establishes that PPL provides outstanding service to its millions of customers and is a successful and highly ranked utility operator.....	14
3. The undisputed record establishes that PPL has sufficient financial strength to own and successfully operate Narragansett.....	18
4. PPL has made commitments that ensure no adverse impacts to the public or customers will result from the Transaction.....	19
C. The Advocacy Section and the Interveners’ forecasts of future events apply the wrong standard and are inaccurate, and thus provide no basis for denial of the Petition.....	22
1. PPL and National Grid will successfully complete the Transition in 24 months.....	22

2.	PPL’s commitments, the relevant legal standards, and the PUC all protect the ratepayers from inappropriate recovery of transition costs.....	27
3.	PPL’s significant experience in utility operations and the combined direct experience of the more than 1,000 Narragansett and National Grid Service Company employees who will join PPL ensure that Narragansett will continue to operate competently and efficiently.....	31
a.	ISR Filings.....	31
b.	Shared Services.....	31
c.	Renewable and Clean Energy Programs.....	34
4.	PPL will efficiently implement and complete the AMF rollout in a cost efficient manner.....	38
5.	PPL will effectively implement Grid Modernization.....	41
III.	Conclusion.....	43

TABLE OF AUTHORITIES

	Page(s)
 Cases	
<i>In re Kent Cty. Water Auth. Change Rate Schedules</i> 996 A.2d 213 (R.I. 2010).....	6
<i>Narragansett Elec. Co. v. Burke</i> 381 A.2d 1358 (R.I. 1977).....	28
<i>New Energy Rhode Island et al. v. The R.I. Div. of Pub. Utils. & Carriers et al.</i> C.A. No. PC-2021-05941, Decision at 9 (R.I. Super. Ct. Dec. 9, 2021)	6
<i>Providence Gas Co. v Malachowski</i> 656 A.2d 949 (R.I. 1995).....	28
<i>Providence Gas Co. v. Pub. Utils. Comm’n</i> 352 A.2d 630 (R.I. 1976).....	6
 Statutes	
R.I. Gen Laws § 39-1-27.7.1(d).....	29
R.I. Gen Laws § 39-3-11.....	28
R.I. Gen. Laws § 39-3-12.....	28
R.I. Gen. Laws § 39-3-25.....	passim
R.I. Gen. Laws § 42-6.2-2.....	36
 Other Authorities	
<i>In re: Island Hi-Speed Ferry, LLC Petition for Approval of Conveyance of Ownership Interest</i> Dkt. No. D-00-18, Order 16457, 2000 WL 36572378 (Nov. 10 2000).....	7, 26
<i>In re: Joint Petition for Purchase and Sale of Assets by The Narragansett Electric Company and Southern Union Company</i> Docket No. D-06-13, Order No. 18676, 2006 WL 2134639 (July 25, 2006).....	passim
<i>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</i> Docket No. D-21-09, Order No. 24109, 2021 WL 4244236, *44 (Aug. 19, 2021)	7, 8, 9, 10
<i>In re: Verizon New England, Inc.</i> Order No. 18789, 2006 WL 4470782 (R.I.P.U.C. Dec. 20, 2006)	7

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

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In Re: Petition of PPL Corporation, PPL)	
Rhode Island Holdings, LLC, National Grid)	Docket No. 2021-09
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)	
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**PPL CORPORATION AND PPL RHODE ISLAND HOLDINGS, LLC’S
POST-HEARING MEMORANDUM**

I. INTRODUCTION

The Hearing Officer should approve the Petition because the undisputed evidence establishes each required element of the legal standard of review. PPL Corporation (“PPL”) and PPL Rhode Island Holdings, LLC (“PPL RI”) (collectively “PPL”): (1) is an experienced operator of gas and electric utilities, (2) has the financial strength necessary to manage the operations of The Narragansett Electric Company (“Narragansett”) under its ownership, (3) has successfully operated gas and electric utilities as large as and much larger than Narragansett, and (4) has made the necessary commitments to ensure that its ownership of Narragansett is consistent with the public interest – *i.e.*, will not have an adverse impact on the public including ratepayers.

First, it is undisputed that PPL is a large and experienced utility holding company that safely and reliably operates electric and gas utilities that consistently earn best in class customer satisfaction ratings. PPL’s electric and gas utilities have more than 100 years of operational history. Overall, PPL provides utility service to more than 2.5 million customers in the United States, including more than 1.4 million electric customers in Pennsylvania, another 1 million

electric customers in Kentucky, and more than three hundred thousand gas customers in Kentucky. PPL's gas distribution system in Kentucky serves more customers and covers a larger geographic area than the current Narragansett gas distribution system. And, until May of 2021, PPL successfully operated an electric distribution system in the United Kingdom that served almost 8 million customers.

Second, PPL is financially strong. Moody's and Standard & Poor's, international financial rating agencies, both confirm PPL's financial strength. These agencies assess the creditworthiness of borrowers using a standardized ratings scale, which measures expected investor loss in the event of default. They rate debt securities in several bond market segments. Moody's ranked PPL's operating utilities as A1, and S&P ranked them as A, rankings as high as or higher than National Grid USA's ("National Grid") operating utilities. Further, PPL will not add additional debt but will instead use cash from the sale of its U.K. utility business to acquire Narragansett. No party to this proceeding introduced any evidence proving or even suggesting that PPL is not financially strong.

Third, there is no dispute that PPL provides outstanding service. PPL has earned 58 J.D. Power and Associates awards for service to both its residential and business customers. J.D. Power just released its annual Customer Satisfaction Surveys results for 2021. PPL utilities in Pennsylvania and Kentucky earned the top spots for electric residential and business customer segments, making 2021 a clean sweep for PPL companies. For the tenth year in a row, PPL Electric Utilities Corporation ("PPL Electric") (PPL's electric distribution company in Pennsylvania) earned the distinction as the top-ranked East large utility as measured by customer satisfaction for residential customers and also earned the top-rank among East large utilities for

business customers. Kentucky Utilities (“KU”), one of PPL’s utilities in Kentucky, also earned the highest rankings for its size and region for residential and business customer satisfaction.

PPL’s track record of exemplary performance, including its unmatched experience in developing and deploying grid modernization technology and implementing advanced metering functionality (“AMF”), shows that PPL ownership of Narragansett will not adversely impact the general public, including customers. Moreover, the numerous commitments that PPL has made to facilitate Narragansett’s transition from National Grid ownership to PPL ownership confirm that PPL’s ownership will not impair the ability of Narragansett to provide safe and reliable service – and the acquisition of Narragansett (the “Transaction”) will not cause rate increases.

None of the parties to this proceeding contest that PPL satisfies the traditional factors for approval of the Petition because it is a financially strong, large, experienced, sophisticated and successful utility holding company safely and reliably operating electric and gas utilities serving more than 2.5 million customers. Nevertheless, the Advocacy Section ignores the established standard and analytical framework. Instead, the Advocacy Section, preferring the familiar incumbent, advances a new standard where it identifies certain existing utility functions that the incumbent has worked on for years and speculates that National Grid might out-perform PPL in completing those functions over the coming years. The Advocacy Section’s premise is fundamentally flawed.

First, it does violence to the established legal standard. As discussed above and further explained below, the Division, in evaluating the acquisition of a utility, has historically considered known and knowable factors: the buyer’s operational experience, overall size, and financial strength. Order No. 18676, Dkt. No. D-06-13, *In re Joint Pet. for Purchase & Sale of*

Assets by The Narragansett Elec. Co. & So. Union Co., 52 (R.I.D.P.U.C. July 25, 2006) [the “Southern Union Approval”]. PPL easily meets these criteria.

Second, the Advocacy Section’s new standard invites the Division to peer into a crystal ball and predict whether National Grid might outperform PPL in coming years in discrete functions culled out by the Advocacy Section. The Division should adhere to precedent and decline that invitation. The factors historically embraced by the Division and acknowledged by the Advocacy Section do not depend on uncertain predictions of future events and do not weight the balance so unevenly in favor of the incumbent. The traditional factors are known and measurable. Is the buyer an experienced utility operator? Has it historically and successfully operated utilities as large as Narragansett? And does the buyer have sufficient financial strength? PPL easily checks all three boxes. The Advocacy Section’s experts openly admitted they ignored those factors. Instead, they proffered speculation about comparative future performance.

Third, the Advocacy Section’s “new standard” is a transparent attempt to hand-pick the owner it prefers. As the Hearing Officer’s comments at the conclusion of the hearing suggested, no buyer could meet the Advocacy Section’s “new standard,” and it would perpetually block National Grid from transferring ownership of Narragansett. That is not the statutory standard or intent. National Grid is an experienced utility operator, and it is unsurprising that the Advocacy Section might prefer to continue to oversee a utility it knows well with long-standing relationships. But the legal standard is not “who would the Advocacy Section prefer to oversee.” National Grid is not a captive and remains free to sell Narragansett to another experienced, successful, and financially sound utility operator in accordance with the applicable legal standard. PPL is a successful utility operator that meets that standard.

The Advocacy Section's discrete projections of doom and gloom if PPL takes the helm are baseless. First, they rely almost entirely on tasks that National Grid has worked on for years and presuppose that a potential buyer like PPL should instantly be able to match estimates or otherwise step into the shoes of National Grid. No buyer could do so, and the applicable legal standard does not require it. Second, they rely on the geography of National Grid's current utilities, another factor that no buyer could match and is untethered to the legal standard. Third, they rely on divinations proffered by experts who ignored the three traditional factors and sponsored a series of guesses regarding the outcome of potential future events. For example, they forecast that National Grid presents a better AMF rollout plan or a better grid modernization plan before PPL has even prepared a plan, while ignoring that PPL – unlike National Grid – already implemented AMF rollouts and built perhaps the most advanced grid system in the United States. Similarly, they dismiss PPL because it does not also own utilities in Massachusetts and New York, a standard that would prevent National Grid from selling Narragansett to any buyer. Finally, they refused to provide direct answers or to admit even obvious facts and conclusions about PPL's strong track record and unique experience because those facts did not advance their objective. The Advocacy Section's approach is fundamentally flawed, not grounded in precedent, and distinctly unbalanced.

The critical and relevant evidence is both overwhelming and largely undisputed. PPL is an experienced, successful, and financially strong utility holding company with an outstanding record of providing safe and reliable service to millions of utility customers. The Division should approve the Petition.

II. ARGUMENT

A. The legal standard for approval is well-settled and does not permit the Advocacy Section to compel National Grid to continue to operate Narragansett.

1. The settled legal standard.

The statutory standard for approval of the Transaction is the following:

The division shall upon the filing of the petition, if it deems a hearing necessary, fix a time and place for the hearing thereof. If, after the hearing, or, in case no hearing is required, the division is satisfied that the prayer of the petition should be granted; that the facilities for furnishing service to the public will not thereby be diminished; and that the purchase, sale, or lease and the terms thereof are consistent with the public interest, it shall make such order in the premises as it may deem proper and the circumstances may require.

R.I. Gen. Laws § 39-3-25. The Division is not required to conduct a hearing to determine whether to approve a proposed transaction; whether to do so is solely within the Division’s discretion. *Providence Gas Co. v. Pub. Utils. Comm’n*, 352 A.2d 630, 631 (R.I. 1976) (noting that Division exercised its “sole discretion” under R.I. Gen. Laws § 39-3-25 to not hold a hearing when it approved Providence Gas’s purchase of Newport Gas’s assets, properties and business). “[T]he Division’s role in the approval of this transaction is extremely limited in scope.” *New Energy Rhode Island et al. v. The R.I. Div. of Pub. Utils. & Carriers et al.*, C.A. No. PC-2021-05941, Decision at 9 (R.I. Super. Ct. Dec. 9, 2021) (slip op.) citing *In re Kent Cty. Water Auth. Change Rate Schedules*, 996 A.2d 213, 126 (R.I. 2010).

The Division’s primary analysis under the first prong of the statutory standard – whether “the facilities for furnishing service to the public will be diminished” – is whether the transfer of ownership from National Grid to PPL will adversely affect Narragansett’s ability to provide utility services to its customers. See *In re: Island Hi-Speed Ferry, LLC Petition for Approval of Conveyance of Ownership Interest*, Docket No. D-00-18, Order 16457, 2000 WL 36572378

(Nov. 10 2000) (hereinafter, “*In re: Island Hi-Speed Ferry*”). “The Division makes this determination by considering the buyer’s experience and financial strength.” *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, Order No. 24109, 2021 WL 4244236, *44 (Aug. 19, 2021) (hereinafter the “*PPL/Narragansett Intervention Order*”). To assess this, the Division determines whether PPL “has sufficient overall size and financial strength to ensure continued operation” of Narragansett’s gas and electric utility service. *In re: Joint Petition for Purchase and Sale of Assets by The Narragansett Electric Company and Southern Union Company*, Order No. 18676, 2006 WL 2134639 (July 25, 2006) (hereinafter, “*Southern Union Approval Order*”). Additionally, an agreement by the acquiring company to operate under the terms of the existing rate settlement until the Commission approves a new rate plan provides the necessary assurances that service quality will not suffer as the result of an acquisition.¹ *Id.*

To determine whether the Transaction is consistent with the public interest, the Division assesses whether it will “unfavorably impact the general public (including ratepayers).” *Southern Union Approval Order* at 52; see also *In re: Verizon New England, Inc.*, Order No. 18789, 2006 WL 4470782 (R.I.P.U.C. Dec. 20, 2006) (adopting Division’s interpretation of “consistent with the public interest”). There is no requirement that the Transaction produce a “net benefit.” *Id.*;² see also *PPL/Narragansett Intervention Order* at *43 (“The Division places

¹ PPL has agreed to a stay-out that will result in no increase in base rates for about four years from the date of the closing. See Joint Petitioners Exhibit 2 (Statement of Existing and Additional Commitments).

² The Division expressly has rejected the argument that the public interest prong of R.I. Gen. Laws § 39-3-25 requires a demonstration of net benefit, concluding that such a requirement

both the Attorney General and OER on notice that they will not be permitted to venture beyond the statutory scope of this regulatory review or to seek ‘net benefit’ commitments from PPL.”). Moreover, the Division does not have the jurisdiction to dictate rate changes or policy changes as part of its assessment of the proposed transaction. *Id.* at 58-59.

It is impossible to know today how the Transaction might impact future rates and policies.³ But we do know today that future rate impacts and policy decisions [such as gas supply on Aquidneck Island] will be decided by the Rhode Island Public Utilities Commission (the “Commission” or “PUC”) in rate proceedings held many years from now: those issues are not part of the Division’s statutory review. For the Division to condition approval of the Transaction on assurances related to these issues would be “tantamount to an attempted usurpation of a long-established Commission ratemaking function.” *Id.* at 57.⁴ The Division “will not permit a usurpation of Commission rate authority under the guise of imposing arguably illegal rate-related conditions on the proposed Transaction in the context of a Section 39-3-25 review.” *PPL/Narragansett Intervention Order* at *46. Ancillary matters that are within the purview of other regulatory authorities, the legislature, or the courts are outside the scope of the

“would constitute an improper attempt to augment the Division’s jurisdiction through a strained interpretation of an unambiguous statute.” *Southern Union Approval Order* at 53.

³ Indeed, it is impossible to know today how National Grid’s continued ownership would impact rates in 4 years.

⁴ In the *Southern Union Approval Order*, the Division agreed with the Advocacy Section that Narragansett’s “commitments to (1) freeze gas delivery rates until there is a Commission decision on a new rate plan, (2) not recognize good will for ratemaking purposes, (3) exclude transaction costs from any future cost of service, (4) not seek a recovery of integration costs unless the Company can demonstrate that savings attributable to the integration exceed such costs, and (5) not place ratepayers in a worse position with respect to accumulated deferred income taxes and PBOP expenses” satisfied the requirement that the transaction be consistent with the public interest by ensuring that that transaction would not “jeopardize the future ability to provide safe, adequate, reliable, efficient, and least cost public utility service.” *Southern Union Approval Order* at 62-63. PPL has made substantively identical commitments for Narragansett in this proceeding.

public interest considerations in this Division approval proceeding. *Id.* at 53.⁵ “[I]ssues . . . such as interconnection costs, infrastructure costs, competition, climate change policy and natural gas sales are all issues outside the scope of this narrow proceeding and clearly beyond the jurisdiction of the Division.” *Id.* at *50.

The Division will not consider unsubstantiated prognostications about concerns or problems that potentially could arise in the future if the Transaction is approved as part of its assessment of whether the Transaction is consistent with the public interest. *In re: Joint Petition for Purchase and Sale of Assets by The Narragansett Electric Company and the Southern Union Company*, Order No. 18641, 2006 WL 2134637, *2 (June 16, 2006) (hereinafter, “*Southern Union Discovery Order*”). “Concerns of a speculative and remote nature, particularly involving issues properly before other agencies and/or the Courts, cannot be permitted to unnecessarily hinder and complicate the adjudication of the matter at hand.” *PPL/Narragansett Intervention*

⁵ See also *PPL/Narragansett Intervention Order* at *44 (“Despite concerns that these Movants may more effectively pursue their respective interests in other forums as well as concerns that the Division lacks the jurisdiction to grant the relief they seek, the Division will permit the interventions of the Acadia Center, CLF and Green Energy on the basis that their interests generally warrant recognition in furtherance of the general welfare of the public. However, in the interest of remaining true to the Division’s limited jurisdiction under R.I. Gen. Law § 39-3-25, as well as to prevent undue delays or prejudice the adjudication of the rights of the Petitioners and other parties, their interventions will be subject to strict limitations.

“These groups have indicated in their papers that they seek assurances from PPL, that if PPL’s petition is approved, that there will be no deterioration in any of the existing programs or commitments related to the promotion of clean, renewable, and efficient energy production and heating. Accordingly, the Division shall restrict the participation of these parties to seeking only such assurances. PPL put it concisely in its argument in favor of a limited intervention, namely, that the ‘scope does not include attempting to reshape the State’s renewable energy policies or seeking commitments to advocate for changes or new policies - matters that lie within the Commission’s jurisdiction or are addressed through the legislative process.’ The Division supports this limiting language. The Division also wishes to emphasize that such assurances must be limited to currently existing programs and commitments from National Grid/Narragansett; such participation in this docket shall not be used to seek any expansion of such programs and/or commitments not otherwise specifically required by law or order of the Commission.”)

Order at *53. The Division will not entertain issues outside the proceeding such as interconnection costs, infrastructure costs, competition, climate change policy and natural gas sales; they are clearly beyond the jurisdiction of the Division.

The task before the Division is to apply the well-established factors it has traditionally applied when reviewing utility transactions under R.I. Gen. Laws § 39-3-25.

2. The Advocacy Section’s focus on National Grid’s alleged advantages as the incumbent utility is misplaced and contrary to the legal standard. This focus would otherwise compel National Grid to perpetually own and operate Narragansett.

The gravamen of the Advocacy Section’s argument is that National Grid’s alleged advantages as the incumbent operator and operator of other nearby utilities preclude approval of the Transaction. As the Hearing Officer observed at the close of the hearing, the Advocacy Section’s argument is that “under the circumstances because they’re so entrenched in the state and because of all the attributes they bring to the mix, . . . nobody can do it better and for any other utility to come in would be a violation of the public interest.” TR 4/341:1-6.⁶ Thus, as the Hearing Officer aptly identified, the Advocacy Section’s position assumes that the Division can compel National Grid to continue to own and operate Narragansett in perpetuity.

There is, however, no legal authority for the Advocacy Section’s position. Rather, the Division must approve a proposed sale of Narragansett if it meets the standard set forth in R.I. Gen. Laws § 39-3-25. That standard requires that the petitioners demonstrate that the purchasing party has the experience and financial strength to continue to operate the utility without degrading the quality of service or harming the public. The statute draws a balance between

⁶ Citations to the Hearing Transcript will be in the following format: TR day/page:line. “TR 1” is dated December 13, 2021; “TR 2” is dated December 14, 2021; “TR 3” is dated December 15, 2021; and “TR 4” is dated December 16, 2021.

facilitating the sale of these private, investor-owned utilities and providing a measure of protection to customers and the general public that the purchaser will actually be able to operate the utility. This standard does not and could not require that the incoming owner occupy exactly the same position as the incumbent operator on every aspect of utility ownership. Such an impassable standard would prevent any sale – no potential new owner could demonstrate that a change in ownership would have no potential impacts.

This conundrum is demonstrated by the Advocacy Section's focus on the discreet component parts of National Grid's current operation of Narragansett where it perceives, incorrectly, that incumbency will drive better results.

For example, the Advocacy Section argues that National Grid can complete an AMF rollout cheaper and faster than PPL, or any other buyer. *See* TR 4/305:16-306:21. Why? Because after years of work National Grid filed a rollout plan one year ago with cost estimates [not a fixed price]. PPL, like any other buyer, seeks approval of its Petition before completing an AMF rollout plan and working to procure the meters. Yet the Advocacy Section concludes that PPL will be an inferior operator because it is not today prepared to match the National Grid preliminary estimates and begin the rollout immediately – it faults PPL for seeking some time to prepare its own plan and estimates. *See, e.g.*, TR 1/83:12-84:23. The Advocacy Section's position is grossly unfair, impractical and ignores that PPL has implemented advanced metering infrastructure multiple times within its current jurisdictions and National Grid has yet to complete a single advanced metering implementation project.

Similarly, the Advocacy Section posits that National Grid will complete grid modernization faster and cheaper than PPL [or any other buyer]. *See, e.g.*, TR 1/79:6-20. Why? Because National Grid began working on a grid modernization plan for Narragansett four years

ago. By contrast PPL has not completed a grid modernization plan for Rhode Island pending the conclusion of this docket, and therefore the Advocacy Section faults PPL and prefers to hold National Grid captive as the owner and operator. And it does so even though PPL already has built a more advanced grid system in Pennsylvania than any in the country. TR 1/79:21-82:10. The Advocacy Section's stunningly unfair approach is a pretense to reward incumbency and keep National Grid.

The Advocacy Section and certain other interveners also assert that National Grid has more "experience" with renewable energy initiatives because Rhode Island, Massachusetts and New York have adopted more progressive renewable energy standards than almost any other state in the country. But again, this is an observation of National Grid's current circumstances as owner of a utility in Rhode Island. It is a product of incumbency with zero analysis of whether it requires some type of unique utility talent to undertake the tasks necessary to meet legal requirements around decarbonization or renewable energy procurement, or to conduct, for example, an AMF or a geo-thermal pilot program [it does not]. And, it ignores that PPL has experience operating in its own jurisdictions, which have their own renewable energy standards that PPL has met without exception. *See* TR 2/37:5-38:10.

Perhaps the most stark incumbency argument advanced by the Advocacy Section is Mr. Booth's contention that the Division should disapprove the Transaction because Narragansett is so intertwined with National Grid that no utility can complete a transition within 24 months or re-create the alleged synergies and efficiencies from National Grid's shared services model. Narragansett will not become less intertwined next year or five years from now. Thus, the inescapable conclusion flowing from the Advocacy Section's premise is that the Division can never approve a change of ownership.

The Advocacy Section's location argument falls along similar lines. The Advocacy Section argues that National Grid is a superior choice because the neighboring utility gives Narragansett access to more transformers, shorter communications lines, and better support in storms.⁷ Many of these arguments are wrong, but, regardless, they all rely on incumbency. National Grid is the current operator and also operates in adjacent states. No other utility seeking to acquire Narragansett from National Grid will ever be the incumbent operator or have operations in Massachusetts, Rhode Island, and New York. Therefore, according to the Advocacy Section, the Division should never approve any transaction because no other utility can duplicate National Grid's alleged advantage due to incumbency and adjacent location.⁸ That is not the standard. There is no legal support for the position that unless a buyer for Narragansett duplicates all aspects of National Grid's current operations the Division must reject the buyer and compel National Grid to continue to own and operate Narragansett in perpetuity.

Finally, the Advocacy Section's myopic approach ignores the larger context. It may be likely that incumbency provides National Grid with some advantages in certain areas over the short term. But it is just as likely that an experienced and successful utility operator like PPL will find other ways to produce value, reduce costs, and more efficiently operate Narragansett. The traditional factors rely on the premise that experience, success, and financial strength are the best predictors of future performance. The Division should reject the Advocacy Section's ploy

⁷ The adjacency advantage is exclusive to National Grid. The only utility that is even arguably somewhat similarly situated is Eversource, leaving Rhode Island with no more than one bidder under the Advocacy Section's premise. And, even Eversource would not be similarly situated in the manner that the Advocacy Section asserts is necessary. Eversource would not necessarily have all same materials and construction standards, nor would it be in a position to step into National Grid's shoes and simply implement the current AMF and grid modernization plans.

⁸ As explained below, any incumbency advantage is transitory, and can easily be overcome with some time. And the same is true with the adjacency advantage given today's technology and remote and mobile working platforms.

to abandon this broader context and instead engage in whack-a-mole on the tasks and functions selected by the Advocacy Section.

B. PPL easily meets the standard for approval of the Transaction historically applied by the Division under settled law.

1. PPL is a large and experienced utility holding company that safely and reliably operates electric and gas utilities.

PPL has safely and reliably operated electric and gas utilities serving 2.5 million customers in the United States for many years now. TR 3/208:9-14. In the United States it operates electric and gas utilities larger than the distribution systems in Rhode Island in terms of geography, miles and customers. TR 3/204:19-207:1; TR 4/162:9-164:2. And it also operated a significant electric distribution system in the United Kingdom serving almost 8 million customers. TR 3/207:20-208:4. Further, PPL is widely recognized in national rankings as one of the best utility operators in the East. PPL's customer service ratings are top of the industry. *See, e.g.*, TR 3/42:5-14. PPL brings a record of accomplishment and success as a utility holding company with utilities that possess more than 100 years of operating experience. Even the Advocacy Section's experts acknowledged that it would be fair for the Hearing Officer to conclude that PPL is a sophisticated utility operator with global experience. TR 3/209:3-7. There is no dispute whatsoever that PPL meets and surpasses this most important criteria. Rhode Island would be welcoming an experienced, sophisticated utility operator with a track record of outstanding customer service.

2. The undisputed record evidence also establishes that PPL provides outstanding service to its millions of customers and is a successful and highly ranked utility operator.

PPL has demonstrated that it is an excellent utility operator committed to providing safe and reliable service to its customers at reasonable rates providing best-in-class customer satisfaction.

On the electric side, PPL has implemented one of the most advanced electric grids in the country, which enhances the safe and reliable service it delivers to its customers. Petitioners Joint Exhibit 1, Pre-Filed Direct Testimony of Gregory Dudkin at 12:4-15:11 (hereinafter, “Dudkin Direct”). These technologies, such as Fault Location, Isolation and Service Restoration (“FLISR”) and the installation of sectionalizing devices, have allowed PPL to reduce the number of outages on its system and resulted in significantly better System Average Interruption Frequency Index (“SAIFI”) scores than the average utility, including Narragansett. *See* Petitioners Joint Exhibit 1, Petition for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals at ¶ 29 (hereinafter “Petition”); TR 1/208:7-209:7; PPL and PPL RI Joint Exhibit 1, Pre-Filed Rebuttal Testimony of David J. Bonenberger at 14:12-19 (hereinafter “Bonenberger Rebuttal”); Dudkin Direct at 9:6-11:14. This focus on reliability has produced substantial customer satisfaction results; PPL Electric alone has earned 30 J.D. Power awards for customer satisfaction, including the top ranking for residential customers in the Eastern United States for ten years running. TR 3/41:12-42:14; Dudkin Direct at 7:15-9:5. Moreover, these smart grid investments also have facilitated greater capacity to integrate distributed renewable energy generation and prepared PPL Electric’s grid for the clean energy transition. *See* Dudkin Direct at 13:16-14:12; Bonenberger Rebuttal at 16:1-7; TR 2/49:21-51:19, 71:24-75:14; TR 3/95:14-101:4, 106:16-110:4.

PPL also has a demonstrated track record of meeting or exceeding all its regulatory requirements for other programs. For example, PPL Electric has met or exceeded its mandatory energy efficiency performance targets every year. *See* TR 2/36:24-37:15, 58:18-59:17, 162:1-166:15; TR 3/86:14-88:12. *See also* PPL and PPL RI Joint Exhibit 6, Pre-Filed Joint Rebuttal

Testimony of John J. Reed and Daniel S. Dane at 17:4-17 (hereinafter, “Reed-Dane Rebuttal”). Thus, PPL also has shown its ability to satisfy its regulatory obligations in compliance with the policies it is charged with fulfilling. Moreover, PPL has maintained lower-than-average rates for its region – not having filed a new base distribution rate case in Pennsylvania since 2015. *See* Dudkin Direct at 11:15-12:3; TR 3/65:3-12.

On the gas side, PPL also has established a track record of delivering safe and reliable service, as well as taking a proactive approach to enhancing pipeline safety. *See* Petition at ¶ 31; Petitioners Joint Exhibit 1, Pre-Filed Direct Testimony of Lonnie Bellar at 4:14-6:4 (“hereinafter, “Bellar Direct”); PPL and PPL RI Joint Exhibit 2, Pre-Filed Rebuttal Testimony of Lonnie E. Bellar at 2:12-3:15 (hereinafter, “Bellar Rebuttal”). PPL’s gas utility, Louisville Gas & Electric, has replaced all its leak prone gas mains and is proactively replacing all of its steel gas service lines since it took over ownership of those lines less than 10 years ago. *See* Bellar Direct at 4:14-5:11; TR 2/93:1-95:1; TR 4/181:8-182:15. PPL’s service territory covers many more miles and customers than Narragansett’s gas service territory, and PPL has a strong customer satisfaction record for that service.⁹ *See* Advocacy Section Exhibit 5, Direct Testimony and supporting exhibits of Bruce R. Oliver at 18:15-21:4 (hereinafter, “Oliver Direct”) (comparing the National Grid and PPL gas operations); Bellar Direct at 6:3-4 (customer satisfaction).

⁹ The expert the Advocacy Section hired to vet the gas side of this proposed Transaction admitted that he neither diligenced nor knew anything about the safety of PPL’s gas operations: “I know nothing about the safety of their gas operations.” TR 4/164:14-15. One is left to wonder whether he conducted an incomplete review or dissembled and did not want to confirm PPL’s outstanding safety record. The Advocacy Section presented no testimony whatsoever challenging PPL’s safety and reliability record. Oliver also had “no opinion” on whether PPL is safely and reliably operating electric and gas utilities in various states and is a sophisticated utility operator. TR 4/164:18-22. And although Oliver is an economist and not an engineer, he proffered opinions on leak detection and pipe integrity, but entirely ignored the financial strength of PPL. TR 4/164:23-165:12.

There is nothing in the record refuting the high-quality service that PPL provides to its electric and gas customers.¹⁰ Rather, the record reflects that PPL runs high-performing utilities that consistently deliver safe and reliable service. The record also demonstrates that PPL and National Grid diligently and collaboratively have developed a comprehensive plan, on a function-by-function basis, to fully transition operation of Narragansett to PPL ownership without any disruption to the provision of safe and reliable service. *See* National Grid USA and The Narragansett Electric Company Joint Exhibit 2, Joint Rebuttal Testimony of Christopher Kelly and Duncan Willey at 6:15-9:14 and Exhibits NG-1 and NG-2 (hereinafter, “Kelly-Willey Rebuttal”); Further, the current employees of Narragansett will continue to serve customers, and many employees of National Grid USA Service Company, Inc. (“National Grid Service Company”), who have supported Narragansett and are familiar with the customers, service standards and regulatory requirements, will transfer to PPL upon the closing of the Transaction, further ensuring no degradation of service. *See* TR 2/189:8-201:13; TR 3/210:21-214:8. Accordingly, PPL has satisfied its obligation to show that it is capable of effectively, efficiently, safely, and reliably operating Narragansett.

¹⁰ The only evidence the Advocacy Section presented on this point is: (1) a single gas explosion incident, which was largely determined to be the fault of a third party, *see* TR 2/107:1-18; Advocacy Section Exhibits 24 and 25, and (2) an isolated billing incident that impacted five customers. *See* TR 3/59:2-6, 60:23-62:7; Advocacy Section Exhibits 36 and 37. These are not evidence of any weaknesses in PPL’s operating ability; they are, in fact, reflections of PPL’s operational excellence. The standard is not that a utility must perform perfectly to be considered well-run. Such a standard would effectively preempt any transaction. Rather, certain issues are expected to arise, and the fact that PPL’s issues have been so few and far between, and relatively minor, speaks to the excellence of their performance.

3. The undisputed record establishes that PPL has sufficient financial strength to own and successfully operate Narragansett.

No one in this proceeding has questioned PPL's financial strength. The record includes myriad reports from ratings agencies confirming PPL's financial strength – both pre- and post-Transaction. *See* PPL and PPL RI Joint Exhibit 4, Pre-Filed Rebuttal Testimony of Tadd Henninger at 3:8-4:16 (hereinafter “Henninger Rebuttal”); Advocacy Section Exhibit 1, Direct Testimony and supporting exhibits of Matthew I. Kahal at Exhibit B, PPL and PPL RI Response to Data Request Division 6-3 (incorporating Attachments PPL-DIV 1-11-1 through PPL DIV 1-11-16) (hereinafter “Kahal Direct”); TR 2/213:5-. Additionally, this Transaction arises in the context of PPL's sale of its U.K. operations to National Grid. *See* Petition at ¶ 22; Petitioners Joint Exhibit 1, Pre-Filed Direct Testimony of Vincent Sorgi at 7:14-8:7, 10:13-13:3 (hereinafter, “Sorgi Direct”). PPL is using some of the proceeds from that sale to purchase Narragansett – meaning PPL will not finance any of the purchase price with new debt. *See* Sorgi Direct at 10:13-13:3; Henninger Rebuttal at 3:8-4:2; Further, PPL has a history of maintaining a strong financial position, managing its regulated utilities within their allowed capital structures. *See* Henninger Rebuttal at 10:11-11:16.

The Division's assessment of PPL's financial strength is intended to ensure that Narragansett has the financial resources available to continue to deliver safe and reliable electric and gas service, whether through debt or capital injection. PPL passes this test with flying colors. It has been operating four utilities serving more than 10 million customers in multiple states and in the U.K. without financial concern for, in some cases, more than 100 years. After this Transaction, PPL will essentially be replacing its U.K. utility that served nearly 8 million customers with Narragansett. PPL's ability to adequately finance Narragansett under these circumstances is not in question. Further, the opinions of all the analysts and ratings agencies

that have examined this Transaction uniformly conclude that the financial strength of Narragansett under PPL ownership will be at least as robust as it is under National Grid ownership – if not stronger. There is, therefore, no doubt that PPL satisfies its obligation to demonstrate it has the financial strength to continue the safe and reliable operation of Narragansett under its ownership.

4. PPL has made commitments that ensure no adverse impacts to the public or customers will result from the Transaction.

PPL's exceptional operational track record and unquestioned financial strength plainly demonstrate that PPL meets the R.I. Gen. Laws § 39-3-25 standard and establish that the Transaction would not result in a degradation of the facilities to furnish utility service and would not adversely impact the general public, including customers. PPL nevertheless carefully considered concerns raised by the Advocacy Section and the other interveners and took steps to eliminate many of those concerns.

Specifically, in advance of the hearing, PPL and National Grid provided a list of seventeen comprehensive commitments it was making to clarify and supplement its positions on numerous issues.¹¹ See Petitioners Joint Exhibits 2 and 3. These commitments clearly and unambiguously: (1) protect customers from the risk of increased rates because of costs caused solely by the Transaction, such as costs incurred solely to integrate Narragansett into PPL's systems, TSA costs, Transaction costs, and acquisition premium/goodwill; (2) further expand the financial strength Narragansett will have post-Transaction through ring-fencing-like mechanisms, a commitment to maintain a minimum common equity ratio, and PPL's approach to

¹¹ The current list of PPL Commitments is attached as Appendix A.

debt-financing for Narragansett;¹² (3) set forth specific actions PPL will take to advance Rhode Island's climate goals and the transition to clean, renewable energy; (4) bolster PPL's gas operations experience in Rhode Island if the Transaction is approved; and (5) ensure that National Grid will continue to support PPL and Narragansett in the unlikely event that the transition of operations is not completed within the expected timeframes.¹³ *See id.*

With these commitments, the Transaction not only has met the statutory standard; it exceeds it. For example, as part of these commitments, PPL expects to invest more than \$300 million in IT infrastructure and other transition costs for which it will not seek recovery from customers through rates. *See* Joint Petitioners Exhibit 2 at ¶ 2. Although these investments are necessary to integrate Narragansett's operations into PPL's systems, they also unquestionably benefit Narragansett customers substantially by upgrading almost all Narragansett IT systems. *See* TR 4/63:23-66:9; Booth Rebuttal Testimony at 12. Moreover, PPL's investments in these systems will provide the benefit of avoiding future investments that National Grid would have had to make to update or replace their existing systems as they became obsolete – some are already more than a decade old. *Id.* Thus, PPL has demonstrated not only that it has the experience and financial strength to take over ownership and operation of Narragansett without adverse impact, but also that it is willing to make significant investments that it will not recover that will provide meaningful benefits to Rhode Island customers.

¹² The Advocacy Section acknowledged that all concerns raised by their financial witnesses, David J. Effron and Matthew I. Kahal, had been resolved by the commitments PPL made. *See* Stipulation, dated December 16, 2021, attached as Appendix B. Similarly, the expert witnesses proffered by the Attorney General acknowledged that these commitments satisfied their concerns with respect to the potential rate impacts of the loss of Accumulated Deferred Income Taxes and with respect to ring fencing measures. TR 4/247:10-248:2.

¹³ PPL, for example, implemented through its commitments almost every recommendation made by the Attorney General's experts.

Similarly, PPL’s commitment not to file a new base distribution rate case for at least three years after the Transaction closes is another demonstration of PPL delivering a benefit to Rhode Island customers. *See* Joint Petitioners Exhibit 2 at ¶ 1. In the absence of this Transaction, Narragansett would have filed a new base distribution rate case for new rates to go into effect on September 1, 2022. TR 4/119:22-120:15. With PPL’s commitment, Narragansett’s base distribution rates will stay the same through at least January 1, 2026.¹⁴ TR 4/121:13-124:1. Accordingly, Narragansett customers will get the benefit of no increases in base distribution rates for four additional years – in addition to the belt-and-suspenders protection the stay out provides against the possibility of recovering duplicative transition costs through base distribution rates. *See* TR 4/116:7-118:21.

Despite the commitments addressing most concerns raised by the Advocacy Section and the interveners in their pre-filed testimony, those parties nevertheless raised some additional concerns about PPL’s commitments at the hearing. First, they suggested that PPL might cause Narragansett to seek recovery of duplicative costs incurred during the transition period through Narragansett’s annual Infrastructure, Safety, and Reliability (“ISR”) investment plans. *See, e.g.*, TR 3/173:13-174:8. Second, they asserted that PPL has not adequately capped the transition costs for which it might seek recovery, exposing ratepayers to the risk that the transition costs will far exceed estimates. *See* TR 4/29:14-30:13. Neither of these interpretations was PPL’s intent. Accordingly, PPL refines its commitment that: (1) PPL will not seek recovery of any duplicative costs for which customers already have paid through rates, whether through the ISR, base distribution rates, or any other rate mechanism, and (2) PPL will cap the total amount of

¹⁴ The last base distribution rate increase occurred on September 1, 2020. Thus, the PPL stay-out commitment means that Rhode Island customers will enjoy the benefit of no increase in base distribution rates for more than 5 years. TR 4/121:13-124:1.

transition costs for which it will seek recovery at \$82 million, regardless of any increase in transition costs.¹⁵

These commitments exceed what is necessary for approval of this Transaction. Indeed, during the Southern Union approval proceeding, only a handful of commitments – a rate case stayout, excluding goodwill from ratemaking, excluding transaction costs from recovery, only recovering transition costs that resulted in net benefits, and holding customers harmless from ADIT and PBOP adjustments – were sufficient to satisfy the Advocacy Section that the Division should approve the Transaction. *See Southern Union Approval Order* at 62-63. Here, PPL and National Grid have gone to extraordinary lengths to demonstrate that there is no reasonable risk of adverse impact from this Transaction. Accordingly, coupled with PPL’s demonstrated operational excellence and financial strength, the Division should conclude that the Transaction easily meets the approval criteria established in R.I. Gen. Laws § 39-3-25.

C. The Advocacy Section and the Interveners’ forecasts of future events apply the wrong standard and are inaccurate, and thus provide no basis for denial of the Petition.

1. PPL and National Grid will successfully complete the Transition in 24 months.

The Advocacy Section contends that PPL and National Grid cannot complete the transition in 24 months and that delay will imperil the customers.¹⁶ This contention fails for multiple reasons.

¹⁵ A copy of a revised Statement of Existing and Additional Commitments, is attached as Appendix A.

¹⁶ This again is a stark “incumbency” argument. Booth argued that Narragansett is so intertwined with National Grid that no utility can complete a transition within 24 months – and therefore the Division should not approve the Transaction. *See* Advocacy Section Exhibit 3, Direct Testimony and supporting exhibits of Gregory L. Booth at 22:8-23:2 (hereinafter “Booth Direct”).

First, the objection on its face is not credible. PPL and National Grid are both sophisticated utilities with decades of successful experience operating gas and electric utilities. TR 3/204:19-209:23. They have successfully bought, sold, and transitioned utilities multiple times, several recently. *See, e.g.*, Bellar Direct at 4:12-6:4; Advocacy Section Exhibit 38, Reed-Dane Rebuttal at 36:5-9. Significantly, none of the alleged “bad transitions” cited by the Advocacy Section involved PPL or National Grid. *See* Booth Direct at 24:21-25:6.

PPL and National Grid already have laid the foundation for a successful transition. PPL and National Grid have prepared a detailed Transition Services Agreement that establishes the roadmap for transitioning each aspect of Narragansett’s business and operations. *See* Kelly-Willey Rebuttal at 6:15-9:14 and Exhibits NG-1 and NG-2. PPL and National Grid each have created transition teams staffed by hundreds of employees to ensure a safe and successful transition. *See id.*; Bonenberger Rebuttal at 22:2-23:2. They comprehensively prepared and initiated the transition to ensure an on-time completion if the Division approves the Transaction. *See* Bonenberger Rebuttal at 23:3-25:4.

In addition to the comprehensive transition planning, PPL will welcome virtually all of Narragansett’s direct employees who currently successfully operate the company and hundreds of National Grid USA Service Company, Inc. (“National Grid Service Company”) employees who have been providing services to Narragansett. *See* Bonenberger Rebuttal at 25:7-28:10; Kelly-Willey Rebuttal at 13:13-14:8. This combination of experienced employees will ensure a successful and reasonably prompt transition.

National Grid directly addressed the transition issue through the testimony of Christopher Kelly and Duncan Willey, two senior National Grid managers. TR 2/189:8-201:13. Their compelling testimony went unchallenged – the Advocacy Section did not ask them a single

question. TR 2/202:9-10. They discussed the (1) transition plan; (2) the 1,000-plus Narragansett and National Grid Service Company employees who will transition to ensure a successful transition and a continuation of safe and reliable service; (3) the teams established by National Grid and by PPL to complete the transition; (4) the Knowledge Transfer plans; and (5) the companies' collective commitment to ensuring a successful Transition:

“Finally, the reason why I’m so confident is because National Grid and our colleagues are absolutely committed to make this a success. We’re very committed to the customers of Rhode Island and want to see this transition be successful, and I know that our colleagues will be very committed to make sure that they don’t let their Rhode Island colleagues who they worked with so closely over the last many years down, so 100 percent will continue the services at a standard that Rhode Island expects.” TR 2/201:2-13.

PPL’s employees similarly described the carefully established protocols to ensure a successful Transition within the 24-month schedule. *See* Dudkin Direct at 23:13-30:5; Bonenberger Rebuttal at 22:2-28:10.

The evidence overwhelmingly establishes that PPL and National Grid will successfully complete the Transition within 24 months. There is no reason to forecast failure here.

Second, to eliminate the Advocacy Section’s concern that the TSA did not contain appropriate provisions for an extension, PPL and National Grid negotiated an amendment to the TSA that unequivocally permits PPL to extend the TSA if and as necessary. *See* Petitioners Joint Exhibit 3 at 2; PPL and PPL RI Joint Exhibit 9; TR 1/87:10-18; TR 3/43:3-46:12. And, this extension option applies on a function-by-function and service-by-service basis. *Id.* Accordingly, there is no risk to customers that National Grid will disengage from supporting PPL’s operation of Narragansett without successfully completing the transfer of the necessary operational capabilities and knowledge.

Third, the testimony from Advocacy Section witness Gregory Booth regarding PPL and National Grid’s ability to safely and effectively complete the transition is unreliable. Booth’s

prior work and his own reports eviscerate his contention that these two sophisticated and experienced utilities cannot complete the transition within 24 months. Booth did not tell the Hearing Officer about the starkly different conclusion he reached in the Boulder transaction he identified in his direct testimony.

The City of Boulder, Colorado, (“City” or “Boulder”) decided to pursue operation of a municipal electric utility (“MEU”). *See* TR/4/52:8-18. To do so, it needed to acquire the current system from Xcel, one of the largest utility holding companies in the United States servicing millions of customers in multiple states. *See* TR 4/51:4-13. But Xcel refused to sell its distribution and transmission systems in and around the City. So Boulder filed suit to condemn the systems and asked Booth to prepare a feasibility assessment of the City’s ability to takeover and operate an MEU *See* TR 4/54:8-10. Boulder had:

- zero experience operating an electric utility
- no employees with any management level experience in operating an electric utility
- no construction standards, no line crews, no electric trucks or equipment, no spare transformers or mobile substations, and no supply chain. *See* TR 4/53:8-54:2; 55:18-23.

Boulder also lacked the detailed Transition Services Agreement that exists between PPL and National Grid. *See* TR 4/54:3-7. To the contrary, this was a hostile takeover immersed in litigation. Boulder expected no help whatsoever from Xcel. *See* TR 4/53:22-54:2. That also meant that Boulder would not retain any of the Xcel employees who operated and managed the system serving Boulder. *See* TR 4/55:12-23. And Boulder would forfeit all of the substantial shared benefits it enjoyed by being part of a large, regional electric utility that surrounded Boulder. *See* TR 4/52:24-53:7. In short, the circumstances required Boulder to build an electric

utility operating company from scratch during a contested takeover emerging from litigation with no utility experience – a daunting task for even an experienced utility.

In the face of all of these obstacles and hurdles, Booth advised Boulder it could successfully complete this hostile takeover and successfully operate its MEU in 24 months. TR 4/58:3-12; PPL and PPL RI Joint Exhibit 13 at 6-14; *see also* PPL and PPL RI Joint Exhibit 12 at 1-14. If Boulder – with no experience, no employees, and no help – can build and operate a new utility in 24 months in the face of the existing operator’s opposition, then two sophisticated utility operating companies like PPL and National Grid collaborating on a transition where essentially all of the same employees will continue to operate Narragansett certainly can do so. But, incredibly, Booth has opined in this proceeding that completing such a transition is impossible. This position belies simple logic and reflects that Booth’s positions, and the Advocacy Section’s adoption of those positions, are not based on a balanced analysis of PPL’s capabilities, but rather a preference to maintain the status quo. Accordingly, the Division should discount – or even disregard – the criticism and concerns raised by Booth and the Advocacy Section in this proceeding.¹⁷

Finally, the two Concentric industry experts testified that PPL and National Grid have presented a comprehensive and reasonably achievable transition plan, and those experts have

¹⁷ Mr. Booth and other witnesses introduced by the Advocacy Section in this proceeding historically have been critical of National Grid’s operation of Narragansett. Yet now, faced with a potential change in ownership to a new utility operator that has not been subject to their focused scrutiny for years, these same witnesses sing National Grid’s praises and suggest “that nobody can do it better than National Grid.” TR 4/340:3-15. As the Division has observed, previous criticism of the current utility operator calls into question the “genuineness of the . . . purported concerns” about whether the proposed new owner/operator will be successful. *In re: Island Hi-Speed Ferry, LLC Petition for Approval of Conveyance of Ownership Interest*, Docket No. D-00-18, 2000 WL 36572378.

seen similar transitions completed in the same or less time. *See* Reed-Dane Rebuttal at 34:6-8, 34:16-18; TR 3/134:14-135:14; TR 3/136:22-139:6.

In sum, the Advocacy Section's contention that PPL and National Grid cannot complete the transition in a manner that protects the ratepayers is demonstrably false.

2. PPL's commitments, the relevant legal standards, and the PUC all protect the ratepayers from inappropriate recovery of transition costs.

The Advocacy Section's contention that PPL's transition costs create an unreasonable risk for Rhode Island ratepayers is entirely unfounded for several reasons.

First and foremost, PPL has committed to absorb at least \$325 million in transition costs (based on current estimates) of which it will not seek rate recovery. *See* Petitioners Joint Exhibit 2. PPL also now has committed to cap the amount of transition costs it will seek at \$82 million. *See* Appendix A. And, even for those transition costs, PPL can only seek recovery of them if it can demonstrate that those costs deliver incremental benefits that are quantifiable, verifiable, and demonstrable. *See* Petitioners Joint Exhibit 2. Accordingly, there is no risk of runaway transition costs that Rhode Island customers might be forced to pay.

Second, Rhode Island has established regulatory processes that protect against the risk that customers will have to pay for transition costs – or any costs – that are not justified. The PUC must first approve any change in base rates. TR 3/222:5-223:24. And the PUC also approves changes or additional costs under the ISR plan. TR 4/38:21-44:11; TR 4/165:13-166:14. Those rules prevent PPL from recovering transition costs, whether in base distribution rates or through the ISR, unless PPL can first establish that the particular costs resulted in an incremental benefit for the ratepayers. And per force, reimbursing transition costs that produce an incremental benefit does not harm the ratepayers.

For base distribution rates, Narragansett must present a detailed rate filing that justifies each and every dollar it seeks to recover through rates. R.I. Gen Laws § 39-3-11; 810-RICR-00-00-5 (setting forth the requirements for filings of general rate schedule changes). To receive approval for new rates, Narragansett must satisfy its burden of proof that the proposed rates are just and reasonable. R.I. Gen. Laws § 39-3-12; *Providence Gas Co. v Malachowski*, 656 A.2d 949, 953 (R.I. 1995). It is the PUC's duty to determine whether Narragansett meets its burden when making a rate proposal, including ensuring that customers pay a fair rate. *Narragansett Elec. Co. v. Burke*, 381 A.2d 1358, 1362 (R.I. 1977). The Division participates as a statutory party representing the interests of customers in every base distribution rate proceeding and fully vets Narragansett's rate proposals, including making recommendations for adjustments to those rate proposals, if it deems it appropriate. TR 2/117:8-118:21. And, numerous stakeholders seek and obtain intervener status in these proceedings to provide their unique perspective on the rate proposals, including low-income customer advocacy groups, green energy groups, and other unique and special interested parties. Some of the same experts the Advocacy Section has engaged in this proceeding have participated regularly in Narragansett base distribution rate cases, and they have firsthand knowledge of the comprehensive evaluation that the Division and the PUC undertake before approving any changes to base distribution rates that are just and reasonable to all customers. *See* Booth Direct at 3:3-12; Oliver Direct at Exhibit A; Advocacy Section Exhibit 4, Direct Testimony and supporting exhibits of Michael R. Ballaban at 2:9-3:6; Kahal Direct at Exhibit A; Advocacy Section Exhibit 2, Direct Testimony and supporting exhibits of David J. Effron at 2:1-11, Exhibit A.

The ISR is even more proscribed. By statute, Narragansett must develop plans for investments that meet the particular safety and reliability needs of its gas and electric distribution

networks. R.I. Gen Laws § 39-1-27.7.1(d). Before presenting the proposed investments to the PUC for review and approval for recovery through a rate adjustment factor, Narragansett has a statutory obligation to consult and collaborate with the Division on the ISR proposals.¹⁸ *Id.* At the conclusion of that collaboration, Narragansett and the Division either present a mutually agreed upon plan or Narragansett presents a plan that is contested by the Division. *Id.* Then, the Commission still undertakes its review to determine if the proposed investments are consistent with the statutory mandates and produce just and reasonable rates. *Id.*¹⁹

Rhode Island's regulatory structure thus ensures that PPL and Narragansett will face regulatory scrutiny before it is able to pass any transition costs on to customers. The PUC will review any request to recover transition costs through base rates or through the ISR. And so will the Division and its experienced staff. The PUC is led by a highly knowledgeable Chair with able colleagues and supported by a seasoned staff. *See* TR 3/222:16-223:2. There is no reason to embrace the Advocacy Section's far-fetched notion that PPL will somehow circumvent or evade enforcement of the rules by the PUC – it is feckless speculation intended to arouse concern where none exists.

Despite the robust regulatory protections for customers, the Advocacy Section busied itself with inventing scenarios to evade these protections. For example, at the hearing the Advocacy Section expressed concern that PPL might evade the cap by seeking to recover duplicate transition costs through the ISR rather than base distribution rates. *See* TR 4/314:8-23.

¹⁸ As Mr. Booth proudly touted, he has participated in the electric ISR proceedings since they commenced, and every one of his recommendations has been adopted. TR 3/225:4-20.

¹⁹ In addition to base distribution rate proceedings and the ISR, every one of Narragansett's rate adjustment mechanisms includes a process by which, at a minimum, the PUC reviews and determines whether to approve the proposed rate adjustment, and the Division has an opportunity to review and evaluate whether to recommend approval, propose adjustments, or oppose approval altogether.

That was never PPL's intention, and it has now clarified its commitment to make it crystal clear that Narragansett will not seek recovery of any costs for which customers already have paid (i.e., duplicate costs), through base distribution rates, the ISR, or any other recovery mechanism. *See Appendix A.*

The Advocacy Section also speculated that transition costs could exceed PPL's estimates and therefore PPL's cost recovery requests could balloon out of control. *See TR 4/308:3-19.* But, that risk was never legitimate; PPL always has committed only to seek recovery of costs for which it can demonstrate an incremental benefit that would justify cost recovery. *See Petitioners Joint Exhibit 2 at 2-3.* The Advocacy Section's fear-mongering pre-supposed that somehow the regulatory safeguards would be insufficient and PPL and Narragansett would successfully slip excessive transition costs past regulators undetected. That was never PPL's intention, nor was it a real risk – the regulatory safeguards are strong and any recovery of transition costs would occur only if PPL could satisfy its burden of proof to justify recovery. And, regardless, PPL has now committed to cap the total amount of transition costs for which it may seek recovery at the \$82 million figure identified during the hearing. *See Appendix A.*²⁰

Finally, Booth underscored and confirmed the significant benefits to Rhode Island customers from PPL's investment of \$315M in new IT systems. TR 4/64:11-66:18. PPL will be replacing systems more than a decade old, an eternity in the IT arena. TR 4/66:4-9. Those benefits will far exceed the cap on any recovery for these IT investments. But PPL committed to seek recovery only for investments that create "new functionality," not just better functionality. *See Petitioners Joint Exhibit 2.* This is a clear win and substantial upgrade for the customers.

²⁰ Booth acknowledges that his concern about runaway IT costs could be resolved if PPL agreed to cap at \$65 million its potential recovery on these IT systems implemented as part of the transition regardless of the overall cost for IT. TR 4/30:3-13.

3. PPL’s significant experience in utility operations and the combined direct experience of the more than 1,000 Narragansett and National Grid Service Company employees who will join PPL ensure that Narragansett will continue to operate competently and efficiently.

- a. ISR Filings

The Advocacy Section (through Booth) contends that PPL could not “learn” how to comply with the ISR process during the transition period and that the program would inevitably falter. Nonsense. In response, Christopher Kelly testified in some detail that the key employees at National Grid with significant experience in and responsibility for the ISR program will join PPL ensuring that Narragansett will continue to fully meet the requirements of the ISR filings and program. Those employees include Al LaBarre, Kathy Castro, Ryan Constable and Pat Easterly, along with most of the team of 90 employees that function to create the ISR plan every year. TR 2/189:17-191:24; TR 3/191:8-192:13. Booth did not press this point during his testimony and indicated that National Grid’s testimony alleviated any concern. TR 2/191:24-192:16; TR 3/191:8-192:13. Moreover, the evidence demonstrates that PPL has substantial experience developing capital plans of its own to develop long-term investment strategies to ensure safety, reliability, and resiliency, through the Long-Term Infrastructure Improvement Plan (“LTIIP”) and other programs. *See* Bonenberger Rebuttal at 13:4-14:2. And, these programs include a rate recovery factor charged to customers on these investments – just like the ISR does. *See* Bonenberger Rebuttal at 13:4-14:2. Accordingly, through the wealth of experience transferring to PPL from National Grid and PPL’s own in-house experience, PPL is well positioned to seamlessly continue the ISR processes when it owns Narragansett.

- b. Shared Services

Through Booth, the Advocacy Section contends that Narragansett will lose the benefits of shared services if the Transaction is approved, suggesting that PPL will run Narragansett as a

stand-alone utility with no shared services, which the Advocacy Section claims will cause increased operations costs because of the loss of synergies. *See* TR 3/170:14-24. Those claims are false and unsupported.

PPL has decided to deliver some additional services at the local level, such as gas control, gas dispatch, distribution control center, and customer service. *See* Bonenberger Rebuttal at 34:8-36:14; Reed-Dane Rebuttal at 28:7-30:17; TR 1/25:5-26:10; TR 1/112:9-20; TR 1/126:1-21; TR 2/99:17-101:10; TR 3/218:4-23. PPL has explained that its experience demonstrates that customer facing services like these produce better results for customers when they are delivered and managed locally. TR 3/67:20-69:16. Further, the Division's report on the Aquidneck Island gas outage expressed some preference for more local control of the gas system. TR 1/89:21-17. PPL agrees with that preference.²¹

As Oliver and Booth both acknowledged that essentially every utility holding company engages in some version of a hybrid management model, using a mix of shared and local services. TR 4/170:5-172:7; TR 3/203:16-20. There is some variability in the precise mix. TR 4/170:16:19; TR 3/204:2-7. There are numerous utility company functions that are better provided locally, and utility holding companies frequently do so. TR 3/204:14-18; TR 3/218:4-219:14; TR 4/170:20-172:7. Under cross-examination Booth admitted that PPL, like National Grid, will provide a significant number and many of the same shared services to Narragansett. TR 4/31:4-37:14.

²¹ The Attorney General's expert witnesses also acknowledged that an over-reliance on shared services through a large service company can lead to inefficiencies and diseconomies. TR 4/239:14-22. A bigger shared services staff spread out among many utilities does not necessarily mean better, more efficient service.

Booth also acknowledged under cross that it does not matter where these shared services are provided remotely, e.g. Waltham or Long Island or Allentown. TR 3/216:19-217:3; *see also* TR 4/174:9-175:18. Further, PPL's cost estimate demonstrates that it can deliver a few more local shared services without increasing operating costs.²² *See* Advocacy Section Exhibit 12.

The Advocacy Section weakly suggests that PPL may not provide storm support as effectively as National Grid. *See* TR 4/37:15-38:20. The Advocacy Section first ignores the concerns expressed by many government agencies and officials that the existing storm support is inadequate. It then prefers National Grid because it has trucks and crews in Massachusetts and to a lesser extent New York that it suggests can help address storm issues. *See* TR 3/198:2-199:3. But the Advocacy section ignores the undisputed evidence that storms that hit Rhode Island almost always hit Massachusetts and most often New York. *See* Bonenberger Rebuttal at 39:3-40:11; TR 4/244:14-245:14. That is why Rhode Island state government has considered legislation to counteract legislative enactments in Massachusetts that incentivize Massachusetts utilities (like National Grid) to favor storm response first in Massachusetts.

By contrast, Kentucky and Pennsylvania are far less likely to be impacted by the same storms that hit Rhode Island, so PPL crews from those states will be available to help – and they can easily be pre-positioned as PPL explained. *See* Bonenberger Rebuttal at 39:3-40:11;

²² The Advocacy Section's attack on the cost comparison estimate PPL provided is curious. First, it demanded the cost estimate in discovery; so PPL prepared it. Second, the Advocacy Section complains that it is only a projection and therefore might be mistaken. That is of course a curious point for the Advocacy Section to make because almost its entire opposition is based on projections or predictions supported by little or no data. That in turn brings us to the opening point: the Division should apply the traditional factors, which are knowable today and do not rest on forecasts, in deciding the Petition. Is PPL financially strong? Does it have significant and successful experience operating electric and gas utilities? Has PPL operated electric and gas utilities comparable in size to the distribution systems in Rhode Island? The answers to these questions do not rely on prognostications by paid experts.

TR 4/244:14-245:14. It does not matter that National Grid has trucks and crews in Massachusetts, because they will almost certainly be busy addressing storm impacts in Massachusetts when Rhode Island needs help. PPL presents a clear advantage for Rhode Island in supporting storm events.²³

Finally, there is no evidence to support the Advocacy Section's fear that PPL ownership with additional services provided locally will lead to higher costs to operate Narragansett because of alleged lost synergies. *See* PPL and PPL RI Joint Exhibit 5, Rebuttal Testimony of Todd Jirovec at 15:5-16:14. The only cost analysis in the record reflects that operations costs are actually likely to decrease overall under PPL ownership.²⁴ *See* Advocacy Section Exhibit 12; Bonenberger Rebuttal at 36:15-38:6. Further, PPL's witnesses explained the synergies that PPL ownership will deliver to Narragansett's operations, through the provision of shared services and by leveraging PPL's wealth of experience in the development and implementation of AMF and smart grid technology.²⁵ *See, e.g.*, TR 1/78-13-82:10; TR 2/19:12-20:20; TR 3/37:24-39:9. The record amply supports the conclusion that, after the transition plan, PPL will effectively and efficiently operate Narragansett.

c. Renewable and Clean Energy Programs

CLF, Green Energy Consumers Alliance, and the Acadia Center (the "Environmental Interveners") all raised the question of whether PPL can continue to support Rhode Island's

²³ National Grid and PPL also have negotiated a mutual support agreement in the event that one can help the other in storm events. TR 2/20:21-22:5.

²⁴ Although the Advocacy Section and other interveners argued that this cost analysis was only an estimate, that criticism goes nowhere. A forward looking cost analysis is by definition an estimate. Further, the Advocacy Section did not present any counter-analysis reflecting an alternate cost analysis.

²⁵ In response to record requests from the Attorney General, PPL provided a comprehensive description of synergies. *See* PPL's Response to AG RR 1, attached as Appendix C.

ambitious renewable energy goals and plans. The evidence establishes that PPL is well-positioned to support renewable energy goals in Rhode Island.

First, PPL has extensive experience in receiving and distributing renewable energy from multiple sources, including wind and solar. *See* Dudkin Direct at 13:16-15:11, 34:13-35:14; Bonenberger Rebuttal at 16:1-5, 44:3-15; TR 2/49:21-51:13; TR 3/95:14-101:4; TR 3/107:3-110:4.

Second, PPL has already successfully addressed in its other jurisdictions a problem that plagues Rhode Island, the high costs of interconnecting distributed energy resources (“DER”). *See* Dudkin Direct at 13:16-15:11, 34:13-35:14; Bonenberger Rebuttal at 16:1-5, 44:3-15; TR 2/49:21-51:13; TR 3/95:14-101:4; TR 3/107:3-110:4. PPL’s smart grid substantially reduces the costs of interconnection for DER, and PPL witnesses provided several examples. *See id.* Thus, PPL’s experience and knowledge will help Rhode Island increase DER and attain its renewable energy goals.

Third, PPL as a major utility holding company is familiar with renewable energy programs, issues, and plans, and its current utilities deal with them on a regular basis. *See, e.g.,* Bonenberger Rebuttal at 43:7-15; TR 2/36:12-38:21.

The Environmental Intervenors expressed some concern because National Grid operates in three of the most forward leaning states in the country in aggressively pursuing the transition to clean energy and decarbonization – asserting that, therefore, PPL’s renewable energy experience is not as robust. But that observation only begs the question: is there some intrinsic and unique skill set at National Grid that PPL cannot replicate? The answer is no. For example, there is nothing intrinsically complex in managing a geo-thermal pilot study, and no evidence to the contrary. Similarly, National Grid did not build the Block Island Wind Farm, Deepwater

Wind did that. PPL has robust experience in receiving energy from multiple sources, and in managing interconnections to various generation sources. *See* Dudkin Direct at 13:16-15:11, 34:13-35:14; Bonenberger Rebuttal at 16:1-5, 44:3-15; TR 2/49:21-51:13; TR 3/95:14-101:4; TR 3/107:3-110:4. Further, National Grid’s knowledge transfer plans include supporting renewable energy.

Similarly, some of the Environmental Interveners are interested in phasing out reliance on natural gas quickly, but that is not a decision that the utility operator can make on its own. That decision, like the ongoing discussion regarding gas supply to Aquidneck Island, will involve many stakeholders including the Governor, the General Assembly, local government, the PUC, the Division, other State agencies like OER, and more. *See* Bonenberger Rebuttal at 45:11-48:2; TR 2/16:18-18:17; TR 2/43:5-44:6; TR 2/48:8-49:20. In fact, the 2021 Act on Climate charges the RI Executive Climate Change Coordinating Council (“EC4”) with the task of taking an economy-wide view to develop plans to achieve the Act on Climate’s mandatory greenhouse gas reductions. *See* R.I. Gen. Laws § 42-6.2-2. Narragansett currently is participating in that process, and it will continue to do so if the Division approves the Transaction and PPL takes over ownership of Narragansett.

And, that process will take into account all the factors that contribute to greenhouse gas emissions and all the considerations regarding how the electric and gas utilities can and should participate in achieving reductions. *See* R.I. Gen. Laws § 42-6.2-2. The task of addressing these environmental issues is multi-faceted, and it must take into account the impacts the various actions that might be taken and understand how they interact with one another before landing on a solution. *See* Bonenberger Rebuttal at 45:11-48:2. For example, some of the Environmental Interveners suggested at the hearing that PPL should cease investing in the gas distribution

system to facilitate new service to new customers. *See, e.g.*, TR 2/15:15-18:17. The basis for this suggestion is that gas distribution systems emit methane, and adding additional service customers would be contrary to achieving the mandates of the Act on Climate. That, however, may not be the case. Many Rhode Islanders still heat their homes with delivered fuels, such as oil and propane, which often emit more greenhouse gases than natural gas heating systems. *See* Bonenberger Rebuttal at 45:11-48:2. Accordingly, it is possible that additional gas service will make incremental progress in achieving greenhouse gas reductions.

In acknowledgment of the complexity of the issue, PPL has committed to preparing reports on how it plans to contribute to greenhouse gas reductions in furtherance of the Act on Climate and a report on its expectations for the future of the gas distribution system. *See* Petitioners Joint Exhibit 2 at ¶ 11. In advance of performing the work necessary to prepare these reports, it would be premature and irresponsible for PPL to make a commitment to any particular course of action. PPL must consider all the interests of all the stakeholders and potentially impacted parties, as well as the policy decisions of Rhode Island's government officials, in presenting a plan.

To ensure that PPL considers all the necessary perspectives as it develops its plans, PPL will involve stakeholders, including the Environmental Intervenors, in the discussions and the preparation of studies and plans. *See, e.g.*, TR 2/15:15-18:17. And, PPL will leverage that invaluable input when it develops and presents options on paths forward for the decision-makers, including the EC4. *See id.*

So respecting the Environmental Intervenors' desire for assurance, there is no evidence that PPL either cannot or will not continue to fully embrace and support Rhode Island's

renewable energy goals. To the contrary, PPL testified that it is committed to supporting the State's renewable energy and decarbonization goals and helping to advance those goals.

4. PPL will effectively implement and complete the AMF rollout in a cost efficient manner.

The Advocacy Section contends that the Transaction will result in additional costs and delay Narragansett's AMF rollout. *See* TR 4/313:22-314:23. The Advocacy Section claims that PPL will not match the supposed \$223 million price tag that the Advocacy Section asserts National Grid put on the AMF rollout for Rhode Island. *See* TR 4/ 68:21-70:10, 314:8-23. The premise for the Advocacy Section's contention is again flawed.

The Advocacy Section misrepresents the \$223 million amount National Grid included in its Updated AMF Business Case filing as a fixed or guaranteed price. It is not. As Booth acknowledged, it is an estimate – and it is not uncommon for National Grid to exceed a price estimate. TR 4/69:2-70:10. And there was no certainty to the outcome of the AMF docket. The PUC had not set a procedural schedule, and there was no timetable for final consideration and entry of an order approving, rejecting, or modifying the AMF proposal. *See* Advocacy Section Exhibit 13, PUC Order No. 24089; TR 1/196:3-197:7. Indeed, there was no guarantee that the PUC would approve moving forward with the proposed plan at all. Thus, it should come as no surprise that Booth conceded that the Updated AMF Business Case remains subject to further consideration and filing. TR 4/70:4-10. So the Advocacy Section's caustic challenges to PPL witnesses to “meet” the \$223 million price tag were disingenuous and should be disregarded. *See* TR 1/202:8-203:10, 205:15-206:20; TR 4/68:21-69:22.²⁶

²⁶ The Advocacy Section incorrectly framed that \$223 million price tag as a cost that Narragansett customers would be paying if National Grid retains ownership, and that framing formed the basis for the challenge that PPL should “commit” to not exceed that price. In fact, Docket 5113 proposed that National Grid would put in base rates only \$8 million, not \$223 million. TR 4/71:11-72:10. But National Grid never committed not to exceed that estimate. The

The Advocacy Section also constructed an outrageously unfair comparison. The Advocacy Section knows that National Grid has worked on and planned the AMF rollout for years, compiling estimates and revising them.²⁷ PPL is petitioning for approval to acquire Narragansett. Although PPL will be able to leverage its past experience to effectively and efficiently implement AMF in Rhode Island if the Division approves the Transaction, it has only recently begun its evaluation and consideration of how it will do so, including the associated costs. PPL has not yet developed a fully vetted plan with estimates based on vendor quotes. TR 4/73:5-13. Challenging PPL to match National Grid's estimate under these circumstances is not only unfair, it is another stark example of the Advocacy Section's reliance on incumbency to defeat the Petition.

The Advocacy Section also contends that National Grid will implement AMF cheaper than PPL because National Grid will enjoy superior buying power by combining Rhode Island with the planned New York and Massachusetts implementations. TR 4/304:4-306:5. That contention is bootless for several reasons.

First, the Advocacy Section provided no detailed information regarding the price that National Grid negotiated for the meters, and the Updated AMF Business Case filing introduced into evidence provides no indication of a settled price for the meters as part of plan. *See* TR 1/196:3-197:7. Nor did the Advocacy Section introduce any evidence of the price that PPL paid for meters in Pennsylvania or Kentucky, or the price that PPL would pay for meters in Rhode

suggestion that PPL should commit not to exceed an estimate that is subject to change makes no sense and is contrary to the standard in this proceeding.

²⁷ Even based on the Advocacy Sections misleading characterizations of National Grid's filings, when National Grid first estimated costs for a multi-jurisdiction AMF rollout in late 2017, the total estimate was \$191.61 million for Rhode Island. When National Grid submitted its Updated AMF Business Case for the same multi-jurisdictional rollout, the comparable estimate had increased to \$223.68 million.

Island. The Advocacy Section's argument once again relies not on evidence, but on unknowns and speculation concerning what might happen in the future.²⁸

Second, PPL has already installed millions of AMF-enabled meters in two jurisdictions; National Grid has not installed any. TR 4/66:24-68:20. PPL has firsthand experience with what it takes to complete a successful meter deployment, has purchased and is operating the IT systems used to employ those meters, and understands the benefits they deliver to customers. TR 1/164:15-167:13. As PPL witness David Bonenberger explained, the Rhode Island ratepayers will benefit significantly from that operating experience and also will benefit from reduced costs because of PPL's existing capabilities with the primary vendor to build, operate and support meter technology, including the head end meter data management platforms. *See* TR 1/165:24-167:13. Experience matters.

Finally, the Advocacy Section repeatedly examined witnesses on the premise that the Petition will delay the AMF rollout. *See* TR 1/85:17-86:3, 167:14-168:8. This is yet another example of the Advocacy Section's incumbency argument. The Advocacy Section relies on the premise that an applicant should be penalized because the relevant administrative agencies recognize that a possible transfer in ownership provides good cause to defer action in certain areas or dockets. The impracticality and unfairness of that premise is manifest. The delay occasioned by the regulatory process for vetting a transaction is not a reason to deny a petition, and is not the fault of any party. TR 4/46:7-47:18. As even Booth acknowledged:

Q. Okay. And any new acquirer of the Narragansett Electric Company, even an acquirer of whom you approved, would still need some time following the approval of a

²⁸ To the contrary, PPL's witnesses testified that PPL has been in discussions with the meter vendor and that, based on those conversations, it expects to receive favorable pricing based on PPL's previous purchases and its other business engagements with that vendor. There is no contrary evidence.

transaction to step into the shoes of National Grid after approval of a petition. Is that fair to say, Mr. Booth?

A. Yes.

TR 4/47:19-48:2. And similarly, an incumbent's necessarily greater familiarity and involvement in ongoing dockets is an inappropriate criteria to gauge a transaction.

In short, there is no reason to conclude that in the future National Grid would more efficiently complete the AMF rollout in Rhode Island given PPL's substantial experience in implementing AMF in its other jurisdictions.

5. PPL will effectively implement Grid Modernization.

The PUC also stayed consideration of the Grid Modernization Plan ("GMP") docket National Grid prepared and filed for Narragansett. *See* TR 4/46:1-6; TR 4/71:22-72:4. And the Advocacy Section has likewise challenged the Petition on the basis that it will delay the implementation of Grid Mod and cause it to be more expensive. *See* TR 1/167:17-168:2; TR 1/201:18-204:14. The proposed GMP, however, is just a roadmap of the expected necessary investments and business case for those investments, including a benefit cost analysis ("BCA"), which will be refined prior to specific requests for cost recovery. TR 4/74:12-21.

Narragansett does not seek approval for cost recovery associated with any proposed investments in the GMP docket. *See* RIPUC Docket No. 5114, Grid Modernization Plan, Stephen Lasher Testimony at 22:15-21 & Schedule SL-1 (GMP Business Case) at 11 of 124 . Rather, that docket seeks directional approval for business case and the types of investments contained within it to support the potential for future cost recovery if Narragansett was to propose such investments in a future ISR proceeding or base distribution rate case. *See id.* And of course, many of the same points raised with respect to the AMF rollout apply with even more force here. PPL cannot be expected to present a GMP before it receives approval to acquire

Narragansett. And, critically, PPL has already installed a cutting-edge smart grid system that is more advanced than any in the country. *See* TR 2/20:11-19. But the Advocacy Section practices deliberate ignorance and closes its eyes to PPL's achievements and what they can bring to Rhode Island. Booth did not even bother to learn about PPL's implementation and management of smart grids in Pennsylvania or in the UK:

Q. And how familiar are you with the smart grid in Pennsylvania that PPL has applied?

A. Only superficially based on the information that PP&L has provided. TR 4/75:10-13.

Q. So I read through your testimony, Mr. Booth, and I couldn't find any mention of PPL's success installing a smart grid system in Pennsylvania. Is it correct that you did not mention that in your testimony?

A. I did not. TR 4/77:17-22.

Q. Mr. Booth, would you at least grant that when PPL -- again, if the transaction were to be approved, if PPL files a grid mod plan in Rhode Island, it may have significant advantages over the plan previously filed by National Grid based on PPL's experience in Pennsylvania and the UK?

A. I can't comment what the PP&L plan is going to look like because I haven't seen it. TR 4/76:6-16.

Neither the Advocacy Section nor its experts bothered even to consider the significant advantages that PPL's industry leading experience in smart grid technology, that they have been developing since 2009, could bring to Rhode Island. That decision to ignore the facts undermines any opinion that National Grid will perform better.

In short, the facts do not support the Advocacy Section's baseless speculation that PPL will not advance grid modernization in Rhode Island as effectively or efficiently as National Grid.

III. CONCLUSION

The scope of this review is not to micromanage through forecasts the performance of discrete aspects of utility operations with the expectation that, if you find three or four tasks that National Grid today does better or has more experience with than PPL, then the Division must either direct the conduct of that function or deny the petition. That's not the standard or task before the Division. Speculation about the level of skill in a particular function that PPL will achieve following the detailed transition and after hiring managers is just that, speculation.

What we know (as opposed to what we can imagine) is that we have two highly experienced and successful utilities, National Grid and PPL, thoroughly committed to a detailed transition plan to ensure that Narragansett is just as strong on the other side of the transition with a combination of the historic knowledge of National Grid and Narragansett and some new experience and talent from PPL. That's what the standard calls for.

We also know – it is uncontested – that PPL is an experienced utility holding company that has safely and reliably managed utilities in the United States and the U.K. PPL is a sophisticated utility operator with global experience and a successful track record. It is one of the most highly ranked utilities in the East, with terrific customer satisfaction ratings. PPL has the financial strength necessary to comfortably operate Narragansett; no witness testified otherwise. And it is a forward leaning utility with cutting edge experience in smart grid technology, implementation, rollout, and operation – a perfect match for Rhode Island's desire to increase renewable energy and DER. Finally, what we know is that PPL has made commitments that go above and beyond what is required to ensure that there is no risk that this Transaction could have adverse impacts on the public and customers.

For all of these reasons, the Division should approve the Transaction.

Date: January 18, 2022

Respectfully submitted,

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

/s/ Gerald J. Petros

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CERTIFICATE OF SERVICE

I hereby certify that on January 18, 2022, I sent a copy of the foregoing to the service list by electronic mail.

/s/ Gerald J. Petros

Appendix A

**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**

Petitioners' Commitments

1. **Commitment to address the request for a stay-out agreement:** Narragansett will not file a base rate case seeking an increase in base distribution rates for gas and/or electric service sooner than three (3) years from the date that PPL Rhode Island Holdings, LLC's ("PPL RI") acquisition of The Narragansett Electric Company ("Narragansett") from National Grid USA ("Transaction") closes (the "distribution base rate stay-out period").
2. **Commitments concerning the recovery of Transition Costs:** During the transition period and as part of the integration of Narragansett, PPL will (1) install certain information technology ("IT") systems; (2) build physical facilities in Rhode Island; (3) implement certain electric and gas distribution operations systems, and (4) incur costs related to severance payments and to communications and branding changes related to the Transaction ("Transition Costs"). PPL estimates that it will incur approximately \$400M in relation to the defined Transition Costs. The current list of anticipated Transition Costs broken down by cost category is attached as Exhibit "A." With respect to these Transition Costs, PPL and PPL RI commit that:
 - a. Narragansett will not seek recovery of any Integration and Regulatory Planning

costs (currently estimated to be \$48.1 million); Severance Costs for National Grid Employees (currently estimated to be \$15.4 million); Pre-Close National Grid Costs to be Reimbursed to National Grid at Close for Branding (currently estimated to be \$4.4 million); or for enterprise resource planning (“ERP”) Separation for Day 1 Transition Service Agreement (“TSA”) needs (currently estimated to be \$8.2 million).

- b. For the IT new systems implementation costs (currently estimated to be \$315 million), Narragansett will not seek recovery of \$250 million of the total, actual costs.
- c. Narragansett will seek recovery of IT system implementation costs exceeding \$250 million, **only if** Narragansett can demonstrate that the incurrence of these costs to achieve system implementation has produced savings for Rhode Island customers that are quantifiable, verifiable and demonstrable.
- d. Narragansett will not seek to recover in rates, including but not limited to base distribution rates and the ISR recovery mechanisms, any Transition Costs that are duplicative of existing costs, services, or assets for which Rhode Island customers already have paid through distribution rates.

PPL reserves the right for Narragansett to request recovery for costs related to the Rhode Island Operations Facilities (currently estimated to be \$17.0 million) that will be invested in Rhode Island and will be the work location for Rhode Island employees and to serve Rhode Island customers. PPL acknowledges that Narragansett carries the burden to demonstrate that there is a direct benefit to customers as a result of the incremental investment. The Division of Public Utilities and Carriers (the “Division”), as well as any

other intervening parties to such proceeding, may elect to oppose all or part of any such request for recovery.

To the extent that Narragansett seeks recovery, whether through base distribution rates, the ISR recovery mechanisms, or any other rate adjustment factors, of any Transition Costs related to IT system implementation and/or Rhode Island Operations Facilities, Narragansett will limit the total amount of recovery it seeks to no more than \$82 million, regardless of whether the Transition Costs exceed current estimates.

PPL further agrees to establish transition cost accounting, reporting and monitoring procedures to apply during the distribution base rate stay-out period described above. PPL agrees that, at least 12 months before Narragansett files its next distribution base rate case, PPL will provide to the Division key accounting policies that address the procedures that establish how costs are developed, booked and reported in customer revenue requirements, including but not limited to its capitalization policy describing its policies regarding capitalizing expenditures for all plant, property and equipment used for regulatory reporting purposes, allocation of affiliate costs to Narragansett. PPL agrees that it will provide a depreciation study to the Division at least 3 months prior to filing its next base distribution rate case.

3. **Commitment regarding TSA costs:** Narragansett will not seek to recover in rates any markup charged by National Grid and/or its affiliates in the provisioning of services under the TSA. This commitment applies to the original term of the TSA and any extensions.

4. **Commitments concerning Acquisition Premium and Transaction Costs:** Narragansett will not seek to recover in rates any Acquisition Premium or Transaction costs arising out of its acquisition of Narragansett. All Transaction costs will be expensed by PPL or PPL RI by Transaction closing and will not be included in the books and records of Narragansett. Transaction costs include:

- a. The costs of securing an appraisal, formal written evaluation, or fairness opinions related to the Transaction;
- b. The costs of structuring the Transaction or negotiating the structure of the Transaction;
- c. The costs of preparing and reviewing the documents effectuating the Transaction;
- d. The internal labor costs of employees and the costs of external, third-party, consultants and advisors to negotiate terms, to execute financing and legal contracts, and to secure regulatory approvals;
- e. The costs of obtaining shareholder approval; and
- f. Professional service fees incurred in the Transaction.

5. **Commitments to address concerns regarding gas procurement and hedging:** PPL will establish a gas procurement organization for Narragansett staffed with individuals with significant experience and expertise managing gas procurement activities in the New England market. To supplement the experience of the Narragansett and National Grid personnel that will transfer to PPL after the Transaction closes and the experience of existing PPL personnel in the establishment of this organization, PPL will continue to retain the services of a third-party consultant with significant and substantial experience in the energy industry in the Northeast and New England markets and has been involved

in gas storage, gas pipeline projects, gas and power marketing, LNG, and other energy ventures to assist in developing PPL's gas procurement capabilities in the New England market. With the continued assistance of this third-party consultant, PPL also will continue to establish additional consultancy arrangements with New England-based individuals and former National Grid employees with expertise in gas procurement, hedging, trading, and retail choice programs. PPL will leverage the experience of its third-party consultants and National Grid to assist with the identification, recruitment, hiring, and knowledge transfer and training of experienced personnel for the Rhode Island-based gas procurement organization.

6. **Commitment to implement ring-fencing measures:** PPL will implement the following ring-fencing measures:

- a. Narragansett will operate as a corporate subsidiary of PPL with its own officers and Board of Directors consistent with how the other utility subsidiaries of PPL are operated;
- b. Narragansett will maintain separate books, records, and financial statements, which are available to the Division and the Rhode Island Public Utility Commission ("PUC") upon request;
- c. Narragansett will maintain the capability of issuing its own long-term debt;
- d. Narragansett will not make any long-term loans to other PPL affiliates;
- e. Narragansett will issue long-term debt only for its own utility investments and operations;
- f. Narragansett will not pledge or mortgage any of its assets or provide any guarantees for the benefit of other PPL affiliates; and

- g. Narragansett will obtain Division approval prior to entering into any money pool participation with PPL affiliates; and
- PPL will not change these ring-fencing measures without prior regulatory approval.
7. **Commitment regarding Common Equity Ratio:** Narragansett will maintain a common equity ratio of at least 48% for five (5) years after the Transaction closes.
8. **Commitment regarding treatment of Goodwill:** Narragansett will follow its long-standing practice under National Grid ownership of excluding goodwill from the ratemaking capital structure, subject to the right to request a Division or Commission waiver or modification to this commitment upon an appropriate public interest showing.
9. **Commitment regarding liquidity and short-term debt financing:** PPL will file its application for Division review and approval of its proposed new Credit Facility agreement for Narragansett no more than six months after the Transaction closes.
10. **Commitment regarding future issuances of long-term debt:** PPL will investigate whether issuing long-term debt as secured instead of unsecured is feasible and cost effective before seeking approval for Narragansett's next long-term debt issuance. As part of this investigation, PPL will evaluate the costs, benefits, and constraints associated with making Narragansett an SEC registrant and establishing a secured indenture, which would provide Narragansett the ability to issue senior secured, first mortgage bonds in the public market versus senior unsecured debt via private placement. Narragansett will include the results of that investigation as part of its filing with the Division in the next long-term debt issuance proceeding.
11. **Commitment regarding decarbonization goals:** PPL will submit a report to the Division within twelve (12) months of the Transaction closing on its specific

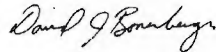
decarbonization goals for Narragansett to support the goals of Rhode Island's 2021 Act on Climate ("Act on Climate") and the long-term strategy for the gas distribution system in light of the Act on Climate.

12. **Commitment regarding Distributed Energy Resources Management:** PPL will submit a report to the Division within thirty-six (36) months of the Transaction closing on its plans to implement its Pennsylvania Distributed Energy Resources Management System ("DERMS") in Rhode Island.
13. **Commitment regarding Grid Modernization and AMF:** Narragansett will submit an updated proposed Grid Modernization Plan and AMF Business Case to the Division and PUC within twelve (12) months of the Transaction closing.
14. **Commitment regarding book values for property:** PPL will continue to state all gas and electric utility property at original cost when first devoted to public utility service. All Goodwill and fair value purchase accounting adjustments will be recorded by PPL RI and will not be reflected in the books and records of Narragansett.
15. **Commitment relating to revenue requirement:** PPL agrees that any restatement of pension and post-retirement benefits other than pensions ("PBOP") plan assets and liabilities to fair value after Transaction closing will not increase Narragansett's revenue requirement to a level higher than what would exist in the absence of the Transaction.
16. **Commitment to address Accumulated Deferred Income Taxes:** PPL will hold harmless Rhode Island customers from any changes to Accumulated Deferred Income Taxes ("ADIT") as a result of the Transaction. PPL reserves the right to seek rate adjustments based on future changes to ADIT that are not related to the Transaction (e.g., changes to applicable tax law).

17. **Commitment regarding potential extension of the TSA:** PPL and National Grid agree and commit that the TSA will include terms that will extend the TSA beyond the initial two-year term as necessary to complete the successful transition to PPL. PPL and National Grid agree to provide transition reports to the Division at six-month intervals from the date of closing to the expiration of the TSAs, regarding the status of the transition and the progress made to complete the separation.

Date: January 18, 2022

PPL Corporation and PPL Rhode Island
Holdings, LLC



David J. Bonenberger
Vice President of Operations Integration of PPL
Corporation

EXHIBIT "A"

<u>Transition Cost Categories</u>	<u>Cost estimates (millions)</u>
Integration and Regulatory Planning (PWC, Legal and internal)	\$ 48.1
Severance Costs for Grid Employees (per terms of SPA)	\$ 15.4
Pre-Close Grid Costs to be Reimbursed to Grid at Close	
Branding	\$ 4.4
ERP Separation for Day 1 TSA needs	\$ 8.2
IT new systems implementation ¹	\$ 315.0
RI Operations Facilities ²	<u>\$ 17.0</u>
Total Estimated Transition Costs	\$ 408.1

¹ IT Systems including the following:

Core Customer Service Center Capabilities, including IVR and Telephony
Essential Customer facing website and services
Customer Billing System
Gas Engineering/Specialty Technology
Gas Commodity Trading and Risk Management
Electric Engineering/Specialty Technology
Core Gas SCADA and Control Center
Core Electric SCADA and Control Center
Electric & Gas Work Management
Gas and Electric Geographic Information Systems
Data and Content Transfer and Rehosting Activities
Core Finance capabilities
Supporting Integration, Server, Infrastructure and Storage Technology
Core Network & Telephony capabilities
Employee Workstation & Mobile Devices
Core HR and employee service capabilities
Cybersecurity Technology and Supporting Capabilities
IT Service Management Capabilities

² Rhode Island Operations Facilities include the following:

Customer Service Center
Training Center
Distribution Control Center

Appendix B

**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

1. The concerns raised by Matthew I. Kahal in his pre-filed direct testimony and pre-filed surrebuttal testimony have been addressed by Petitioners' Filed Commitments. Those concerns relate to: (a) ring-fencing measures, (b) common equity ratio protections, (c) treatment of goodwill, (d) liquidity and short-term debt financing plans, and (e) long-term debt financing plans.
2. The concerns raised by David J. Effron in his pre-filed direct testimony and pre-filed surrebuttal testimony have been addressed by Petitioners' Filed Commitments. Those concerns relate to: (a) rate protections for acquisition premium and transaction costs, (b) accounting treatment of the valuation of Narragansett's assets, including treatment of goodwill and fair value purchase accounting adjustments, (c) revenue requirement treatment of the restatement of pension and post-retirement benefits other than pensions ("PBOP") plan assets and liabilities to fair value after Transaction, and (d) plans to hold customers harmless from any changes to Accumulated Deferred Income Taxes ("ADIT") as a result of the Transaction.
3. Assuming the Filed Commitments referenced in Sections 1 and 2 are approved as conditions of the Transaction without material modification, Advocacy Section withdraws its objections to approval of PPL Rhode Island Holdings, LLC's proposed acquisition of the Narragansett Electric Company on the basis of the concerns expressed in Mr. Kahal's and Mr. Effron's pre-filed direct testimony and pre-filed surrebuttal testimony.

Petitioners stipulate that Mr. Kahal and Mr. Effron can be excused from appearing to testify at the hearing in this matter and that their pre-filed direct testimony and pre-filed surrebuttal testimony can be admitted to the record of this proceeding as full exhibits.

Respectfully submitted,

PPL Corporation and PPL Rhode Island
Holdings, LLC

Rhode Island Division of Public Utilities and
Carriers Advocacy Section

By their attorneys,

By its attorneys,

/s/ Adam M. Ramos

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National Grid USA and The Narragansett
Electric Company,

By their attorneys,

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Dated: December 16, 2021

CERTIFICATE OF SERVICE

I hereby certify that on December 17, 2021, I sent a copy of the foregoing to the Service List by electronic mail.

/s/ Adam M. Ramos

61528906

Appendix C

AG RR 1

Request:

Provide a list of general synergies to benefit Rhode Island customers.

Response:

First, PPL Corporation and PPL Rhode Island Holdings, LLC (collectively, "PPL") refer to Attachment PPL-DIV 1-54-1, which details the shared services PPL expects to provide to The Narragansett Electric Company ("Narragansett"), as well as an estimate for the cost of those services. Providing these shared services will deliver synergies, and, as reflected in the cost comparison analysis set forth in Attachment PPL-DIV 1-54-1, PPL estimates that those synergies will allow PPL to provide at least the same level of service as National Grid USA currently provides to Narragansett under its shared services model at a lower cost.

Specifically, the shared services identified in Attachment PPL-DIV 1-54-1, which PPL will provide to Narragansett, include the following:

- Finance and Accounting: This includes tax, treasury, gas hedging, and risk management. The tax function includes tax planning and preparation of tax returns. The treasury function includes the management of the capital structure, cash management and remittance processing and payables, financings (both short term and long term), and credit facilities. The gas hedging function is part of gas procurement to take hedges and manage risk to customers. The risk management function performs overall risk management, including setting policies, obtaining appropriate insurance, managing claims and working with insurers, developing and maintaining the risk register for the company, monitoring credit risk, and working with supply chain on risk.
- Legal: The legal department manages and provides the full range of legal services through both in-house legal staff and management of outside counsel. The legal department provides legal support for state and federal regulatory, real estate, siting, transactions, including supply chain and other material contracts, corporate governance, strategic transactions, litigation, environmental litigation and compliance, and claims. The legal function also includes the Compliance and Ethics department. In addition to the PPL legal team that provides shared services to all PPL affiliates, this group also will have a local presence in each operating company, including Narragansett. For example, Narragansett will have a team of regulatory lawyers located in Rhode Island who have supported Narragansett under National Grid USA ownership.

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 the Rhode Island Attorney General's Hearing Records Requests
Issued on December 14, 2021

- **Security:** The security function addresses physical security and will have responsibility for maintaining physical security perimeter and monitoring at all times, the badging and access of employees and visitors, background checks for employees and contractors, and compliance with North American Electric Reliability Corporation ("NERC") and Federal Energy Regulatory Commission ("FERC") requirements for physical security.
- **Information Technology ("IT"):** The IT function is described below in greater detail. This function has responsibility for maintaining IT infrastructure, cybersecurity, engineering the IT architecture, developing and implementing new IT technology, both hardware and software, maintaining hardware, supporting compliance with NERC/FERC standards, and maintaining a 24/7 operations center to monitor the system.
- **Regulatory Accounting and Planning:** This function has responsibility for the financial statements of the utilities, regulatory accounting, preparation of rate cases, electric procurement including renewables, coordination of the settlement process with regional transmission organizations ("RTOs"), support for the business plan of the utilities, and support for SEC/FERC reporting for the utilities.
- **Business Services:** The business services function includes supply chain, human resources, customer communications, facilities, health services, fleet, and emergency preparedness. PPL will provide centralized support for the business services function, and Narragansett will have Rhode Island-based employees to execute the functions.
- **Transmission:** The transmission function includes the transmission control center, transmission planning and regulatory functions, complex engineering, NERC and FERC compliance, wholesale market operations, interfacing with the RTOs, and adherence to transmission substation standards.
- **Meter Data Services:** This function includes back-end processing of meter data, including data from advanced metering functionality ("AMF"), and oversight of the AMF system.
- **Gas Forecasting:** The gas forecasting function includes forecasting gas load and working with gas operations and purchasing to ensure adequate supply.
- **Customer Experience Strategy:** This function focuses on developing strategies and systems, including data analytics, to provide world-class customer service.
- **Advanced Grid Strategy:** This function includes data analytics to support grid modernization technology ("Grid Mod") functions and infrastructure selection.

Second, PPL will deliver additional synergies beyond the provision of shared services. Narragansett will benefit from combined purchasing power across the PPL entities, as well as process- and best-practice sharing. PPL will leverage its scale to capture purchasing economies in materials and services, including combined materials purchasing (e.g., transformers, poles, pipes, valves, fleet, etc.) and combined services purchasing (e.g., construction, engineering, vegetation management, IT, legal, audit, insurance, etc.).

Narragansett especially will see benefits in smart grid technology, where PPL has already deployed technology such as AMF and Grid Mod and can apply its lessons learned to efficiently deploy those programs in Rhode Island as follows:

- Grid Mod
 - PPL has an existing technology platform that already serves in real time Advanced Distribution Management System (“ADMS”), Distributed Energy Resource Management System (“DERMS”), Transmission Management System (“TMS”), supervisory control and data acquisition (“SCADA”) system, and modeling and control operations for the entire PPL transmission and distribution grid. The IT platform is already interconnected to PPL’s GIS model, and PPL can import Rhode Island data upon Transaction close to leverage the systems already in place. PPL currently has one of the most advanced grids in the industry; Narragansett will not be operated as a stand-alone function. Rather, Rhode Island customers will benefit from PPL’s eleven years of development and lessons learned that could not be repeated by any other utility at a fraction of the cost.
 - PPL’s existing platform has been tested extensively and designed based on cybersecurity considerations. The cyber security requirements were developed and tested with Lockheed Martin in 2009 and have been enhanced and updated since the initial rollout. Again, Rhode Island customers will receive these benefits at a fraction of the costs it would take to implement them from scratch.
- AMF
 - Implementation Cost Efficiencies
 - PPL will leverage established processes, procedures, standards, system architectures and configurations from Pennsylvania (“PA”) and Kentucky (“KY”) to implement the Rhode Island (“RI”) AMF.
 - PPL will be able to implement AMF functionality, such as remote switch, pro-active outage management, and meter alerts with greater efficiency

based on its established processes, experiences and learnings in PA (and planned for in KY).

- By using personnel with previous AMF implementation experience and skill-sets, PPL anticipates it will use fewer internal resources than National Grid USA would be expected to need.
 - PPL will use its experience with AMF networks to optimize network and communications design and performance.
 - PPL will be able to leverage purchasing power and economies of scale from PA and KY to achieve optimal pricing for RI.
- Post AMF Implementation, On-going Operations
- PPL will capitalize on established business processes and experience in PA for staffing synergies.
 - PPL will leverage its existing Advanced Metering Operations Team to operate RI AMF (along with PA AMF), meaning PPL will require fewer new employees than otherwise would be necessary to establish a new team.
 - PPL will use its existing IT, communications engineering and network personnel across both PA and RI, reducing redundancy of resources. This matches the synergy that National Grid USA was looking to capitalize on across its operating areas.
 - PPL will leverage its existing meter test operations platform across PA and RI.
 - PPL will use existing and proven analytics solutions, including for voltage analysis, revenue protection, preventive maintenance of assets (i.e. meters, transformers), and prediction of transformer failures before they fail.
- Benefits from Lessons Learned from Prior AMF Implementation
- PPL will include proactive meter inspections as part of its AMF implementation plan for Narragansett. This addition will allow early identification and mitigation of potential issues during meter deployment. For example, Narragansett will be able to address potential safety issues and barriers to physical meter exchanges, which will improve safety and

decrease overall deployment costs by enhancing meter exchange efficiency and production.

- PPL will include necessary meter base repairs as part of its AMF plan for Narragansett. This lesson learned ensures the safe exchange of meters and will help enable physical meter exchange production.

Narragansett also will benefit from significant synergies in IT due to scaled labor, licensing, and hardware costs. Narragansett will benefit from the numerous investments that have already been made in technology platforms for PPL. These IT synergies include the following:

Grid Operations

PPL's existing Vendor, General Electric ("GE"), is an industry-leading vendor in Transmission and Distribution SCADA and operations. PPL's additional cost to license GE systems to serve Narragansett is expected to be less than ten percent (10%) of PPL's total current cost. Additionally, using the existing technology platforms allows PPL to reduce the need for additional staffing; less than ten percent (10%) additional staff will be required to operate the GE platform after Narragansett is added.¹ Moreover, PPL will not need to make any material additional hardware investments because the incremental amount of SCADA data due to the acquisition of Narragansett is not material in the existing systems.

Beyond synergies in scale, PPL was among the first companies to leverage GE's Distribution & Transmission control technology, which includes ADMS (including DERMS) and TMS. PPL's preexisting use of these platforms will translate into advantages for Rhode Island customers. These benefits include a more scalable version of Volt/Var Control for Energy Efficiency & Conservation and Fault Location, Isolation, and Service Restoration ("FLISR") (which allows for the rapid and automatic identification of problems on the distribution grid and ultimately restoration when combined with Grid Mod). PPL's ability to leverage this experience provides a unique synergy benefit for Narragansett because many other utilities are just beginning investments in advanced grid operations technologies, and no other utility can match PPL's level of experience.

Finance & Human Resources

PPL's finance platform is well established and already used for consolidation activities across its operating companies. Current licensing with vendors allows PPL to add Narragansett for no additional cost.

¹ Additional staff is due to SCADA modeling activities specific to Narragansett; however, no additional staff is required for the core operating platforms.

PPL's state-of-the-art human resources platform is powered by Oracle Fusion, a best-in-class platform used by numerous other utilities. Oracle's incremental licensing for this platform to incorporate enterprise licensing and include Narragansett will be less than 15% on top of PPL's current license agreement. Additionally, this platform is hosted on the cloud, which means that PPL and Narragansett will not have any additional costs for operations, hardware, or to add Narragansett to the system.

Customer Billing

Narragansett and PPL both use an Accenture CustomerOne Customer Information System ("CIS"). PPL has more than two decades of experience in supporting CIS, including sophisticated customer rate design applications, such as Time of Use billing. PPL's licensing structure allows it to add Narragansett to its CIS without incurring any incremental licensing cost. PPL also has estimated that approximately 60% of the core code is reusable for both PPL Electric Utilities Corporation ("PPL Electric") and Narragansett, which will make the deployment and ongoing maintenance of the platform far easier. PPL also already has made investments to modernize its core platform, with plans to migrate CIS to a Linux hardware environment in 2022. Presently, the Narragansett CIS is hosted on a mainframe that is likely to require significant investments in the future to avoid operational risk. Leveraging the PPL Electric modernization effort will address this future obsolescence at far lower cost.

Customer Website and Call Center

PPL Electric built its award-winning digital customer experience using highly-scalable technologies, including Microsoft Azure for the customer facing website and Twilio for artificial intelligence ("AI")-driven Integrated Voice Response ("IVR"). Narragansett will benefit from these prior investments; PPL will be able to reuse approximately 90 percent of the existing customer website, IVR and call center technology for Narragansett, requiring changes only for branding and Narragansett-specific regulatory requirements. Additionally, PPL's favorable licensing agreements allow it to leverage these cloud-hosted technologies for between 10-20% incremental cost on the current cost structures. Beyond synergies from scale, E Source recognized PPL Electric's website as the most usable and accessible website among utilities in the United States and Canada in its 2021 Website Benchmark study. The user-friendly nature of PPL Electric's website has translated into savings due to a significantly lower number of average calls per customer. The decreased number of calls per customer also translates into higher overall customer satisfaction. PPL will be able to leverage its website experience to enhance the overall customer experience for Narragansett customers.

Supply Chain / Work and Asset Management

PPL has partnered with Infor/Hexagon, a market leading enterprise asset management and supply chain platform to deliver capabilities to PPL. PPL's deployment is scheduled for April of 2022, and it plans to use this same platform for Narragansett. PPL will be able to leverage this platform for Narragansett and deploy it at less than 25 percent of the cost of the initial deployment. This scaled platform will also cost far less to operate, adding only approximately 15 percent of the cloud costs for the incorporation of Narragansett, thus putting the overall operating costs solidly in first quartile performance for this capability.

Infrastructure & Operations

Narragansett will benefit from synergies in overall technology infrastructure and operations. PPL recently invested in a state-of-the-art data and operation center with ample capacity and backup facilities. This investment allows PPL to add incremental infrastructure at very low cost. These on-premise services are also complemented with cloud-hosted infrastructure, providing a hybrid cloud/on-premise environment that maximizes cost and availability. In addition to the data center, PPL also plans to leverage its existing 24x7 Fusion Operation Center, which includes Network, Application and Security Monitoring. There is ample capacity in the existing operations center to incorporate monitoring for Narragansett with no additional staff.

PPL also will extend the PPL transmission control room operations to Narragansett. PPL has a best-in-class transmission control room and well trained operators. PPL was one of the earliest operators of high-voltage transmission in the United States and has expansive experience in operating transmission in conjunction with PJM Interconnection, L.L.C. ("PJM") and other utilities. PPL will be able to operate the Rhode Island transmission system with minimal staffing increases.

Process Improvement

PPL has been an industry leader in implementing innovative and award-winning operating practices and technologies. The deployment of these operating practices and technologies has allowed PPL to improve reliability for its customers while keeping costs steady. PPL plans to bring this experience and technology to Rhode Island, resulting in lower costs for Narragansett and state-of-the-art technology that does not currently exist in Rhode Island, all of which will benefit Narragansett customers. Examples of these operating practices and technologies that PPL can apply to Narragansett are the following:

- Dynamic line ratings ("DLR") to improve capacity (non-wire alternative): Dynamic line ratings refers to a combination of line hardware and analytical modeling that allows PPL to change the ratings of transmission lines. These

changes allow PPL to reduce congestion charges and avoid millions of dollars of investments that otherwise would be borne by customers. More specifically, PPL Electric partnered with PJM to pilot DLR technology. Using sensors installed on transmission lines, DLR provides real-time data on conditions that impact transmission line performance, such as line temperature and wind speed. With this information delivered in real time, PPL Electric can assist PJM to make better-informed decisions that may reduce congestion and increase the amount of power delivered on its lines. This allows for more economical dispatch of generation, which in turn results in lower costs for customers.

- Relay and protection (traveling wave technology and synchrophasors):
 - The new traveling wave relay technology supports the grid of the future by allowing continuous line monitoring, as well as the expansion of asset strategy for condition-based maintenance. Line monitoring provides the ability to accurately locate fault precursors, which enables issue mitigation through preventive maintenance and through the activation of an inspection team or line maintenance crew around the clock to prevent a future fault uncontrolled outage. This technology allows a foot patrol with a drone to locate damage much faster and more cost effectively because they do not need to patrol such a wide area. Deployment of the new technology will provide the following features:
 - Prevention of faults or failures by predicting failures with low energy events (for example, dirty insulators or failed splices in the conductor);
 - Use of data to maintain assets at the right time and right cost and to maintain more accurate system records;
 - Minimization of dispatching line, inspection, and maintenance crews;
 - Improved reliability due to a decrease in unplanned outages.
 - Synchrophasor technology incorporates its advance fleet of relaying to provide a real-time measurement of electrical quantities from across the power system. Applications include system model validation, determination of stability margins, maximization of stable system loading; islanding detection; system-wide disturbance recording; and visualization

of dynamic system response. This technology provides the following benefits:

- Improved detection of equipment failures;
 - Visibility of signatures of arcing earlier in a switch failure event before operation;
 - Ability to detect damaged T-line conditions and to initiate a trip before contact to the ground;
 - Development of data that reveals patterns of potential equipment failures (This data also can be used as real-time input into various data models developed by PPL's Data Analytics team);
 - Use of data to monitor real-time system conditions;
 - Use of data to facilitate development of accurate long-term load flow studies.
- Vegetation management strategy: PPL has leveraged data analytics, unitized contracts, and implemented advanced technologies, including LiDAR and work management software, to identify and mitigate vegetation risks to its power delivery system. PPL has improved reliability for its customers while maintaining costs using this strategic multi-layered vegetation management approach.

Although PPL is confident that it will provide Narragansett with the synergies described above, PPL has not performed any studies to quantify their value. The only reflection of the value of these synergies is the cost comparison analysis in Attachment PPL-DIV 1-54-1, which reflects that PPL's estimate of controlled costs, including the provision of shared services, will be lower than the current costs under National Grid USA ownership.