

EXHIBIT A

Title 39

Public Utilities and Carriers

Chapter 3

Regulatory Powers of Administration

R.I. Gen. Laws § 39-3-25

§ 39-3-25. Proceedings for approval of transactions between utilities.

The proceedings for obtaining the consent and approval of the division for such authority shall be as follows: There shall be filed with the division a petition, joint or otherwise, as the case may be, signed and verified by the president and secretary of the respective companies clearly setting forth the object and purposes desired; stating whether or not it is for the purchase, sale, lease, or making of contracts or for any other purpose in § 39-3-24 provided; and also the terms and conditions of the same. The division shall upon the filing of the petition, if it deem 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.

History of Section.

G.L. 1923, ch. 253, § 63; P.L. 1936, ch. 2345, § 1; G.L. 1938, ch. 122, § 59; G.L. 1956, § 39-3-25; P.L. 1997, ch. 326, § 106.

EXHIBIT B

Title 42

State Affairs and Government

Chapter 6.2

2021 Act on Climate

R.I. Gen. Laws § 42-6.2-8

§ 42-6.2-8. Powers and duties of state agencies — Exercise of existing authority.

Addressing the impacts on climate change shall be deemed to be within the powers, duties, and obligations of all state departments, agencies, commissions, councils, and instrumentalities, including quasi-public agencies, and each shall exercise among its purposes in the exercise of its existing authority, the purposes set forth in this chapter pertaining to climate change mitigation, adaptation, and resilience in so far as climate change affects its mission, duties, responsibilities, projects, or programs. Each agency shall have the authority to promulgate rules and regulations necessary to meet the greenhouse gas emission reduction mandate established by § 42-6.2-9.

History of Section.

P.L. 2014, ch. 343, § 1; P.L. 2014, ch. 392, § 1; P.L. 2021, ch. 1, § 2, effective April 10, 2021; P.L. 2021, ch. 2, § 2, effective April 10, 2021.

EXHIBIT C

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<p>1 Q. You spoke yesterday about general synergies 2 that PPL expects to tap into to benefit 3 Rhode Island customers. 4 A. Correct. 5 Q. I think we touched on it a little bit, but 6 no list of those synergies has been laid out 7 yet by PPL, has it, like a concrete list of 8 the synergies that you expect to use? 9 A. That's correct. 10 Q. Is that something that can be provided? 11 A. I think we can identify the types of 12 synergies and so forth. We haven't 13 quantified the exact dollars yet because 14 we're still working on that. 15 Q. Right. Is that something that PPL would be 16 willing to provide? 17 MR. VAZ: I don't know if I can 18 make that a data request, Hearing Officer. 19 THE HEARING OFFICER: Any 20 objections? 21 MR. RAMOS: No objection. 22 MR. VAZ: Thank you. 23 Q. And do you know whether PPL's done any 24 internal planning to see what the potential</p>	<p>1 A. Sure. We have several work teams working 2 together on whether it's looking at 3 facilities, looking at security, going over 4 all the assets, make sure that -- 5 understanding the condition of the assets, 6 the age of the assets, and your traditional 7 -- how you would evaluate the facilities. 8 Q. Okay. And I think you mentioned in your 9 testimony that that wasn't done with 10 physical inspections, right? Was it done 11 more at, like, a meeting level? 12 A. There were meeting levels. I personally 13 with Mr. Dudkin and other individuals have 14 visited substations. 15 Q. Okay. And then if I could draw your 16 attention to Pages 46 -- or starting at Page 17 46 of your testimony. So I guess the most 18 basic question to start with is is PPL 19 planning to make investments in the gas 20 distribution system in order to accommodate 21 load growth either from existing customers 22 or attaching new gas customers? 23 A. PPL will be making investments in the gas 24 infrastructure primarily for safety-related</p>
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<p>1 effects -- I know you don't have specifics 2 of the effects, but the potential general 3 effects of these synergies and the potential 4 gains? 5 A. We're still in the process of developing 6 that business plan. 7 Q. So at this point PPL doesn't know yet? 8 A. Correct, other than what was provided in 9 Exhibit -- was it 54-1? 10 Q. Yes. 11 A. And again, Todd Jirovec could provide 12 comments on that. 13 Q. So Mr. Jirovec. I will ask some questions 14 to followup on that. Do you have your 15 testimony with you? 16 A. Yes, I do. 17 Q. Okay. So on Page 21 of your testimony you 18 mentioned that you and a team from PPL had 19 spent significant time in Rhode Island 20 developing an understanding of 21 Narragansett's infrastructure. 22 A. Correct. 23 Q. Can you just describe what's been done to 24 that end?</p>	<p>1 items, but we will also continue to serve 2 customer requests in regard to expanding it 3 for capacity reasons. 4 Q. Okay. And in doing that, do you recognize 5 the possibility that those assets could 6 eventually become stranded, new pipeline and 7 new infrastructure as Rhode Island and the 8 region move away from natural gas as part of 9 their commitments? 10 A. Well, I think that's premature to make 11 that assumption. I know there's a lot of 12 discussion around that, around 13 decarbonization. In one of our commitments 14 we talked about within a year, provide our 15 position on that, and so I think it's 16 premature at this time to make a 17 determination on that. 18 Q. Okay. Is PPL looking at the potential 19 impacts of the Act on Climate as it relates 20 to the prudence of developing new and 21 increasing infrastructure for natural gas? 22 A. Yes. And again, part of our commitment 23 is that within one year we'll provide a 24 report in regard to that.</p>

<p style="text-align: right;">Page 17</p> <p>1 Q. Okay. And you had mentioned an opportunity 2 for stakeholders to be -- with reference to 3 that Commitment 11, you had mentioned that 4 there was -- I believe it was you, it might 5 have been Mr. Sorgi, but there was a 6 discussion about stakeholders -- 7 A. Correct. 8 Q. -- being involved in that process. 9 A. That's correct. 10 Q. Has PPL determined how stakeholders will be 11 able to become involved? 12 A. Not at this time. So right now if you 13 think of that whole area that we're 14 discussing here, National Grid currently -- 15 the very talented people working with the 16 ECCCC group to prepare a report on climate 17 change and so forth by the end of I believe 18 2022, and fortunately for us, those very 19 talented people that are providing input 20 into that process would transfer over to PPL 21 upon approval of this transaction and so we 22 would continue with that process. We would 23 develop that stakeholder process in a way to 24 obtain input with those employees.</p>	<p style="text-align: right;">Page 19</p> <p>1 A. Yes. I think that was -- that 2 characterization probably has changed a bit 3 with our commitments that we've provided in 4 regard to transition costs where we said -- 5 where we indicate -- let me just make sure I 6 capture this right. In regard to transition 7 costs we wouldn't recover duplicate costs, 8 and as far as, like, IT costs, we'd be only 9 looking to recover costs that provided 10 functional benefits that didn't exist 11 currently today. 12 Q. Okay. And for those items, if there was 13 something that maybe there was overlap, I 14 know we kind of touched on this also 15 yesterday, I apologize, is there a system 16 that PPL uses to determine what costs are 17 recoverable and which are not that you might 18 be able to outline? 19 A. Not that I'm -- I mean, we would use 20 people who are familiar with those systems 21 and functionality to provide a -- make an 22 assessment that this functionality is 23 functionality that doesn't currently exist. 24 I'll give you -- a good example</p>
<p style="text-align: right;">Page 18</p> <p>1 Unfortunately, right now, we can't 2 direct those employees, they're still 3 National Grid employees, so it would be 4 inappropriate for us to start developing 5 processes around how we would engage 6 stakeholders with those employees because 7 they're not our employees. So we would 8 continue with that process and engage those 9 employees consistent with -- National Grid 10 has done a nice job on engaging stakeholders 11 with grid mod and so forth, so we would 12 continue with that process and look for 13 input. 14 Q. Good. So for instance, the groups like the 15 intervenors in this case will have an 16 opportunity to be heard? 17 A. Absolutely. 18 Q. Okay. You indicate in your testimony that 19 there needs to be an assessment of which 20 transition costs might be recovered from 21 ratepayers. 22 A. Correct. 23 Q. And that that analysis would be done on a 24 case-by-case basis.</p>	<p style="text-align: right;">Page 20</p> <p>1 would be grid mod. We've talked a lot about 2 grid mod, and that is not -- is not a 3 separate instance that we would have in 4 Rhode Island. We're basically scaling up 5 the system that we have in grid mod to 6 support Rhode Island. So the costs for -- 7 to implement a scale-up versus a brand new 8 installation is substantially less expensive 9 and Rhode Island customers would benefit 10 from that. 11 And then we are -- so that would be 12 a good example where there's functionality 13 that currently doesn't exist. Rhode Island 14 customers will benefit from, you know, 15 again, one of the most advanced distribution 16 systems in the country with all the 17 automation from smart grid, from DERMS, from 18 FLISR would be available which is, again, 19 functionality that doesn't currently exist. 20 So that would be one good example. 21 Q. Okay. Thank you. And then I just want to 22 shift to storm response. So you had 23 mentioned in your testimony, I think it's 24 around Page 39, that there would be mutual</p>

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<p>1 Q. Good afternoon, Mr. Henninger.</p> <p>2 A. Good afternoon.</p> <p>3 Q. Could you start out by telling us who your</p> <p>4 employer is?</p> <p>5 A. PPL Services Corporation.</p> <p>6 Q. And what is your position with PPL Services</p> <p>7 Corporation?</p> <p>8 A. Vice President of finance and treasurer.</p> <p>9 Q. And what are your responsibilities in that</p> <p>10 role?</p> <p>11 A. I oversee the corporate financial</p> <p>12 planning function as well as all</p> <p>13 treasury-related activities.</p> <p>14 Q. And could you describe a little bit about</p> <p>15 your work history and education?</p> <p>16 A. Sure. I attended Kutztown University.</p> <p>17 Upon graduating, went into a career in</p> <p>18 public accounting, ten years at Ernst &</p> <p>19 Young, a little over ten years at Ernst &</p> <p>20 Young prior to joining PPL Corporation.</p> <p>21 Started at PPL Corporation in our mergers</p> <p>22 and acquisitions group and then moved into</p> <p>23 the treasury department and have held</p> <p>24 various roles and expended responsibilities</p>	<p>1 supplement to that statement. Have you had</p> <p>2 an opportunity to review those documents</p> <p>3 prior to the hearing today?</p> <p>4 A. Yes.</p> <p>5 Q. And to the extent that those documents</p> <p>6 contain additional or different information</p> <p>7 from what is set forth in your prefiled</p> <p>8 rebuttal testimony, do you adopt that under</p> <p>9 oath today?</p> <p>10 A. I do.</p> <p>11 MR. RAMOS: I have no further</p> <p>12 questions and the witness is available for</p> <p>13 cross-examination.</p> <p>14 THE HEARING OFFICER: Mr. Wold?</p> <p>15 MR. WOLD: The Advocacy Section has</p> <p>16 no questions.</p> <p>17 THE HEARING OFFICER: Mr. Vaz?</p> <p>18 MR. VAZ: Thank you.</p> <p>19 CROSS-EXAMINATION BY MR. VAZ</p> <p>20 Q. If we could go to Page 5 of your rebuttal</p> <p>21 testimony, has PPL provided a balance sheet</p> <p>22 or other proforma financial statements for</p> <p>23 Narragansett covering the post-transaction</p> <p>24 period?</p>
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<p>1 since then.</p> <p>2 Q. And as part of this proceeding did you</p> <p>3 submit some prefiled rebuttal testimony?</p> <p>4 A. I did.</p> <p>5 MR. RAMOS: I'll note that your</p> <p>6 prefiled rebuttal testimony has been</p> <p>7 premarked for identification purposes as PPL</p> <p>8 and PPL Rhode Island Holdings Joint Exhibit</p> <p>9 4.</p> <p>10 Q. Is a copy of that prefiled rebuttal</p> <p>11 testimony what I just handed to you?</p> <p>12 A. Yes.</p> <p>13 Q. And have you had a chance to review that</p> <p>14 rebuttal testimony before the hearing today?</p> <p>15 A. Yes.</p> <p>16 Q. And were the answers that you provided to</p> <p>17 the questions that are contained within that</p> <p>18 prefiled rebuttal testimony true and</p> <p>19 accurate at the time that you gave them?</p> <p>20 A. Yes.</p> <p>21 Q. I'm now going to hand you copies of what</p> <p>22 have been marked as Joint Petitioners</p> <p>23 Exhibits 2 and 3, the statement of existing</p> <p>24 and additional commitments and the</p>	<p>1 A. No.</p> <p>2 Q. Is PPL able to do so?</p> <p>3 A. No. I think what we've provided is</p> <p>4 sufficient.</p> <p>5 Q. Can you explain why you wouldn't be able to</p> <p>6 provide a post-transaction report, an</p> <p>7 estimated one? I understand that specifics</p> <p>8 might not be available, but I would think</p> <p>9 that the company has some idea of what their</p> <p>10 books would look like after the transaction.</p> <p>11 A. Well, what we provided was the O&M cost</p> <p>12 summary that Mr. Jirovec will speak to and</p> <p>13 that, as we talked about in earlier</p> <p>14 testimony, is the most subjective or</p> <p>15 manageable cost under our ownership. A lot</p> <p>16 of the other P&L items are either</p> <p>17 pass-through items or outside of our</p> <p>18 control.</p> <p>19 When you take into consideration,</p> <p>20 then, the other commitments that were in</p> <p>21 question, we've agreed not to push down the</p> <p>22 goodwill which will no longer impact NEC's</p> <p>23 financial statements post-transaction.</p> <p>24 We've agreed to a minimum cash structure or</p>

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<p>1 minimum equity content which then would 2 solidify the financial stability of the 3 balance sheet or give some level of 4 confidence there. We've talked at length 5 about the transition costs that we are not 6 looking to recover, again, which will not 7 then impact NEC's post-transaction financial 8 statement, and we also expect the 9 creditworthiness to be better under our 10 ownership. So we don't have a full set of 11 financial statements produced, but for those 12 reasons we think you probably have enough 13 information to understand the post-financial 14 condition under our ownership. 15 Q. You mentioned credit ratings. So there's 16 reference to the Moody's report as far as 17 the credit strength of PPL. Do you know 18 what I'm talking about? 19 A. I do. 20 Q. Did PPL provide a post-transaction 21 expectation or some type of balance sheet to 22 Moody's in order for them to assess the 23 company? 24 A. We would have provided very preliminary</p>	<p>1 something we can discuss tomorrow and see 2 whether it's been resolve or not, but this 3 is a separate issue. 4 MR. RAMOS: I would need to confer 5 about whether there's confidential -- I 6 think that if the information exists, we can 7 talk about producing it, but I just want to 8 raise the question of confidentiality so 9 we're considering it. 10 MR. VAZ: Maybe if we just address 11 that as a data request and then the response 12 could be that the documents are -- however 13 they may need to be treated so that we know 14 that we'll address the issue. 15 MR. RAMOS: That's fine. 16 MR. VAZ: So basically I would 17 enter a data request that we receive any 18 post-transaction financials as well as any 19 documents that might have supported the 20 Moody's report. 21 MR. PETROS: I thought you were 22 asking about information submitted to 23 Moody's. 24 MR. VAZ: Yes, I am.</p>
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<p>1 information to Moody's based upon 2 information received from National Grid. 3 Since then, the expectations or the 4 information we have to produce financial 5 statements is, again, in process and being 6 developed. We wouldn't have anything I 7 would consider a final product from a 8 business planning perspective. 9 Q. Would you be able to provide what was given 10 to Moody's or a list of the types of 11 information that were looked at in assessing 12 the transaction and the post-transaction 13 financials? 14 MR. VAZ: I'd like him to answer 15 the question or -- 16 MR. RAMOS: The objection is out of 17 concern for potential confidentiality of 18 information that was provided to Moody's. 19 THE HEARING OFFICER: So wasn't 20 there a discussion about this earlier about 21 a summary? Was that -- 22 MR. VAZ: That's a different 23 document. I don't know what we're going to 24 get as far as a summary, but that might be</p>	<p>1 MR. PETROS: That's fine. 2 MR. VAZ: Okay. 3 THE HEARING OFFICER: Please 4 continue. 5 MR. VAZ: Thanks. 6 Q. Has PPL internally developed any statements 7 or rough proforma reports that they're using 8 to assess what the company will look like 9 post-transaction? 10 A. Well, I just said in my testimony we're 11 going to be working on a bottoms up 12 budgeting process. That is in process. 13 With respect to financial statements, I 14 wouldn't say we could produce financial 15 statements, but that is what is in process 16 underway subject to all the moving parts 17 that we talked about in this testimony. 18 Q. And that would be the case for Narragansett 19 PPL Rhode Island? 20 A. Yes. They're intrinsically linked, yes. 21 Q. Do you have the -- do you have a list of the 22 commitments that we received over the 23 weekend? 24 A. I do.</p>

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1 Q. If you could look at Commitments 7 and 8.
2 So as to Commitment 7, you're committing, or
3 PPL is committing to an equity ratio of 48
4 percent for Narragansett, is that correct?
5 A. That's correct.
6 Q. And that excludes goodwill which is all
7 equity financed, is that correct?
8 A. No.
9 Q. Okay. Can you explain that to me?
10 A. Sure. I would say it excludes the
11 goodwill balance. I wouldn't agree
12 necessarily that it would all be equity
13 financed. It would be maintained at Rhode
14 Island Holdings, but for purposes of NEC it
15 is no longer -- it would not be pushed down
16 and be part of that balance sheet.
17 Q. Okay. Thank you.
18 A. Sure.
19 Q. And does the 48 percent include short-term
20 debt? I think that was a recommendation of
21 Mr. Kahal.
22 A. So for purposes of determining total
23 capitalization debt to equity --
24 Q. Yes.

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1 A. -- short-term debt wouldn't be part of
2 equity, but I think what you're inferring is
3 it would be part of the overall total debt
4 in the cap structure. That would be
5 consistent with my understanding of the
6 determination of the capital structure in
7 Rhode Island, yes.
8 Q. Okay. Thank you. And just to clarify, the
9 goodwill will be on Rhode Island's books.
10 A. Yes. I would agree that it would not be
11 pushed down to NEC's books and -- I'm not in
12 charge of the accounting, but I think the
13 current expectation -- I'm not in charge of
14 the accounting, but I think the current
15 expectation is that it would be maintained
16 on Rhode Island Holdings' books.
17 Q. When you say Rhode Island Holdings, that's
18 PPL Rhode Island -- I'm sorry. So we talked
19 about both.
20 A. It is the acquiring entity of NEC, so
21 it's the holding company of NEC in the org.
22 chart.
23 Q. Okay. And does that holding company have
24 any assets other than the goodwill, do you

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1 know?
2 A. It may. Again, it might be -- that's
3 something that will have to take shape over
4 time. Anything that is not viewed to be on
5 the books of the regulated utility would
6 likely land there, things such as goodwill.
7 To the extent there's other assets that are
8 determined in purchase accounting, other
9 intangibles, they could potentially land
10 there, but I think the majority of what's
11 expected is the goodwill at this time from
12 an asset perspective.
13 Q. Is there any intention to use debt financing
14 at the PPL Rhode Island level to finance the
15 extra goodwill?
16 A. We may. Rhode Island Holdings or the
17 Rhode Island holding company that we're
18 talking about here is not a separate
19 external financier of debt so it will be
20 financed with affiliate borrowings and it
21 could be -- take the form of debt or equity.
22 Q. And if it were to do so, wouldn't that
23 affect the market's perception of the
24 riskiness of NEC because of the issuance of

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1 debt?
2 A. No.
3 Q. Can you explain why?
4 A. Sure. So Rhode Island Holdings really
5 wouldn't be an entity that is separately
6 visible necessarily to the outside
7 community. And when you think about the
8 rating agencies we use, which is S&P and
9 Moody's, and how they developed the
10 creditworthiness of NEC, they have two
11 different approaches. S&P uses a top down
12 approach and they'll look at the overall
13 consolidated picture of PPL Corporation, not
14 just Rhode Island Holdings, the entire
15 consolidated portfolio to establish a
16 baseline credit rating of NEC. When you
17 compare and contrast that to Moody's,
18 Moody's uses what we refer to as a bottoms
19 up approach and they would evaluate NEC on a
20 standalone basis. Any debt at an
21 intermediate holding company such as PPL
22 Rhode Island Holdings would not be factored
23 into Moody's analysis, and that's similar to
24 how we're structured in Kentucky. We have

EXHIBIT D

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.

EXHIBIT E

AG RR 2

Request:

Please provide any post-transaction financials and supporting documentation submitted to Moody's in connection with Moody's review of the proposed Transaction.

Response:

PPL and PPL RI refer to Attachment AG RR2-1. PPL and PPL RI have filed a Motion for Protective Treatment to maintain Attachment AG RR2-1 as confidential in its entirety. The confidential Attachment AG RR2-1 further contains redactions to protect the sensitive financial information of companies that are irrelevant to the Transaction.

The financial information contained in AG RR2-1 was based upon preliminary information obtained from National Grid USA during the due diligence phase surrounding the potential acquisition of The Narragansett Electric Company ("Narragansett"). This financial information was provided to Moody's on March 5, 2021, to provide a preliminary, high-level picture of the potential post-transaction impacts to the credit ratings of PPL and its subsidiaries based on the information available at that time. This financial information reflects a preliminary overview of PPL Rhode Island Holdings, LLC, inclusive of Narragansett. It does not provide specific financial information about Narragansett. Similarly, this information does not reflect the Narragansett financial information that will impact customers. For example, this financial information includes goodwill, which will not be included on the books of Narragansett. Also, the operation and maintenance cost estimates contained in this attachment were created before the cost analysis set forth in Attachment PPL-DIV 1-54-1, which evaluated managed costs. This information does not reflect any transition service costs.

Overall, Attachment AG RR2-1 reflects a high-level summary financial picture based on the information PPL had available at the time, and it does not represent PPL's current view of the post-Transaction financials of Narragansett or PPL RI. As PPL witnesses explained in testimony, PPL is currently in the process of creating a budget, but that process is not yet complete. Attachment PPL-DIV 1-54-1 is the most up-to-date analysis of PPL's estimated cost to operate Narragansett after the transition period.

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

Docket No. D-21-09

PPL Corporation and PPL Rhode Island Holdings, LLC's
Responses to RI Attorney General's First Set of Record Requests
Issued on December 14, 2021

Attachment PPL AG RR 2-1

Confidential Attachment PPL AG RR 2-1 contains confidential information. PPL and PPL RI have requested protective treatment of this confidential attachment in its entirety.

EXHIBIT F

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<p>1 regarding storm response cost is that 2 National Grid currently serves both Rhode 3 Island and Massachusetts and that there may 4 be efficiencies to having co-located service 5 personnel and shared supplies. The 6 potential offsetting advantage to PPL is 7 diversity in storms and that significant 8 storm events may affect both Massachusetts 9 and Rhode Island while it is less likely 10 that Kentucky, Pennsylvania and Rhode Island 11 will be similarly affected by a storm." 12 First, is that your finding or your 13 observation I should say, Mr. Ewen? 14 MR. EWEN: Yes. 15 MR. PETROS: Did you look at the 16 information that PPL submitted tracking the 17 impact of -- impacts of hurricanes on 18 Pennsylvania, Kentucky, Rhode Island, 19 Massachusetts and New York over the last ten 20 years? 21 MR. EWEN: I did see some of that, 22 yes. 23 MR. PETROS: And did you see that 24 there was very strong evidence that storms</p>	<p>1 some debate about whether the technical 2 expertise is or is not sufficient. The 3 observation here is that it certainly 4 appears like between the original filing and 5 the -- between the time the information was 6 available for our direct and the time of the 7 surrebuttal that PPL had my some significant 8 process on retaining some expertise in LNG 9 operations. 10 MR. PETROS: Okay. Thank you. And 11 I think you also, if I'm not mistaken, asked 12 for a commitment with respect to ADIT and 13 you received that commitment as well, right? 14 MR. KNECHT: Yes. That was fully 15 resolved, yes. 16 MR. PETROS: By the commitments. 17 Thank you. Okay. I think you also had 18 asked that we include as a commitment our 19 plans for ring fencing and we did have a 20 commitment -- I should say a paragraph in 21 our commitment letter that addressed ring 22 fencing requirements. That addressed your 23 concerns as well, right? 24 MR. KNECHT: Yes, it did. With the</p>
Page 246	Page 248
<p>1 that affect Rhode Island also affect 2 Massachusetts and are very unlikely to 3 affect Pennsylvania and Kentucky? 4 MR. EWEN: I did see that, yes. 5 MR. PETROS: Okay. And as you 6 point out, just to be fair, you said it's 7 not clear from the record how these 8 countervailing effects will balance out. Is 9 that fair? 10 MR. EWEN: Right, and I think 11 having seen the supplemental information, 12 I'm probably in the same place. 13 MR. PETROS: Okay. Thank you. 14 This comes from surrebuttal testimony, Page 15 5. I'm not sure which witness wrote it, but 16 it says, "We acknowledge that PPL appears to 17 have moved forward in retaining technical 18 and operating expertise for LNG operations 19 about which we expressed concern in our 20 direct testimony." Is that a fair 21 observation you made in your surrebuttal? 22 MR. KNECHT: Yes, that is a correct 23 statement of what we said. We are not 24 utility operating guys. We know there's</p>	<p>1 exclusion of the debt-to-capital ratio that 2 we discussed for PPL Rhode Island. 3 MR. PETROS: Okay. So I just want 4 to address briefly with both of you the 5 recommendation -- the recommendation, 6 suggestion, your advocacy to limit repairs 7 or replacements of gas mains. All right? 8 You stated that again in your direct 9 testimony and I just want to talk a little 10 bit about that. 11 I think you both would recognize 12 that there are substantial safety concerns 13 with respect to maintaining the gas system, 14 and I think you said in your testimony and I 15 think you may have said again today that 16 you're not recommending that the operator, 17 whoever it is, not continue to go forward 18 and make whatever repairs are necessary from 19 a safety standpoint. Is that fair? 20 MR. KNECHT: I'd certainly say that 21 the safety considerations are paramount, 22 it's a gas utility and if safety 23 considerations are not paramount, you're in 24 the wrong business. The only hesitation I</p>

Page 229	Page 231
<p>1 to have an opening statement in front of me.</p> <p>2 Different jurisdictions have different</p> <p>3 rules. But let me go through them quickly</p> <p>4 the things that --</p> <p>5 MR. PETROS: You can borrow Mr.</p> <p>6 Oliver's if you want.</p> <p>7 MR. KNECHT: No. Thank you. The</p> <p>8 issue is we think that in a proceeding like</p> <p>9 this financials should be provided, pre and</p> <p>10 post-transaction financials to allow the</p> <p>11 parties to evaluate the financial impacts of</p> <p>12 the proposed transaction.</p> <p>13 In our direct testimony we spoke to</p> <p>14 putting in a limit on, a maximum, an upper</p> <p>15 bound on the debt-to-capital ratio excluding</p> <p>16 the effect of goodwill on the balance sheet</p> <p>17 for both Narragansett and PPL Rhode Island.</p> <p>18 The company has addressed the Narragansett</p> <p>19 issue and it has declined the PPL Rhode</p> <p>20 Island issue. We still believe that there</p> <p>21 is some potential for additional risk if the</p> <p>22 company chooses to debt finance the goodwill</p> <p>23 asset on the PPL Rhode Island books, so that</p> <p>24 issue is not addressed.</p>	<p>1 natural gas distribution business, the</p> <p>2 second was to look at what I think we're</p> <p>3 calling DERMS now, distributed energy</p> <p>4 resource -- management of those resources.</p> <p>5 And again, we appreciate the company's</p> <p>6 response, and it may not be necessary, but</p> <p>7 we think as part of their agreement to do</p> <p>8 that, they should agree to consult with the</p> <p>9 Rhode Island Attorney General and the other</p> <p>10 stakeholders in the room and in the</p> <p>11 community before undertaking those studies,</p> <p>12 but just as a matter of process, to make</p> <p>13 sure that this isn't a simple study that</p> <p>14 doesn't address what the parties are</p> <p>15 concerned about.</p> <p>16 In reviewing the commitments I</p> <p>17 think we flagged the same issue that's come</p> <p>18 up, two of the same issues that have come up</p> <p>19 with the Advocacy Section witnesses, one,</p> <p>20 the fact that there isn't a cap on the -- on</p> <p>21 some of the transition costs that could</p> <p>22 potentially be claimed in future proceedings</p> <p>23 and that will certainly serve to increase</p> <p>24 the potential risk that ratepayers face</p>
Page 230	Page 232
<p>1 In our direct testimony we urged</p> <p>2 the company to stop spending -- to the</p> <p>3 extent that they are and to the extent that</p> <p>4 it's in the plan, to stop spending capital</p> <p>5 dollars on expanding the gas distribution</p> <p>6 system to serve new customers and that it</p> <p>7 should limit its capital to spending on</p> <p>8 safety-related issues, of course, most of</p> <p>9 all, and for projects that are underway at</p> <p>10 least until such time as they've done a good</p> <p>11 evaluation of the future viability of the</p> <p>12 natural gas distribution business. So that</p> <p>13 the company has agreed to do a study to that</p> <p>14 effect and we appreciate the company's</p> <p>15 effort in that response, but we think that</p> <p>16 that is even more reason to be cautious</p> <p>17 about spending a lot of money as they begin</p> <p>18 to come up to speed and develop an</p> <p>19 understanding of Rhode Island simply to</p> <p>20 protect ratepayers from the potential for</p> <p>21 future stranded costs.</p> <p>22 As I mentioned, the company agreed</p> <p>23 to do two studies in response I think to our</p> <p>24 testimony, one was to look at the future</p>	<p>1 associated with those investments. I think</p> <p>2 even more importantly is that we read the</p> <p>3 language the same way with respect to when a</p> <p>4 transition investment is providing a</p> <p>5 benefit. Are we talking about any kind of a</p> <p>6 benefit that is -- will a \$10 million</p> <p>7 benefit justify a \$50 million expense? We</p> <p>8 don't think so. We would think that the</p> <p>9 test would be a net benefit test and that</p> <p>10 the claimable transition costs should only</p> <p>11 be those that provide an incremental benefit</p> <p>12 and that they only get to claim all of the</p> <p>13 costs if the net benefit -- if the benefits</p> <p>14 exceed the incremental costs. And that may</p> <p>15 have been what was intended and it may not.</p> <p>16 I don't think the record is that clear, and</p> <p>17 we may have missed it on cross-examination,</p> <p>18 but that's where we come out on that issue.</p> <p>19 And with respect to the rate</p> <p>20 stay-out, the rate stay-out addresses the</p> <p>21 issue of our concern that there's operating</p> <p>22 cost risk to ratepayers. We suggested a</p> <p>23 rate stay-out of three years before filing a</p> <p>24 rate case. That is what the company has</p>

EXHIBIT G

1 potential treatment of certain transition costs.⁴ Further, PPL appears to have at least begun
2 to address some of our operational concerns, by retaining expertise in LNG operations.⁵

3 Nevertheless, our overall conclusions and recommendations as summarized at pages 8
4 through 11 in our pre-filed direct testimony remain valid.

5 **Q. Do you have any clarifications to your direct testimony?**

6 A. Yes. In our direct testimony, we concluded that ratepayers were at significant risk to higher
7 rates due to the uncertainty associated with future costs arising from the proposal to
8 substantially modify NEC's operating practices under the new owner.⁶ If the transaction
9 is to be approved, we recommended that certain ratepayer protections be required,
10 including a three-year "stayout" for a base rate filing from the closing date of the
11 transaction.⁷ To be clear, it was our intent that the stayout be three years before *filing* a
12 rate case, which would imply a longer period in which rates remain at their current levels.
13 We recommended a three-year stayout for a *filing* based on the idea that PPL would need
14 a full year of operations past the end of the two-year transition period to develop a full
15 understanding of its costs to operate NEC.

16 **Q. Did the Applicants update their filing to include basic post-transaction financial**
17 **statements for NEC?**

18 A. No. Mr. Henninger indicates that financial statements are not available due to various
19 reasons, not least of which is uncertainty about future costs under PPL operation. Mr.
20 Henninger indicates only that PPL intends to comply with SEC regulations.⁸

⁴ Bonenberger Rebuttal at Exhibit B.

⁵ Bellar Rebuttal at 8-9.

⁶ Direct Testimony and Exhibits of Mark D. Ewen and Robert D. Knecht ("Ewen/Knecht Direct") at 8, 10, 11, 28-32.

⁷ *Id.*, at 11 and 35.

⁸ Henninger Rebuttal at 5.

1 Messrs. Reed and Dane argue that such financial statements are unnecessary, because other
2 information such as financial analyst reports and credit rating agency reports are provided.⁹
3 Without post-transaction financial statements, any analyses prepared by financial analysts
4 and credit rate agencies are speculative at best. We remain mystified by PPL's resistance
5 to providing even a reasonable estimate of such basic financial information.

6 **Q. Mr. Henninger also indicates that post-transaction financial statements for PPLRI**
7 **are irrelevant because it is a holding company and it is not regulated. Do you agree?**

8 A. No. Mr. Henninger confirms that the approximately \$1 billion in goodwill associated with
9 the proposed transaction will be recorded on the PPLRI books but not on NEC's books.¹⁰
10 While PPL has not so indicated, it may choose to attempt to issue PPLRI debt to finance
11 that asset. If it were to do so, the financial leverage and risk of PPLRI would increase,
12 which would likely be reflected in the debt ratings for NEC. We therefore believe that both
13 the financials and the capital structure for PPLRI are relevant to the Division's evaluation
14 of the proposed transaction.

15 **Q. In several areas of its rebuttal testimony, the Applicants argue that NEC will continue**
16 **to be regulated by the Division and the PUC, and thus ratepayers are adequately**
17 **protected.¹¹ Is this accurate?**

18 A. Not necessarily. In our non-legal view, the regulatory standards that the Division and the
19 PUC will apply in future proceedings are not necessarily the same as those that apply to
20 this proposed transaction.

21 In particular, PPL proposes to adopt a substantially different operating model for NEC than
22 that used by NG. PPL's approach will involve more local operations, it may involve capital
23 for O&M substitution, it may involve alternative staffing strategies, and it may involve
24 retaining specialized outside expertise. In the current proceeding, PPL must demonstrate,
25 at the least, that the costs associated with these changes will not have a negative impact on

⁹ Reed/Dane Rebuttal at 37.

¹⁰ Henninger Rebuttal at 8.

¹¹ See, e.g., Reed/Dane Rebuttal at 7, Johnson Rebuttal at 12-13, 17, 21.

1 ratepayers relative to continuing the status quo. In regulatory rate proceedings, however,
2 it is our experience that PPL will not need to demonstrate that the costs are lower than those
3 of NG; PPL need only demonstrate that the costs were prudently incurred. Prudence
4 generally does not require that a utility's management be optimal; in practice it requires
5 only that management decisions be defensible. Moreover, in our experience, the burden
6 for demonstrating that any utility capital or operating spending was imprudent falls on
7 intervenors, and that it is extremely difficult to demonstrate that any particular expenditure
8 was imprudent.

9 In addition, if the Division approves the proposed transaction, it will do so knowing that
10 PPL plans to adopt a substantially different operating philosophy. We would expect that
11 PPL's attorneys in future proceedings will cite to such approval as justification that PPL's
12 operating model is reasonable, and thus PPL need only demonstrate that its costs were
13 prudently incurred *within* that operating model.

14 We therefore respectfully disagree that continued regulation is necessarily sufficient to
15 meet either the "no harm" or the "public interest" standard for the proposed transaction.

16 **Q. PPL relies substantially on the cost comparison presented in Attachment PPL-DIV 1-**
17 **54-1 as a demonstration that its operating costs will be no higher than those under**
18 **NG management.¹² Please respond to the Applicants' rebuttal.**

19 A. The Company's rebuttal testimony generally indicates that PPL is developing a better
20 understanding of how it will need to operate NEC, and it has more specific plans for various
21 functions. Nevertheless, we observe that the Applicants did not update their cost
22 comparison between when it was filed on September 30 and the submission of rebuttal
23 testimony on November 23. Thus, our prior concerns regarding operating cost uncertainty
24 remain, which are our primary considerations for our recommendation for a rate stayout if
25 the proposed transaction is approved.

¹² See, for example, Reed/Dane Rebuttal at 7. It is now reported that this document was prepared with the support of PwC under Mr. Jirovec. Jirovec Rebuttal at 9.

EXHIBIT H

1 by increasing long-term debt, thereby increasing the overall riskiness of the enterprise.
2 PPL indicates that it does not intend to use debt financing for the acquisition.¹⁸

3 **Q. Please review the implications of the proposed transaction on the financial viability**
4 **of PPL Corporation.**

5 A. The impact of the financial viability of PPL can only reasonably be evaluated in the context
6 of the combined transaction of the sale of WPD and purchase of NEC. From that
7 perspective, PPL's balance sheet is improved, as the net proceeds from the WPD sale above
8 the NEC purchase price will be used, in part, to pay down debt. Some financial analysts
9 have expressed concern that PPL's longer term business risk has increased, due to
10 increased reliance on an integrated electric utility (LG&E and KU) and the associated coal-
11 fired generating capacity. More importantly, the overall riskiness and viability of PPL will
12 depend on future acquisitions (which are generally expected by financial analysts) and their
13 financial implications.

14 Overall, PPL is a much larger firm than NEC, with total book assets of \$36.8 billion
15 compared to NEC's book assets of \$5.6 billion.¹⁹ We conclude that, if NEC is reasonably
16 financed, PPL has the financial credibility to be able to raise funds in the capital markets
17 to meet NEC's investment requirements.²⁰

18 **Q. Please review the financial implications for PPLRI from the transaction.**

19 A. PPLRI is the parent entity for NEC that has been created as part of the transaction. NEC
20 will, at least in the near term, be its only subsidiary. PPL has declined to provide any post-
21 transaction financial information for PPLRI.²¹ However, it is our understanding that the
22 primary difference between the consolidated PPLRI books and the NEC books will be that

¹⁸ Pre-filed Direct Testimony of Vincent Sorgi at 11.

¹⁹ <https://pplweb.investorroom.com/financials-2021>, Q2 2021 report, accessed 31 October 2021.

²⁰ See PPL-Div-8-13 regarding PPL's plan that NEC will issue its own debt, but will also have access to market capital through PPL Capital Funding. By way of comparison, NG's pre-transaction books show assets of GBP 46.8 billion (\$63.9 billion), with US assets of about GBP 22 billion (\$30 billion).
<https://www.nationalgrid.com/document/142126/download> page 34.

²¹ PPL-AG-1-10.

1 some \$1 billion in goodwill associated with the proposed transaction will be recorded on
2 the PPLRI books, but not the NEC books.

3 **Q. Please review the financial implications for NEC from the proposed transaction.**

4 A. PPL has thus far also declined to provide post-transaction financial information for NEC.²²
5 As such, we conclude from our non-legal perspective that PPL has not met its burden to
6 demonstrate that the resulting Company will be reasonably financed and will not impose
7 undue risks on ratepayers. Based on our review of discovery, it appears that the only known
8 significant change under new ownership will be an impact on ADIT. Unless an
9 accommodation is made, this change would serve to increase utility rate base and thus
10 increase rates in the next base rates proceeding. As discussed further below, PPL generally
11 promises to indemnify ratepayers for any impact that this change in ADIT would otherwise
12 have on rates.

13 **Q. Will NEC or PPLRI be reasonably financed after the transaction?**

14 A. PPL generally indicates (a) that it is using equity capital from the WPD sale to purchase
15 the current equity of NEC plus the goodwill from the price premium, and (b) that it intends
16 to maintain a debt to capital ratio that is similar to the approved regulatory capital structure
17 with goodwill excluded. As such, there is no obvious reason to believe at this time that
18 there will be any increase in financial leverage for NEC (or PPLRI, with the goodwill asset)
19 as a result of the transaction.

20 However, PPL has thus far declined to provide a post-transaction balance sheet for either
21 PPLRI or NEC.²³ Moreover, it has not made an explicit commitment regarding the capital
22 structure for NEC. We therefore recommend that PPL be required to provide its best
23 estimates of its post-transaction financial statements, and that parties be given the
24 opportunity to evaluate those statements. We also recommend that the Division require

²² *Id.*

²³ PPL-AG-1-8.

EXHIBIT I

1 Section X assesses the probable increased burden on the Division if the acquisition
2 proceeds. Section XI is my conclusion and my recommendations.

3 **Q. WHAT WERE YOUR INITIAL OBSERVATIONS CONCERNING THE FILING?**

4 A. This filing is different from many of the utility acquisition filings I have reviewed. First,
5 the filing lacked much of the detail, materials, or information that I would typically see in
6 an application attempting to demonstrate that an acquisition was in the “public interest.” A
7 financial forecast and rate impact analysis are but two items that were missing from the
8 filing and that are essential for a comprehensive assessment of whether the proposal is in
9 the “public interest.” Second, and as I mentioned earlier, this acquisition is unique in my
10 experience, especially because of three factual components: a) PPL is only acquiring
11 Narragansett Electric, which is the smallest jurisdictional portion of the National Grid
12 USA’s utility holdings, b) Narragansett currently benefits from the support of
13 approximately 5,100 National Grid Service Company (“Service Company”) employees
14 that provide significant cost and capability synergies that will be lost as a result of this
15 acquisition, and c) National Grid has a long history of developing its multi-state shared
16 service model in New England and New York, which cannot be replicated by PPL in just
17 twenty-four months. Given these three major issues, the acquisition application must
18 conclusively demonstrate that PPL can overcome the lost synergies and economies of scale
19 associated with the Service Company and all its infrastructure. While PPL did submit as
20 part of a data request response a hypothetical analysis of post-transition operating costs, I
21 will address later in my testimony why this analysis is deficient. Additionally, PPL must

EXHIBIT J

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 RI Attorney General's First Set of Data Requests
Issued on September 29, 2021

AG 1-10

Request:

Please provide National Grid's five-year financial forecast for Narragansett Electric, segregated between electric and gas operations as available, showing income statement, balance sheet and capital spending forecasts.

To the extent that PPL Electric has developed alternative forecasts for these entities, or if it has any material disagreements with these forecasts, please provide PPL's updates and explain the substantive differences.

Response:

PPL and PPL RI refer to the response of National Grid USA and The Narragansett Electric Company to data request AG 1-10.

PPL and PPL RI have not developed a five-year financial forecast for The Narragansett Electric Company. PPL and PPL RI refer to Attachment PPL-DIV 1-54-1 (Supplement), which provides a current view of PPL's reasonable expectation of the comparison between National Grid's current costs to operate Narragansett and PPL's anticipated costs to operate Narragansett at the conclusion of the transition period. Attachment PPL-DIV 1-54-1 (Supplement) is not a budget for PPL costs in future years and does not include any rate case timing assumptions; it is a cost comparison based on the best information currently available and estimates generated from that information.

EXHIBIT K

Division 1-54

Request:

Referencing the testimony of Mr. Sorgi's testimony at 9:10-12, in which he states: "We also believe that infrastructure investments and a more localized operating model under PPL's ownership will create jobs and support economic development in Rhode Island," please:

- a. Explain PPL's "localized operating model,"
- b. Provide any analyses or comparisons performed assessing the PPL model against how Narragansett is currently managed;
- c. Quantify the number of jobs PPL expects that will be created, including any supporting data, studies, workpapers, reports, and information; and
- d. Please provide any data, studies, workpapers, reports, and information to support PPL's claim that the Transaction will result in economic development.

Response:

- a. PPL's localized operating model can best be described as the people who are responsible to ensure the safe and reliable electric and gas service to customers will be present locally in Rhode Island and will have the appropriate decision making authority commensurate with those responsibilities. In addition, the President will work directly with the EVP and COO and other members of PPL's Executive team, as necessary, to ensure that Narragansett has the resources and support necessary to provide this service to Rhode Island customers as having the appropriate resources necessary to carry out that mission. Also see PPL and PPL RI's response to data request Division 1-19.
- b. No such analyses or comparisons have been performed or documented. PPL and National Grid continue to work out the details to ensure a smooth transition.
- c. As stated in b. above, PPL and National Grid continue to develop the organization structure and number of employees needed as we transition off the TSA over the two-year transition period. Certain functions that are currently provided by National Grid that are planned to be created in Rhode Island are Customer Contact and back office functions, Electric dispatch and control room operations, gas control and dispatch functions, gas and electric training operations and miscellaneous service company functions. Total number of employees in these areas has not been determined at this time.

PPL CORPORATION, PPL RHODE ISLAND HOLDINGS, LLC,
NATIONAL GRID USA, and THE NARRAGANSETT ELECTRIC COMPANY
Docket No. D-21-09
PPL Corporation and PPL Rhode Island Holdings, LLC's
Responses to Division's First Set of Data Requests
Issued on June 8, 2021

- d. We did not perform any studies or reports on the resulting economic impact of this transaction. A key component of utility operations is investments in infrastructure. If the Transaction is approved, PPL expect to submit plans for approval that increases the amount of infrastructure investments in Rhode Island, which will have a direct impact on the Rhode Island economy through direct and indirect purchases, use of contractors and service providers. In addition, PPL plans to create certain functions in Rhode Island that will require investments in facilities, construction, professional services and purchases (see item c. above) Also, PPL has a long history of investing in the communities they serve. In Pennsylvania & Kentucky for 2020 PPL provided more than \$12M in charitable giving, had 60-80K hours of volunteer work, supported over 300 nonprofits, had \$275M spend on diverse suppliers, had 60% of the corporate spend on locally based suppliers, provided over \$2M to support COVID relief, donated 20k N95 masks to health care workers and donated \$100K to support racial injustice initiatives.

Supplemental Response:

- (b) PPL and PPL RI refer to Attachment PPL-DIV 1-54-1 for additional information responsive to this request.

Analysis of PPL's Cost to Operate The Narragansett Electric Company

- I. Introduction
- II. Assumptions and Approach
- III. National Grid's current costs to operate Narragansett
 - a. Direct Opex
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 - c. Benefits Costs
 - d. Allocated Depreciation
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 - a. Rhode Island Direct Labor
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 - 1. Complete FY21 National Grid Narragansett Cost Structure
 - 2. Reconciliation of FY21 National Grid Narragansett Cost Structure to Published Financial Statements
 - 3. PPL Rhode Island Direct Organizational Structure
 - 4. PPL Rhode Island Aligned Corporate Support

I. Introduction

PPL Corporation (“PPL”) has prepared an analysis of the anticipated costs to operate The Narragansett Electric Company (“Narragansett”) if the Rhode Island Division of Public Utilities and Carriers (the “Division”) approves the proposed acquisition of Narragansett (the “Transaction”). This analysis compares these anticipated costs to National Grid USA’s (“National Grid”) current costs to operate Narragansett. This analysis demonstrates that the Transaction will not result in increased costs to operate Narragansett and therefore will not increase rates for the current electric and gas distribution services.

II. Assumptions and Approach

PPL does not currently own and operate Narragansett and does not have the ability to fully assess each and every aspect of its future operations. When preparing this cost comparison, PPL thus relied on the information it received from National Grid – both with regard to its current costs to operate and with regard to the operations and functions necessary for PPL to operate Narragansett after the Transaction is approved and a closing occurs.

The purpose of this analysis is to provide a current view of PPL’s reasonable expectation of the comparison between National Grid’s current costs to operate Narragansett and PPL’s anticipated costs to operate Narragansett at the conclusion of the transition period. If the Division approves the Transaction, when PPL takes over control and operation of Narragansett and obtains firsthand knowledge of its operations the anticipated costs will change to some extent. This analysis, therefore, is not a budget for PPL costs in future years; it is a cost comparison based on the best information currently available and estimates generated from that information.

PPL made several structural assumptions preparing this analysis. First, PPL assembled National Grid’s actual Fiscal Year (“FY”) 2021 costs to operate Narragansett. PPL then developed its anticipated

costs to operate Narragansett after the transition services¹ expire approximately two years after Transaction close. This approach allows PPL to compare its anticipated 'steady state' operating costs to National Grid's "steady state" operating costs as they exist today.

Second, PPL limited this analysis to operating and maintenance costs plus allocated depreciation from service company assets that support Narragansett. These costs are deemed "managed" costs. PPL excluded pass-through costs from the analysis because they do not reflect the cost of operating the core electric and gas businesses. These pass-through costs include purchased power and gas, transmission wheeling costs, asset depreciation, taxes and other non-operational related costs.² The comparison of "managed" operating costs provides a basis to compare the operating model differences resulting from the change in control. A detailed view of total costs is included in the Appendix.

Third, PPL evaluated and considered the impact of the structural differences between National Grid's and PPL's operating models. For example, as explained later, PPL intends to establish a dedicated Rhode Island organization to provide operational functions (i.e., electric and gas operations and maintenance) serving the customers of Rhode Island, while National Grid uses a shared services model across its jurisdictions for similar functions. Both PPL and National Grid have service companies that provide centralized corporate and administrative services functions, but they differ in their composition (e.g., certain subfunctions are categorized differently between PPL and National Grid) making functional cost comparisons difficult. As a result, PPL's analysis compares National Grid's current operating model and related costs to PPL's anticipated operating costs under its expected operating model.

¹ National Grid will continue to provide certain services ("Transition Services") to support Narragansett during the transition to PPL to allow PPL to establish the infrastructure required to operate Narragansett independently. It is expected that these transition services will not exceed two years in duration.

² PPL is an experienced operator of electric and gas companies and will apply its expertise to effectively and efficiently control these pass-through costs (e.g., effective procurement of electricity and gas, management of bad debt expense, and conduct of storm response), to the extent possible.

For this analysis, National Grid provided its FY21 actual costs to operate Narragansett, including both direct and indirect operating costs assigned and allocated to Narragansett, as defined in National Grid's internal management reporting. Direct operating costs ("Direct Opex") are costs related to electric and gas operations, as well as directly associated support costs (e.g., Operations Support and Energy Procurement). Indirect operating costs ("Indirect Opex") are service company costs (e.g., Customer Operations, Legal, HR, Finance) assigned and allocated to Narragansett. National Grid accumulates benefits (e.g., medical, dental, pension, etc.) costs in aggregate; so, these amounts are shown separately rather than assigned to individual functional salary levels. The cost analysis also included depreciation costs from the service company to reflect shared assets (e.g., IT, facilities) that are allocated to Narragansett.

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

III. National Grid Narragansett Costs

a. Direct Opex

The Direct Opex costs assigned and allocated to the Narragansett utility are identified in **Table 1** below.

National Grid utilizes 17 cost centers, which PPL aggregated into functional categories (e.g., New England Electric costs and New York Electric costs (providing support to Narragansett) were consolidated to the Electric function). Cost types include Base Labor costs plus other nonlabor costs such as Contractors, Materials, Consultants, and Other Expenses). In total, National Grid's Direct Opex for Narragansett is \$113.6M, which includes \$51.0M in Base Labor Costs and \$62.6M in Non-Base Labor costs.

Table 1. Direct Opex - Costs by Function and Cost Type									
	Base Labor	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total
Electric	\$20.4M	\$13.4M	\$1.5M	\$3.2M	\$0.6M	\$2.6M	\$1.7M	\$0.7M	\$44.0M
Gas	\$22.7M	\$7.0M	\$2.7M	\$4.0M	\$0.9M	\$2.4M	\$4.4M	\$0.6M	\$44.7M
Transformation	\$2.5M	\$0.4M	\$0.3M	\$0.0M	\$1.4M	\$0.0M	\$0.0M	\$0.0M	\$4.6M
Operations Support	\$1.7M	\$4.0M	\$6.8M	\$0.3M	\$0.2M	\$0.4M	\$0.3M	\$0.0M	\$13.6M
Energy Procurement	\$1.0M	\$0.0M	\$0.0M	-	\$0.0M	\$0.0M	-	\$0.0M	\$1.1M
Safety, Health & Environment	\$0.6M	\$1.1M	\$0.1M	\$0.0M	\$0.1M	\$0.1M		\$0.0M	\$2.0M
Regulation	\$1.5M	\$0.0M	\$0.0M	-	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$1.5M
Business Planning & Perf	\$0.3M	-	\$0.0M	-	\$0.0M	\$0.0M	-	\$0.0M	\$0.3M
President	\$0.4M	\$0.9M	\$0.1M	-	\$0.1M	\$0.0M	-	\$0.0M	\$1.7M
Total	\$51.0M	\$26.8M	\$11.6M	\$7.6M	\$3.4M	\$5.5M	\$6.3M	\$1.4M	\$113.6M

b. Indirect Opex

National Grid’s Indirect Opex categories include the assigned and allocated costs for corporate and administrative services provided to Narragansett from National Grid’s service company. These services and associated costs include functions such as IT, Customer Operations, Finance, and Legal.

PPL summarized National Grid’s 12 Indirect Opex cost centers, as identified by National Grid, in **Table 2** below. This table summarizes the Indirect Opex cost types, which include Base Labor costs plus other nonlabor costs such as Consultants, Contractors, and Other Expenses. In total, National Grid’s Indirect Opex for Narragansett is \$86.9M which includes \$32.0M in Base Labor Costs and \$54.9M in Non-Base Labor costs.

Table 2. Indirect Opex - Costs by Function and Cost Type									
	Base Labor	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total
IT	\$8.0M	\$5.7M	\$10.8M	\$0.0M	\$9.5M	\$0.0M	\$0.8M	\$0.0M	\$34.9M
Customer Operations	\$8.7M	\$5.4M	\$5.6M	\$0.0M	\$1.7M	\$0.3M	\$0.7M	\$0.1M	\$22.5M
Audit	\$0.4M	\$0.1M	\$0.0M	-	\$0.1M	\$0.0M	-	\$0.0M	\$0.6M
Corporate Cost Center	\$0.0M		\$2.2M		\$0.2M	\$0.0M	\$0.0M	\$0.3M	\$2.6M
EBS, Procurement, Transformation	\$3.4M	\$0.6M	\$0.1M	-	\$0.3M	\$0.0M	\$0.0M	\$0.0M	\$4.4M
Finance	\$5.0M	\$0.5M	\$3.3M	-	\$2.0M	\$0.0M	\$0.0M	\$0.0M	\$10.8M
Global Legal	\$2.0M	\$0.4M	\$0.1M	-	\$1.3M	\$0.0M	\$0.0M	\$0.0M	\$3.9M
Human Resources	\$1.4M	\$0.2M	\$0.1M	\$0.0M	\$0.0M	\$0.1M	\$0.0M	\$0.0M	\$1.9M
NGV Jurisdiction	-	-	\$0.2M	-	\$0.0M	-	-	\$0.0M	\$0.2M
President US Utilities	\$0.2M	\$0.1M	\$0.3M	-	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.7M
Strategy & External Affairs	\$2.3M	\$0.1M	\$0.9M	\$0.0M	\$0.6M	\$0.0M	-	\$0.1M	\$4.0M
Transformation Office	\$0.3M	\$0.1M	\$0.0M	-	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.5M
Total	\$32.0M	\$13.0M	\$23.6M	\$0.0M	\$15.7M	\$0.4M	\$1.5M	\$0.6M	\$86.9M

c. Benefits Costs, Pension and OPEB

National Grid captures employee benefits and pension costs at the service company level and allocates those costs to Narragansett. These costs represent benefits such as medical insurance, retirement benefits, flexible spending accounts, etc. as well as pension, retiree medical and retiree life insurance costs, where applicable. As shown in **Table 3** below, these benefits costs assigned and allocated to Narragansett are \$55.4M.

Table 3. Employee Benefits	
	Total
Other Employee Benefits	\$45.1M
Pension & OPEB	\$10.3M
Total	\$55.4M

d. Allocated Depreciation

Allocated depreciation refers to depreciation related to National Grid corporate assets that has been assigned and allocated to Narragansett. This depreciation is primarily related to Information Technology assets, but also includes a portion of facilities-related assets as well. As described earlier,

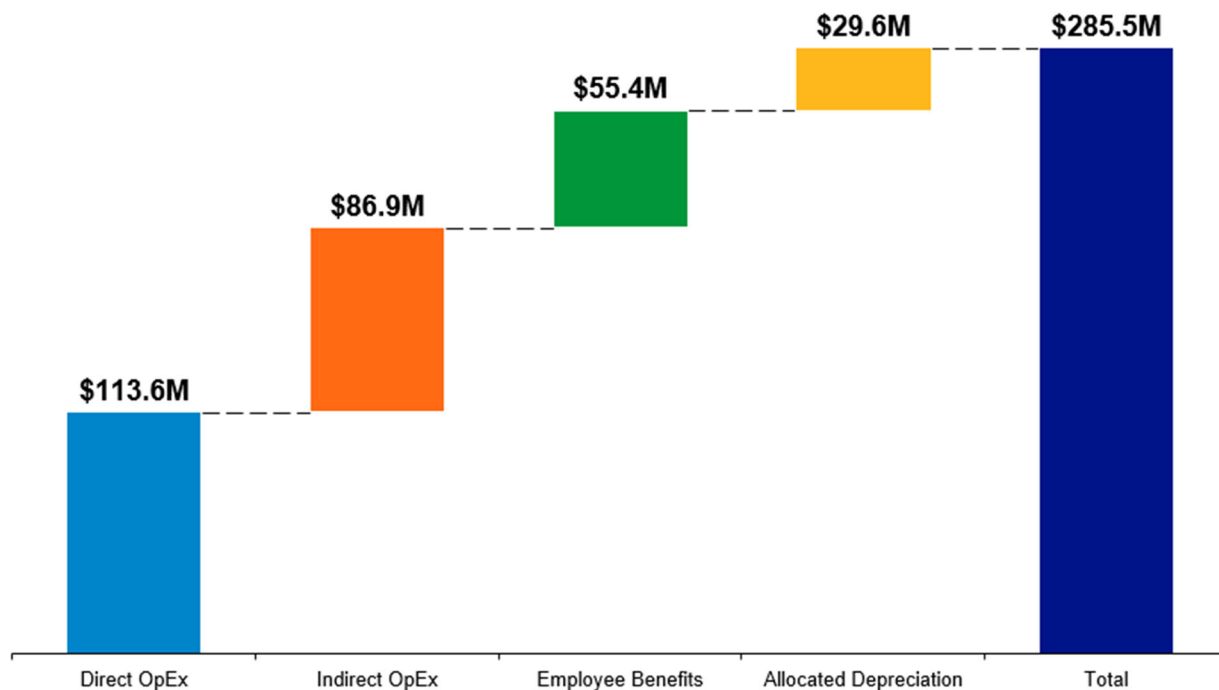
National Grid tracks depreciation and amortization related to Narragansett transmission and distribution infrastructure separately, and PPL did not consider those costs as part of this analysis as they reflect capital investment decisions made by National Grid in prior years. As shown in **Table 4** below, the depreciation National Grid assigned and allocated to Narragansett totals \$29.6M.

Table 4. Allocated Depreciation	
Allocated Depreciation	Total \$29.6M
Total	\$29.6M

e. Total Managed Cost Summary

National Grid's total managed costs assigned and allocated to Narragansett in Direct Opex, Indirect Opex, Employee Benefits, Pension and PBOP, and Allocated Depreciation are summarized in **Figure 1** below.

Figure 1. National Grid Managed Cost Structure, FY2021 Actuals



IV. PPL Narragansett Costs

In developing PPL's anticipated costs to operate Narragansett, PPL first refined its intended operating model for the Rhode Island utility. PPL will employ a dedicated Rhode Island organization to provide a high level of service focused on Rhode Island customers. This Rhode Island-focused operating model will also drive additional investment in the State. PPL will supplement this organization with appropriate centralized corporate and operations services.

a. Rhode Island Direct Labor

In developing its Rhode Island organization, PPL collaborated with National Grid to ensure it understood the specific work, activities, and staffing levels required to operate Narragansett across electric, gas, customer and corporate functions. PPL then developed its own bottom-up staffing model, utilizing PPL's operating practices. In addition, PPL named its planned Rhode Island leadership team, and those leaders participated in these staffing decisions. These staffing levels are based on PPL's current understanding of Rhode Island requirements and could change as PPL operates Narragansett during the transition period. It is also important to note that the union labor force supporting Narragansett today will transition to PPL upon approval of the Transaction providing continuity in knowledge of electric and gas system operations.

Under PPL, Narragansett will be led by a local President with accountability for Rhode Island operations across Electric Operations, Gas Operations, Customer, Business Services, Regulatory and Government Affairs, Human Resources and Finance. PPL will locate leaders for each of these functions in Rhode Island. The high-level organizational structure for the Rhode Island business is highlighted in **Figure 2** below with a more detailed depiction provided in the Appendix.

Figure 2. PPL RI Organizational Structure



A brief description of these functions, with associated headcount is provided below:

Electric Operations: A Senior Director will lead the electric operations organization, which will include 498 positions comprising the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Asset Management & Engineering	Includes activities such as regional field engineering, protection & control, Telecom, metering engineering, distribution design, distribution planning & asset management	61
Field Operations	Includes overhead and underground crews, customer meter services, substation and relay test, resource coordination and forestry management	399
Project Management	Includes construction, supervision and project management for transmission, substation, and complex distribution capital projects	13
Distribution Control Center	Includes a stand-alone distribution control center	25

PPL's service company will provide certain operational support subfunctions like Transmission Control, and Transmission/Substation planning, engineering, and asset management.

Gas Operations: A Vice President level individual will lead the Gas Operations organization of 554 positions comprising the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Engineering & Asset Management	Includes support for gas engineering, asset information mapping (Geographic Information System), corrosion control, integrity planning and investment planning	42
Gas Construction & Complex Capital	Includes project management and planning, and contract management and cost control for large, complex capital projects	15
Gas Operations	This organization will lead the gas field operations, customer meter services, leak survey, damage prevention and construction and inspection teams	346
Gas System Control & LNG Operations	Includes gas control, instrumentation and regulation and LNG operations	66
Gas Procurement	Responsible for forecasting gas demand and ensuring gas supply to Narragansett customers.	14
Pipeline Safety & Compliance	This team is responsible for compliance programs and compliance assurance as well as quality assurance	24
Work & Resource Planning	Will include planning/scheduling and coordination as well as dispatch operations	47

Customer: A Senior Director will lead customer service / operations overseeing an organization of 153 positions comprising the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Business Services	This team will manage electric and gas connections as well as interconnections	26
Customer Center Operations	Will include customer service representatives and exception management representatives	93
Operations Support	This team will provide a variety of activities, such as billing operations, credit and collections, billing, vendor management, workforce and configuration management as well as call center training / Quality Assurance and metrics and reporting	27
Programs	This organization will support the various programs in Rhode Island, such as energy efficiency and conservation, customer assistance programs and Distributed Energy Resources & electric vehicles	7 ¹

Note 1: Additional resources to support the energy efficiency and conservation programs are required but not represented here as their cost is captured through a separate regulatory mechanism

PPL's service company, working in conjunction with Rhode Island leadership, will support strategic programs, such as customer experience strategy and digital transformation.

Business Services: A senior director will lead business services overseeing functions that support the core electric and gas operations in Rhode Island. This team of 61 positions includes the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Fleet	Includes vehicle maintenance and asset performance	22
Property Services	This team will support facility operations and maintenance across the various sites in Rhode Island	12
Supply Chain	This team is responsible for procurement of materials as well as inventory and warehouse management	12
Emergency Response	This team will manage the Rhode Island emergency response plan and oversee the command structure	2
Environmental	This team will support environmental permitting, reporting, and manage site investigation & remediation efforts	2
Safety	This team will manage the Dig Safe and field safety programs	3
Security	Physical security operations across the various Rhode Island sites	2
Technical Training	This team will design and execute training programs for the Rhode Island operations	6

Regulatory and Government Affairs: This team will oversee local and regional government and community activities in Rhode Island. A senior director will lead this team overseeing 10 positions that will include the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Regulatory Strategy	These teams will focus on overall regulatory strategy, supporting rate structuring / rate cases and proceedings	2
Rhode Island Community and Economic Development	This team will support development and execution of local community and economic development programs	4
Rhode Island External / Internal Communications	This team will manage both internal and external communications for PPL Rhode Island	2
Rhode Island State Government Relations	This function will manage relationships with Rhode Island state governmental bodies	1
Rhode Island State Regulatory Affairs	This function will manage interactions with Rhode Island state regulatory bodies	1

Human Resources: Although PPL’s service company will provide many strategic and programmatic Human Resource functions, and PPL will charge the costs for those resources through allocations to Narragansett, there also will be dedicated resources to support the employees and operations in Rhode Island. This includes a local HR manager and 2 positions to support labor relations:

Finance: The Narragansett finance organization will provide management reporting to support leadership decision making across the Rhode Island business. A Director-level individual will lead this team and will oversee 12 positions, including the following subfunctions and staffing levels:

Subfunction	Description	Staffing
Finance Business Partnering & Key Performance Indicators	This team will manage Rhode Island business unit financial planning and analysis activities, and support financial performance reporting	7
Property Accounting	This team will support Rhode Island plant / asset accounting	5

In total, PPL has identified 1,298 positions that will support the Rhode Island utility, inclusive of both management (414) and union (884) employees. To derive a labor cost estimate, PPL grouped the positions by function and applied average PPL salaries for management and union positions. PPL also applied its average benefits loading rates for both management (64%) and union (36%) positions. PPL also applied labor capitalization rates for direct labor to reflect the estimated O&M portion based on a review of PPL and National Grid capitalization rates to determine the rates that best reflect the business and infrastructure requirements inherent in Rhode Island. The resulting labor and benefits O&M costs totaling \$107.0M are shown in **Table 5**, below.

Table 5. Rhode Island Direct Labor								
	O&M %	Union			Management			Total
		Avg. Salary	FTEs	Fully Loaded Labor, O&M	Avg. Salary	FTEs	Fully Loaded Labor, O&M	Fully Loaded Labor, O&M
Management (VP+)	100%	-	-	-	\$316.0K	2	\$1.3M	\$1.3M
Customer	95%	\$72.9K	84	\$7.9M	\$109.3K	70	\$11.9M	\$19.8M
Electric	37%	\$99.4K	377	\$18.9M	\$112.8K	122	\$8.3M	\$27.2M
Finance	100%	-	-	-	\$117.4K	13	\$2.5M	\$2.5M
Gas	64%	\$82.7K	385	\$27.7M	\$101.4K	169	\$18.0M	\$45.7M
Human Resources	95%	-	-	-	\$123.0K	3	\$0.6M	\$0.6M
Business Services	85%	\$87.7K	38	\$3.9M	\$112.5K	24	\$3.8M	\$7.6M
Regulatory and Government Affairs	100%	-	-	-	\$126.3K	11	\$2.3M	\$2.3M
Total			884	\$58.4M		414	\$48.6M	\$107.0M

b. Rhode Island Direct Non-Labor

In addition to direct labor costs, under PPL Rhode Island Holdings, LLC ownership, Narragansett will have numerous non-labor costs, such as the use of outside contractors and/or consultants, supplies and materials, and transportation expenses. Although PPL anticipates it will have the ability to optimize these costs in the intermediate and long-term as it leverages its scale and operating practices,³ for purposes of this analysis PPL assumed that non-labor costs would closely mirror those currently incurred under National Grid ownership.

PPL utilized National Grid’s existing non-labor costs to operate Narragansett as a baseline. PPL held costs relating to National Grid’s “Direct” functions and its Customer Operations functions constant unless it identified specific costs that could be avoided or deemed a one-time cost. As an example, in Customer Operations, PPL eliminated costs related to Payment Processing because PPL will perform those activities at the service company and not directly charge them to Narragansett. PPL captured these costs in the PPL allocations. PPL will generally avoid costs relating to National Grid’s “Indirect” functions because PPL’s allocations of corporate and administrative costs will generally capture National Grid’s “Indirect”

³ This includes, but is not limited to, purchasing economies gained from consolidating common materials and contractor spend across Pennsylvania, Kentucky and Rhode Island and standardization of processes resulting in lower costs.

functions. PPL reviewed the National Grid indirect nonlabor costs and confirmed that PPL’s own corporate allocations capture those costs as well. As an example, IT nonlabor costs were eliminated because they are accounted for in PPL’s IT allocations.

A summary of anticipated Rhode Island Direct Non-Labor costs of \$64.2M is shown in Table 6 , below. Table 6. PPL RI Non-Labor Cost Estimation, Summary by Function								
	Contractors	Other Expenses	Transportation	Consultants	Materials	Overtime	Employee Expenses	Total
Electric	\$13.1M	\$0.9M	\$3.0M		\$2.3M	\$1.1M	\$0.7M	\$20.8M
Gas	\$7.0M	\$2.7M	\$4.0M	\$0.9M	\$2.3M	\$4.1M	\$0.6M	\$21.7M
Operations Support	\$1.4M	\$0.2M	\$0.1M	\$0.1M	\$0.0M	\$0.2M	\$0.0M	\$2.1M
Other Direct Opex	\$0.4M	\$0.3M	\$0.0M	\$0.3M		\$0.0M	\$0.0M	\$1.0M
Customer Operations	\$5.3M	\$4.4M	\$0.0M	\$1.2M	\$0.3M	\$0.6M	\$0.1M	\$12.0M
Finance	\$0.3M	\$2.8M	-	\$0.3M	\$0.0M	\$0.0M	\$0.0M	\$3.3M
Global Legal	\$0.1M	\$0.1M	-	\$1.3M	\$0.0M	\$0.0M	\$0.0M	\$1.5M
Strategy & External Affairs	\$0.1M	\$0.9M	\$0.0M	\$0.6M	\$0.0M	-	\$0.1M	\$1.7M
Total	\$27.7M	\$12.3M	\$7.2M	\$4.4M	\$5.0M	\$6.0M	\$1.5M	\$64.2M

c. PPL Allocations

In addition to direct labor and non-labor costs, PPL will assign and allocate costs for activities performed by the PPL service company to support Narragansett. A description of the activities that PPL will perform on a centralized basis to support Narragansett is outlined below.

Information Technology: costs include PPL’s information technology infrastructure, applications, and related service and support.

Finance: costs include Budgeting and Planning Services, Tax Compliance and Planning, Tax Accounting and Reporting, Corporate Accounting, Regulatory Accounting and Reporting, Internal Reporting, Cash Management, Miscellaneous Billing, Remittance Processing, Employee Compensation and Benefits, Financial Training, and related activities.

Office of General Counsel: costs for all legal support, including but not limited to general corporate legal support, labor and employment legal support, state regulatory legal support, federal regulatory legal

support, supply chain support, environmental and real estate related legal support and claims/litigation legal support, as well as Corporate Compliance, Board Services, and related matters.

Transmission & Substation Operations: costs include electric transmission support costs, including asset strategy and management, line design, substation design, project development, and related costs.

Human Resources: costs include employee communications, corporate HR business partner services, HR regulatory/compliance, talent management and diversity, equity and inclusion services, employee training, security services (e.g., background checks), and related costs.

Supply Chain: costs include strategic sourcing, contract administration, supply programs and supplier diversity, staff augmentation, office supplies, printing, travel, investment recovery, and related costs.

Regulatory Affairs: costs include regulatory strategy, electric procurement, electric load forecasting and settlement, and related costs.

Corporate Operations and Integration: costs include data analytics capabilities, primarily related to applying predictive analytics to asset management.

Corporate Systems: costs primarily include finance-related information technology systems, including the UIP budget and model system, treasury systems, financial reporting systems, and related costs.

Communications: costs include market research, customer communications, external/internal communications and graphic design.

Transmission Control Center: costs include full transmission control center support for Narragansett.

Enterprise Security: costs include corporate cyber security risk management, as well as related business line support.

Public Affairs: costs include providing community relations functions, communicating public information to local organizations, and providing oversight for communications to employees.

Customer Service: costs include support for electric meter data and operations, as well as customer strategy and digital transformation.

Corporate Audit Services: costs include Audit-SOX testing and compliance, and general auditing services.

Executive Office: includes the allocated portion of certain executive costs, including the Office of President and Strategic Development.

Distribution Operations: costs include certain electric distribution support costs, including distribution line standards, third-party attachments, and related costs.

Facilities: costs include real estate tax services, project and contract management services, and related costs.

Technical Development & Instruction: costs include technical development and instruction costs, including costs related to environmental contracts, safety equipment training, training recordkeeping, eLearning development, and fleet standards.

PPL Services: costs include non-support group specific PPL Services' costs, including rent, stock and incentive compensation, and high-level benefits adjustments.

PPL developed an estimate of the costs in each of these functions that includes any incremental costs to support Narragansett. PPL then applied its cost allocation methodology to assign and allocate costs to Narragansett. This methodology includes direct charges when identified, utilization of causal factors where appropriate, and application of a composite factor (e.g., number of employees, amount of invested capital, and operation and maintenance expenses) when costs cannot be directly charged or causally allocated. PPL derived this estimate based on input from the integration planning teams as to the level of incremental costs required to support Narragansett as well as PPL finance personnel responsible for business planning.

An estimate of the costs PPL anticipates assigning and allocating to Narragansett is shown in

Table 7.

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

d. Allocated Depreciation

PPL also estimated the depreciation for PPL corporate investments that benefit Narragansett. For example, PPL assigned and allocated the depreciation from PPL's IT applications and infrastructure, as well as corporate facilities, to Narragansett utilizing the cost allocation methodology described earlier⁴.

Table 8 below summarizes PPL's depreciation allocation.

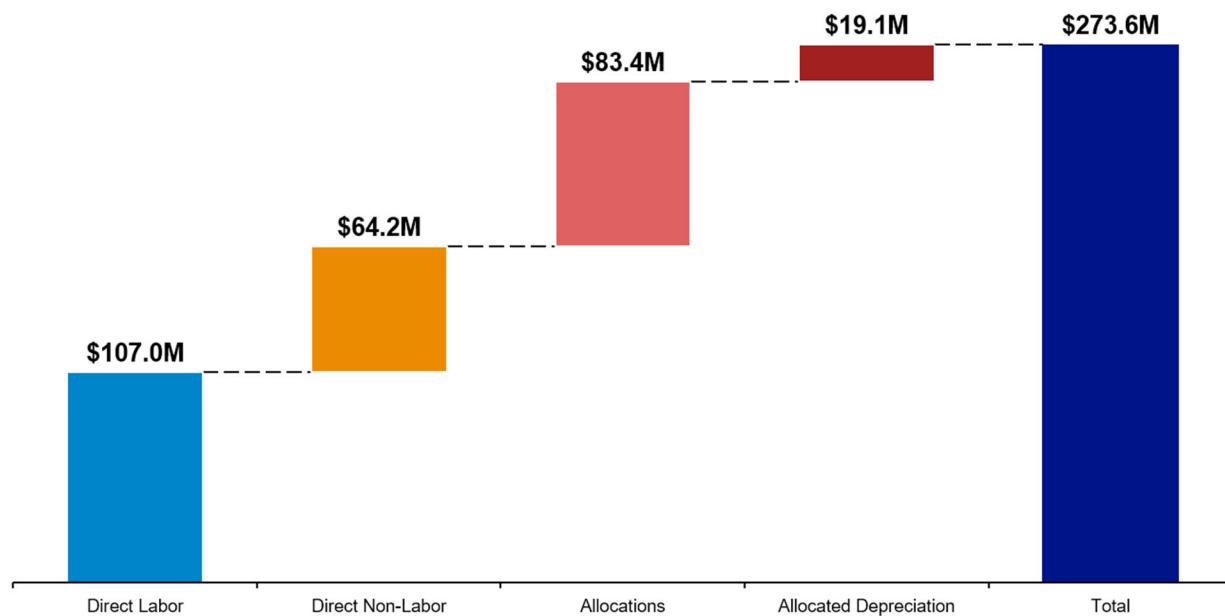
Table 8. PPL Allocated Depreciation	
	Total
Allocated Depreciation	\$19.1M
Total	\$19.1M

⁴ PPL has not included depreciation resulting from incremental IT and other infrastructure investment to maintain a comparable basis to National Grid allocated depreciation.

e. Total PPL Managed Cost Summary

PPL's anticipated assigned and allocated costs to operate Narragansett in direct labor, direct non-labor, allocations and depreciation are summarized in **Figure 3** below.

Figure 3. PPL Managed Cost Structure, 2022 Anticipated

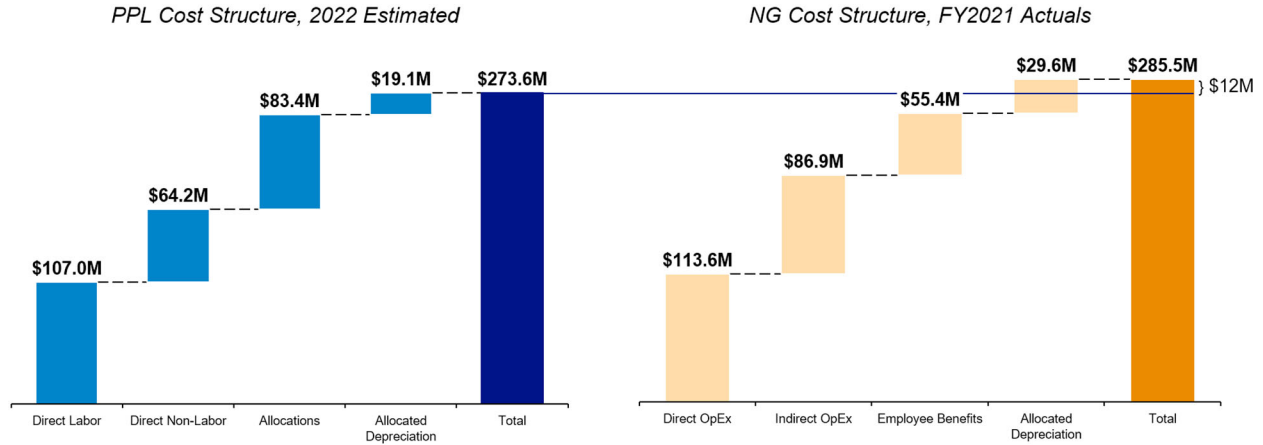


V. Cost Summary Comparison

a. Total Cost Summary Comparison

Using the methodologies described in this document, PPL's anticipated Narragansett operating costs of \$273.6M are approximately \$12M lower than National Grid's current Narragansett operating costs of \$285.5 M as summarized in **Figure 4** below.

Figure 4. Comparison: NG and PPL Managed Cost Buildups

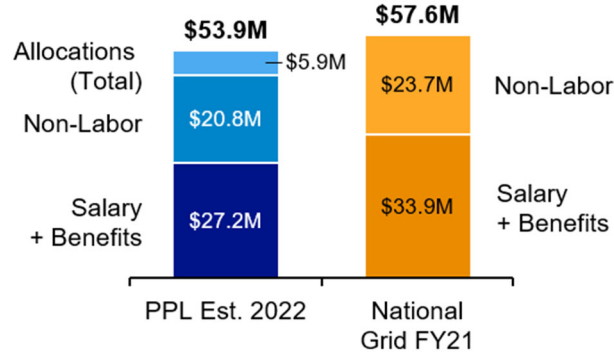


To provide further context into the differences between PPL and National Grid operating costs, PPL developed functional comparisons across the major operating areas of electric, gas, customer and corporate. Developing these comparisons required PPL to make certain assumptions to derive comparable costs bases (e.g., PPL proportionately allocated National Grid benefit costs to functions to derive a fully loaded functional labor cost).

b. Functional Cost Summary Comparisons

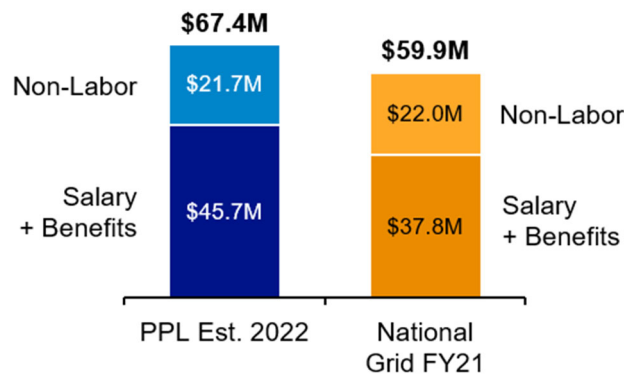
Electric Operations: PPL's cost build-up estimates total direct labor and non-labor cost to operate the Narragansett electric business to be \$53.9M. This includes the costs associated with the direct operations as well as those electric operation support costs assigned and allocated from PPL's service company. This compares to National Grid's electric operations costs of \$57.6M. The establishment of a dedicated Rhode Island electric organization that applies PPL's operating practices results in slightly lower costs relative to National Grid. A comparison of these costs is provided in **Figure 5** below:

Figure 5. Electric Cost Comparison



Gas Operations: PPL’s cost build-up estimates the total direct labor and non-labor cost to operate the Narragansett gas business to be \$67.4M. This compares to National Grid costs of \$59.9M. This higher cost reflects the establishment of a dedicated gas organization described earlier that includes functions such as gas control, pipeline safety and gas procurement – functions currently shared in National Grid’s model. The Rhode Island Division of Public Utilities and Carriers, in its report on its investigation into the January 2019 gas service interruption on Aquidneck Island, recommended the establishment of more local, direct control of gas operations, including these functions. **Figure 6** below illustrates a comparison of these costs:

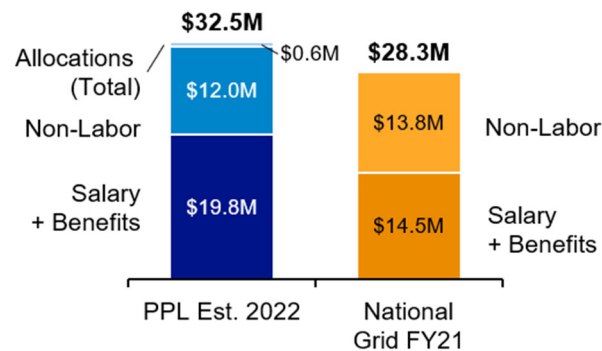
Figure 6. Gas Cost Comparison



Customer: PPL’s cost build-up estimates the total direct labor and non-labor cost to support Narragansett customer operations to be \$32.5M. This compares to \$28.3M for comparable services under National Grid. PPL is planning to invest in a Rhode Island-based customer care center and back-office operations and program support, resulting in a dedicated presence to support these functions, whereas National

Grid’s back-office and program support is provided on a shared basis. Establishing a customer care center in Rhode Island will provide Rhode Island customers with Rhode Island-dedicated customer service employees who are familiar with the service territory and issues specific to Rhode Island customers. As a result, the costs to support the customer function in Rhode Island are anticipated to be higher than those under National Grid. **Figure 7** below compares these costs:

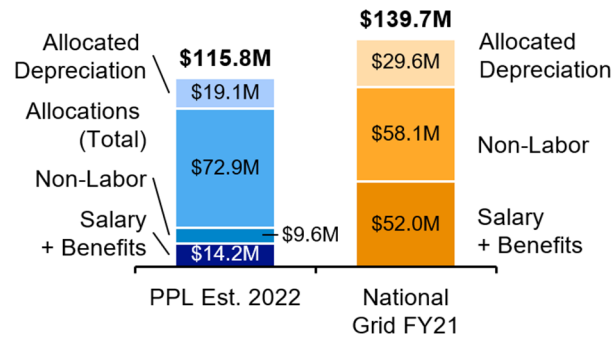
Figure 7. Customer Cost Comparison



c. Corporate Cost Summary Comparisons

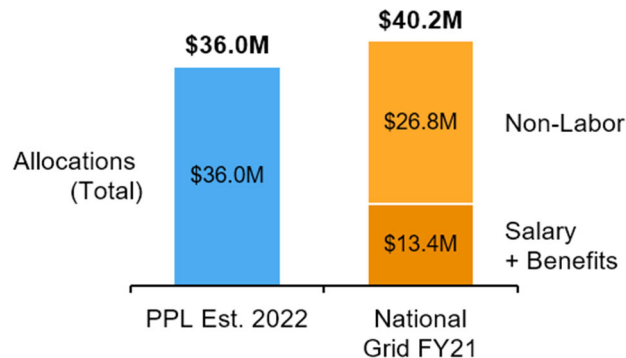
Total Corporate: For purposes of this comparison, Total Corporate costs are all costs, excluding Electric Ops, Gas Ops, and Customer costs. These costs include the total estimated labor and non-labor costs from activities provisioned from the service company inclusive of the allocated depreciation of corporate owned assets supporting Rhode Island. PPL estimates total corporate costs to be \$119.8. This compares with \$139.7M under National Grid for comparable functions and services. A high-level comparison of these costs is provided in **Figure 8**, with further analysis and comparison for select functions provided below:

Figure 8. Total Corporate Cost Comparison



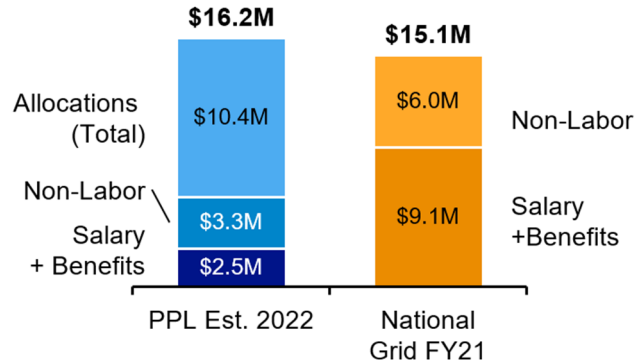
IT: PPL IT costs are inclusive of labor, service and maintenance contracts, licensing fees and other related expenses. PPL's total estimated cost to provide IT support to Narragansett is \$36.0M compared to \$40.2M under National Grid as shown in **Figure 9**. PPL intends to provide IT services on a centralized basis that allows for scale benefits to be extended to Narragansett.

Figure 9. IT Cost Comparison



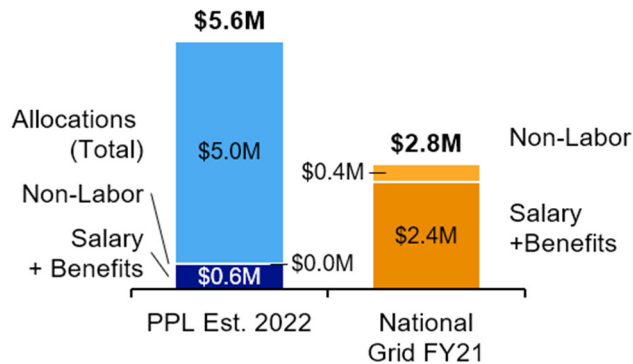
Finance: PPL's total estimated costs for Finance support to Narragansett are \$16.2M. These costs include both assigned and allocated costs from the service company (such as accounting and tax support, audit, budgeting and planning activities, etc.) as well as the direct Finance organization costs incurred in Rhode Island (including financial performance reporting and property accounting). This compares to National Grid Finance costs of \$15.1M as shown in **Figure 10**.

Figure 10. Finance Cost Comparison



HR: PPL's total estimated costs to provide HR support to Narragansett is \$5.6M. These costs include both the assigned and allocated costs from the service company (such as talent management, employee training and employee communications) as well as the direct HR organization costs incurred in Rhode Island, including dedicated labor relations support. This compares to National Grid HR costs of \$2.8M as shown in **Figure 11**.

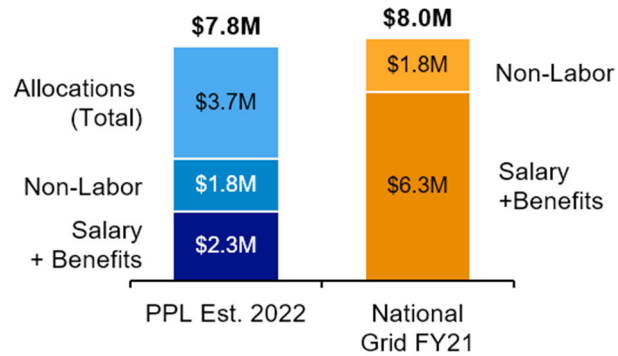
Figure 11. HR Cost Comparison



Regulatory/Government Affairs: PPL's total estimated costs to provide Regulatory and Government Affairs support to Narragansett is \$7.8M. These costs include both the assigned and allocated costs from the service company (including electric forecasting, electric procurement and settlement, and community relations support) as well as the direct Regulatory/Government Affairs costs incurred in Rhode Island

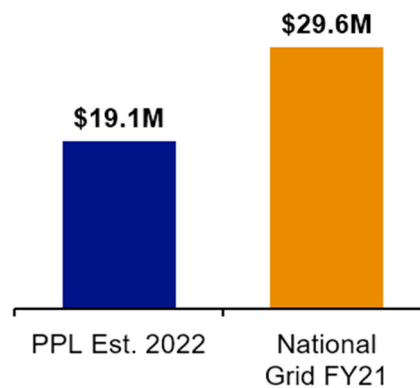
(including Rhode Island government relations and economic and community development). This compares to the National Grid costs of \$8.0M as shown in **Figure 12**.

Figure 12. Regulatory/Government Affairs Cost Comparison



Allocated Depreciation: PPL has estimated charging a total of \$19.1M in allocated depreciation to Narragansett. These costs reflect the share of existing corporate investments, such as IT infrastructure and corporate facilities that benefit Rhode Island. This compares to \$29.6M under National Grid. This comparison is shown in **Figure 13**.

Figure 13. Allocated Depreciation Comparison



VI. Cost Summary Comparison

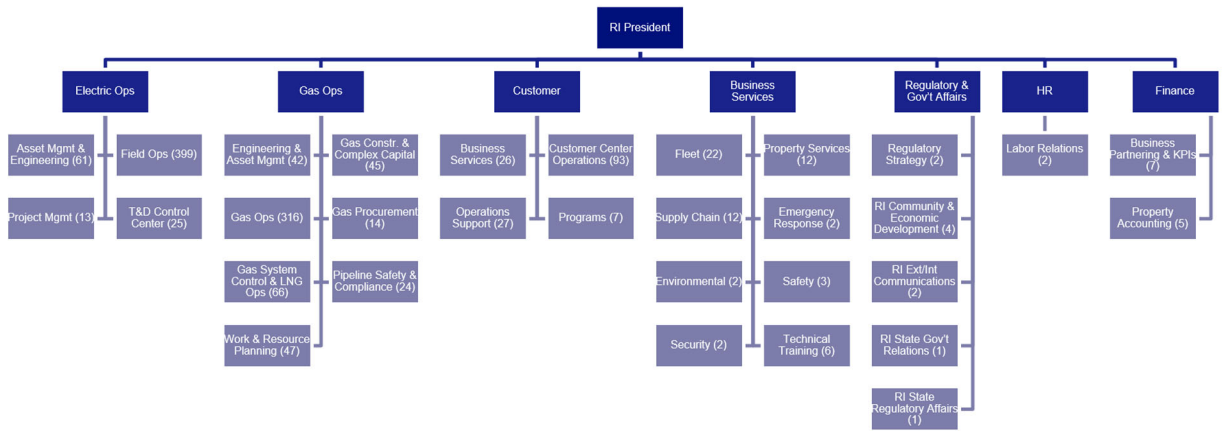
PPL developed this analysis based on its review of National Grid's current costs to operate Narragansett and meetings with National Grid subject matter experts. PPL's intended operating model for Narragansett provided the basis from which PPL developed its anticipated costs to operate Narragansett. Input from PPL's integration planning teams, finance and business planning teams and other subject matter experts was provided based on the best information available at this time to derive an estimate of anticipated costs to operate. Based on the operating model differences between National Grid and PPL, the functional cost differences observed are both explainable and reasonable. PPL believes the implementation of a dedicated organization to serve the customers of Rhode Island with a renewed focus on local control and management, and safe, reliable operations will not increase costs to operate Narragansett.

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

Appendix 2a. National Grid RI Narragansett Total Cost Structure - Reconciliation to Published Financial Statements, FY2021			
	Analysis Model	Adjustments	2021 Audited Income Statement
Operating Revenues	\$1,547.2M	\$0.6M	\$1,547.8M
Operating Expenses			
Purchased electricity	(\$361.2M)	\$0.5M	(\$360.7M)
Purchased gas	(\$162.5M)		(\$162.5M)
Operations and maintenance	(\$598.7M)	\$78.1M	(\$520.5M)
Depreciation	(\$134.2M)	\$0.5M	(\$133.8M)
Other taxes	(\$78.8M)	(\$63.6M)	(\$142.4M)
Total Operating Expenses	(\$1,335.4M)	\$15.5M	(\$1,319.9M)
Operating Income	\$211.8M	\$16.1M	\$227.9M
Other income and (deductions)	(\$47.0M)	(\$16.1M)	(\$63.1M)
Income before Income Taxes	\$164.8M		\$164.8M
Income Taxes	(\$29.8M)		(\$29.8M)
Net Income	\$135.0M		\$135.0M

Appendix 2b. National Grid RI Narragansett Total Cost Structure - Reconciliation to Published Financial Statements Detail, FY2021	
Revenue Adjustments	
Other Misc	(\$1.0M)
Oth Exp-Sup & Admin-IC Billed Out	\$0.6M
ISR Deferral-Equity-Elec	\$0.2M
ISR Deferral-Equity-Gas	\$0.8M
Total	\$0.6M
Purchased Electricity Adjustments	
Electric Commodity moved to O&M	\$0.5M
Total	\$0.5M
O&M Adjustments	
Electric Commodity moved to O&M	(\$0.5M)
Other employee benefit moved to Other Taxes	\$8.9M
GET moved to Other Taxes	\$54.7M
Other Misc	\$1.0M
Oth Exp-Sup & Admin-B/sheet Settlement	(\$0.6M)
Amortization-Regulatory Debits	(\$0.4M)
Below the line Adjustments	\$15.1M
Total	\$78.1M
Depreciation Adjustments	
Misc non Operating income	\$0.0M
Amort Reg Debits	\$0.4M
Total	\$0.5M
Other Taxes Adjustments	
GET moved from Controllable Cost	(\$54.7M)
Other employee benefit moved from Controllable Cost	(\$8.9M)
Total	(\$63.6M)
Other Income**	
Below the Line Adjustments**	(\$15.1M)
ISR Deferral-Equity-Elec	(\$0.2M)
ISR Deferral-Equity-Gas	(\$0.8M)
Misc non Operating income	(\$0.0M)
Total	(\$16.1M)
** Primarily the non-service cost portion of the pension/OPEB expense, donations, penalties, and other income/deductions that fall outside of ratemaking	

Appendix 3: PPL Rhode Island Direct Organizational Structure



Appendix 4: PPL Rhode Island Aligned Corporate Functional Support

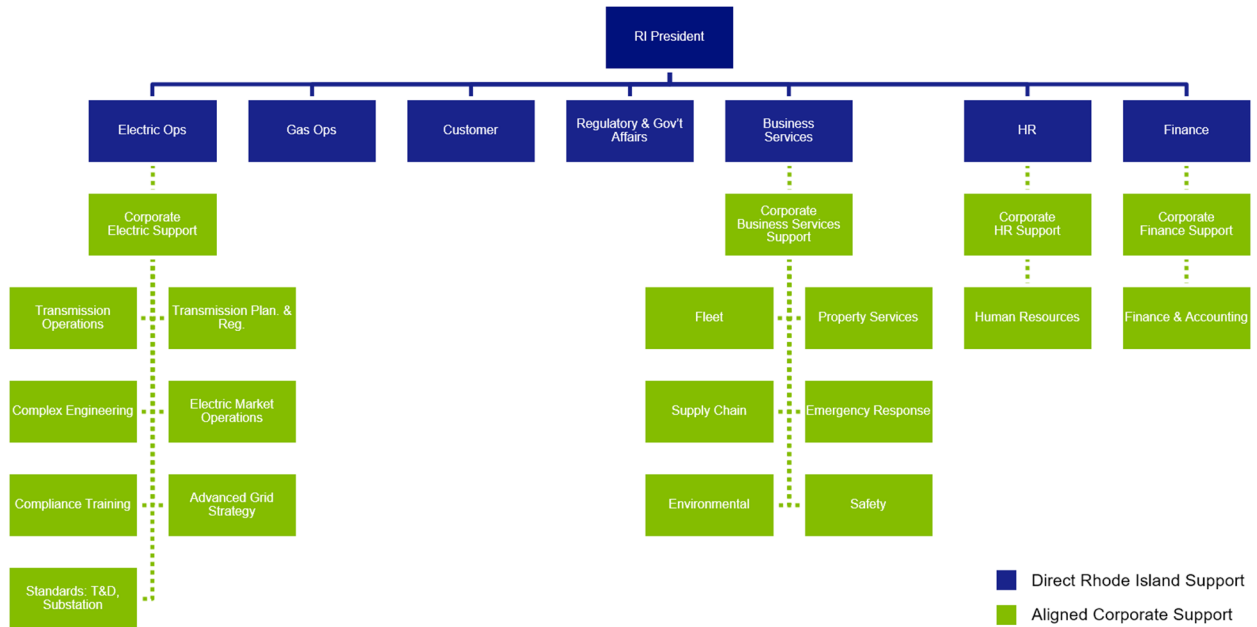


EXHIBIT L

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1 support infrastructure that PPL would
2 provide to be able to support that business.
3 Q. Okay. Thank you. And you have a copy of
4 your testimony in front of you?
5 A. I do.
6 Q. If you can go to Page 11. So in response to
7 the question posed at Line 13 your response
8 on Page 17 starts with Mr. Ewen and Mr.
9 Knecht -- Line 17 I apologize. "Mr. Ewen
10 and Mr. Knecht have not provided nor
11 developed their own analysis of PPL's
12 anticipated cost to operate Narragansett
13 that support their assertion that
14 substantial uncertainty exists in PPL's
15 operating costs." And if you don't mind
16 just turning also to Page 16 of your
17 testimony, you made a similar criticism of
18 Mr. Booth at Line 6 where you said, "Mr.
19 Booth provides no analysis to support that
20 there are any potential additional costs
21 associated with these alleged lost
22 synergies." Did I read those correctly?
23 A. You did.
24 Q. And to the extent that you're making those

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1 assertions, you don't dispute that the
2 burden in this matter falls on PPL to prove
3 that there's a benefit as opposed to experts
4 analyzing numbers based on things that PPL
5 has.
6 A. I don't have a legal basis to answer that
7 question.
8 Q. Okay. With respect to salary numbers that
9 were used in developing the report, were
10 those real numbers with respect to the
11 individuals who have been signed on by PPL?
12 A. No. As explained in the analysis, those
13 were average functional salaries that were
14 applied to the functions that they related
15 to to be able to drive the estimate.
16 Q. And was that an average based on the current
17 wages paid in Pennsylvania?
18 A. We used PPL data to be able to apply
19 against those averages, whether it was PPL
20 corporate-type average salaries, PPL
21 operational salaries or to the extent they
22 were gas related we used Kentucky-related
23 salaries.
24 Q. So for the electric side you used

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1 Pennsylvania PPL salaries?
2 A. Right.
3 Q. And for the gas side you used Kentucky
4 salaries?
5 A. That's correct.
6 Q. And is it fair to say that salaries are
7 different in different regions in the
8 country?
9 A. Salaries are different in different
10 regions of the county. Averages kind of
11 account for that in that there's
12 geographical differences potentially,
13 there's leveling differences that comprise
14 that average which would relate to the use
15 of the average as a reasonable proxy for the
16 costs in that particular function.
17 Q. But just to qualify, I think you already
18 said this, but I just want to make sure I'm
19 clear, you've only averaged salaries that
20 were in PPL in Pennsylvania or in the
21 Kentucky gas operations, correct, not the
22 general region or anything like that?
23 A. We used actual data that PPL had on
24 average salaries and comparable functions to

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1 be able to apply to the estimate.
2 Q. Okay. And you haven't updated -- I believe
3 you've also answered this, but you haven't
4 updated this report based on salaries that
5 may have been negotiated since that point or
6 included salaries that had been negotiated
7 in the analysis, correct?
8 A. That's correct, for the reason I stated
9 before, there's many components of actual
10 salaries, different levels being applied
11 that would render these averages as a
12 reasonable method to estimate.
13 MR. VAZ: That's fine. I just
14 wanted to confirm. Thank you. I have no
15 further questions for the witness.
16 THE HEARING OFFICER: Mr. Rhodes?
17 MR. RHODES: No questions for the
18 witness.
19 THE HEARING OFFICER: Ms. Curran?
20 MS. CURRAN: No questions. Thank
21 you.
22 THE HEARING OFFICER: Thank you.
23 Any redirect?
24 MR. RAMOS: No redirect.