

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

In Re: Petition of PPL Corporation, PPL)	
Rhode Island Holdings, LLC, National Grid)	Docket No. 2021-09
USA, and The Narragansett Electric)	
Company for Authority to Transfer)	
Ownership of The Narragansett Electric)	
Company to PPL Rhode Island Holdings,)	
LLC and Related Approvals)	

**PPL CORPORATION AND PPL RHODE ISLAND HOLDINGS, LLC'S
REPLY MEMORANDUM**

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

Gerald J. Petros (#2931)
Adam M. Ramos (#7591)
Hinckley Allen & Snyder
100 Westminster Street, Suite 1500
Providence, RI 02903-2319
(401) 457-5278
(401) 277-9600 (fax)
gpetros@hinckleyallen.com
aramos@hinckleyallen.com

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I. INTRODUCTION

The written and live testimony of PPL and National Grid demonstrates that this transaction meets the established standards for approval of the Transaction.¹ PPL is a deeply experienced, financially strong utility holding company that has successfully operated electric and gas utilities providing outstanding service to more than 10,000,000 customers. PPL has built and is successfully operating one of the most advanced electric distribution systems in the country – experience that offers tremendous advantages to Rhode Island as it continues to pursue its ambitious renewable energy and greenhouse gas reduction goals. And, PPL has made additional commitments that further ensure that Rhode Island customers will not face adverse impacts (and likely will benefit) from the Transaction. For example, PPL’s commitments ensure that base distribution rates will remain stable for at least four years and that PPL will invest hundreds of millions of dollars to replace Narragansett’s aging IT infrastructure. Further, National Grid has unequivocally demonstrated its unwavering commitment to apply its resources and talent to ensure a successful transition that maintains safe and reliable service.

Against this robust record, the Advocacy Section and the interveners – seeing no daylight between the record evidence and the traditional criteria – implore the Division to jettison the traditional approval criteria and adopt either speculative suppositions that National Grid might better manage future events or alternative legal standards that the Division already rejected. The Advocacy Section’s proposed standard would make it impossible for almost any buyer to obtain approval to purchase Narragansett – consigning National Grid to perpetual ownership of Narragansett. Each specific challenge to approval by the Advocacy Section, the Attorney General, and the Environmental Intervenors focuses on speculative forecasts of worst-case

¹ We incorporate the same definitions used in the initial post-hearing memorandum.

scenarios that are not supported by evidence, and in many cases ignores or mischaracterizes the evidence in this proceeding. Implicitly conceding that the record supports approval, the Attorney General and the Advocacy Section launch a baseless attack on the scrupulously fair review process the Hearing Officer oversaw, despite having raised no objections to the process throughout. For all of the reasons set forth in PPL’s initial post-hearing memorandum and in this reply, the Division should reject these efforts to shackle National Grid to Rhode Island and grant the petition to sell Narragansett to PPL.

II. ARGUMENT

A. **The Advocacy Section advances a legal standard that only National Grid could meet.**

At the conclusion of the hearing, the Hearing Officer instructed the parties to brief whether the State has the authority to compel National Grid to own Narragansett forever. *See* TR 4/342:7-16. The Advocacy Section’s response invokes the familiar idiom “Do as I say, not as I do.”² The Advocacy Section twice “says” that National Grid is not obligated under Rhode Island law to operate Narragansett in perpetuity. *See* Post-Hearing Brief of The Rhode Island Division of Public Utilities and Carriers Advocacy Section at 4, 20 (hereinafter, “Advocacy Section Brief”). But, the legal standard it advances would ensure the very result that it disclaims because the Advocacy Section’s objections rely on National Grid’s incumbency and location, two conditions that no buyer can match. Consider the Advocacy Section’s stated objections:³

² The first half is used to tell somebody to follow the command you’ve given, while second half is to say that you acknowledge that you don’t follow this rule, but you still expect the person to follow your instruction.

³ Each objection listed below also fails on the merits, as set forth later in this reply, as well as in PPL’s initial post-hearing memorandum.

- **AMF & Grid Modernization:** The Transaction has and will delay Narragansett’s advanced metering rollout and grid modernization plan and will increase the costs. *See* Advocacy Section Brief at 51-53.
- **Shared Services:** The Transaction will diminish service because “every aspect of Narragansett’s systems is woven into National Grid’s shared services model.” *See id.* at 2-3.
- **ISR Plan:** National Grid and the Division developed the ISR plan over many years and the “complexity and uniqueness” of the program preclude even a successful and sophisticated utility holding company like PPL from stepping into the shoes of National Grid. *See id.* at 50-51.
- **Transition:** Even two experienced and sophisticated utilities like PPL and National Grid cannot accomplish a transition in a two-year time frame because Narragansett’s operations are so deeply intertwined with National Grid’s operating model. *See id.* at 42-43.
- **IT and control centers:** These systems are embedded with existing National Grid systems and creating new systems will cause harm. *See id.* at 2-3.
- **Storm support:** National Grid owns utilities in Massachusetts and New York that are closer to Narragansett. *See id.* at 2-3.
- **Gas Procurement:** National Grid will do it better because it has procured gas in New England for years and it owns other gas utilities in New England. *See id.* at 4.
- **Transformers and mobile Substations:** National Grid has spares in a neighboring state. *See id.* at 48-49.
- **Stranded Costs:** Because any buyer will necessarily need to install new IT systems and propose new plans for AMF and grid modernization, customers might be liable for stranded asset costs. *See id.* at 40.

Each of these objections rests on incumbency or National Grid’s ownership of utilities in Rhode Island, Massachusetts and New York. Each objection is independent of the experience and success of the proposed buyer and beyond the ability of any buyer to control. No buyer could file a petition for approval that would not reasonably delay or suspend pending dockets like Narragansett’s current AMF and grid modernization dockets. No buyer could begin to work on updated AMF and grid modernization plans and cost estimates years before it even petitions for approval to buy Narragansett. A buyer cannot weave “every aspect of Narragansett’s systems”

into its own systems before filing a petition for approval to purchase Narragansett. A buyer cannot avoid a transition period in assuming the operation of Narragansett given its current interconnectedness. A buyer cannot gain 10 years of experience implementing Rhode Island's ISR plans before seeking approval to buy Narragansett. The Advocacy Section may "say" that it is not asserting that National Grid is obligated to operate Narragansett in perpetuity, but the standard it urges the Division to adopt ensures that result.

That conclusion becomes even more evident when considering the objections that the Advocacy Section does not make in this proceeding. The Advocacy Section does not dispute that PPL is an accomplished utility holding company. *See* TR 4/205-209:7. It does not dispute that PPL has successfully operated electric and gas utilities in Pennsylvania, Kentucky and the United Kingdom; utilities that provided service to more than 10,000,000 customers.⁴ *See* TR 3/204:19-207:1, 207:20-208:4, 208:9-14; TR 4/162:9-164:2. It does not dispute that PPL has enormous financial strength, as substantial as National Grid, and will buy Narragansett with cash without taking on debt to complete the Transaction. *See* TR 4/165:9-12. It does not dispute that PPL is ranked as one of the best utilities in the East [above National Grid]. *See, e.g.*, TR 3/42:5-14. It does not dispute that PPL has built and successfully operates one of the most advanced grid systems in the country and has already installed AMF in multiple jurisdictions. *See, e.g.*, TR 1/78-13-82:10.

⁴ The Advocacy Section's torturous attempt to dent PPL's outstanding operational history served only to bolster the point. The Advocacy Section spent 30 minutes examining PPL Chief Operating Officer Gregory Dudkin on a minor one-off billing issue affecting five customers. *See* TR 3/50:7-62:9. While every complaint deserves careful consideration, a one-off issue involving five customers out of PPL's almost three million customers in the U.S. does not indicate an operational deficiency. The Advocacy Section also failed to note the larger point underlying the billing issue: PPL rolled out AMF more than five years ago while Narragansett remained in a planning stage at the time PPL filed this petition. *See* TR 1/184:4-15, 189:11-23.

So why does the Advocacy Section contend that a large, deeply experienced, highly successful, financially strong, top-ranked utility operator credited with constructing industry-leading grid systems and offering substantial commitments to protect Rhode Island customers not qualified to purchase and operate Narragansett? Because Narragansett is not already interwoven into PPL. Because PPL has not already prepared plans for AMF and grid modernization for Narragansett. Because PPL has not managed the ISR plan for 10 years. Because PPL does not already own utilities in Rhode Island, Massachusetts and New York. In other words, because PPL is not National Grid, and therefore lacks the advantages of incumbency and location.

The Advocacy Section implicitly acknowledges the inevitability of this conclusion when it contends that National Grid is not really compelled to operate Narragansett in perpetuity because it can always just “relinquish its franchise.” *See* Advocacy Section Brief at 21. The Advocacy Section casually offers this neat solution as if it proposes to relinquish an empty parking spot rather than an asset valued at \$5.3 billion. But, this suggestion cannot be taken seriously. No reasonable owner would abandon a multi-billion dollar asset. The Advocacy Section suggests this approach only because it knows that relinquishing the franchise is the only way that National Grid could ever cease owning and operating Narragansett under the standard the Advocacy Section seeks to apply.

In its post-hearing memorandum, PPL detailed both the correct legal standard and the traditional factors the Division considers in applying that standard. *See* PPL Corporation and PPL Rhode Island Holdings, LLC’s Post Hearing Memorandum at 6-14 (hereinafter “PPL Memorandum”). In past proceedings, the Division has relied on existing facts – confirming that the buyer is a successful utility with significant experience and financial strength – rather than

speculative third-party predictions about why the buyer's historical success might not continue in Rhode Island. *See, e.g., In re: Island Hi-Speed Ferry, LLC Petition for Approval of Conveyance of Ownership Interest*, Docket No. D-00-18, Order 16457, 2000 WL 36572378 (Nov. 10 2000); *In re: Joint Petition for Purchase and Sale of Assets by The Narragansett Electric Company and Southern Union Company*, Order No. 18676, 2006 WL 2134639 (July 25, 2006). Perhaps inadvertently, the Advocacy Section confirmed the flaw of relying on future predictions: “[W]e urge that the Hearing Officer not base his decision on predictions about the future that are not well-founded in the here-and-now.” Advocacy Section Brief at 32. Precisely. And that is why the Hearing Officer should not credit the “predictions about the future” that gird the Advocacy Section’s entire thesis.

In short, the Hearing Officer’s observations at the end of the hearing accurately described the Advocacy Section’s position: it advances standards that “couldn’t be met by anyone other than National Grid.” TR 4/343:2-7. The Advocacy Section’s standard manifestly contradicts the statute, the relevant court decisions, and prior decisions by the Division.⁵ The Advocacy Section’s entire opposition to this petition rests on a fundamentally flawed premise. The Division should reject it.

⁵ The Attorney General jumps onto the bandwagon by asserting that the Hearing Officer has articulated an incorrect standard, even though that standard has been well-established, including in the 2006 Southern Union transaction. *See* The Office of the Attorney General of the State of Rhode Island’s Post-Hearing Brief at 8-13 (hereinafter “Attorney General Brief”). Of course, the Attorney General declined to appeal the 2006 decision and did not challenge the Hearing Officer’s intervention order in this docket that reaffirmed the application of the statutory standard in the 2006 decision. For all the reasons discussed in the prior memoranda filed in this case on the legal standard, the Hearing Officer correctly set forth the appropriate legal standard in both the 2006 Southern Union decision and in his intervention decision in this case.

B. National Grid’s operation of Narragansett using a shared services model does not preclude this sale.

The Advocacy Section’s opening and “fundamental” argument confirms that it advances a standard that only National Grid can meet and is deeply flawed. The Advocacy Section contends that the Division should not approve the Petition because every aspect of Narragansett’s systems is woven into National Grid’s shared services model. *See* Advocacy Section Brief at 2. That contention is wrong for several reasons.

First, there is nothing novel or even unusual about National Grid’s operating model for Narragansett. To the contrary, it is typical. The Advocacy Section’s experts confirmed that virtually every utility holding company in the United States operates their utilities using a shared services model, with a mix of local services that varies somewhat. TR 4/170:5-172:7; TR 3/203:16-20. National Grid is no different than the other utilities employing a shared services model.

Second, the interwoven nature of utility holding companies and their utilities is not a barrier to sale; it is a common structure. *See* TR 3/203:16-204:13. The Advocacy Section’s primary reliance on its “interconnectedness” argument confirms the Hearing Officer’s observation: if “interconnectedness” is deemed a barrier, then National Grid is fated to operate Narragansett in perpetuity.

Third, PPL will capably provide almost all the same shared services and achieve similar synergies and “interconnectedness” through its operating model. Casting about for a fig leaf to hide its real premise, the Advocacy Section alleged through most of the proceedings that PPL intended to operate Narragansett as some type of standalone utility. *See* Booth Direct at 7:14-8:6; 15:5-7. That contention is false and relies on mislabels and mischaracterizations.

For example, Booth unequivocally testified that PPL intends to operate Narragansett as a “standalone” utility. *See* Booth Direct at 15:5-7. PPL’s testimony makes it indisputably clear that PPL will operate Narragansett using a shared services model, as National Grid has done and as other utility holding companies commonly do. Bonenberger Rebuttal at 34:8-36:14; TR 1/89:14-90:17. Booth’s live testimony contravenes the conclusion he advanced in his written testimony.

On cross examination, Booth acknowledged that PPL will provide Narragansett with dozens of shared services, just as National Grid does today. *See* TR 4/31:4-37:7. During discovery, PPL produced in response to Division Data Request 7-41-1 (PPL and PPL RI Joint Exhibit 11) a chart that lists the myriad shared services that PPL will provide to Narragansett (the “Services Chart”). Reviewing the Services Chart under cross examination, Booth acknowledged that PPL will provide Narragansett with the same shared services that utility holding companies typically provide, including:

- financing and accounting [*i.e.*, tax, gas hedging, and other risks, tax planning, and preparation of tax returns];
- treasury [*i.e.*, management of capital structure, cash management, remittance, payables, financings, long and short term, credit facilities and other services];
- risk management [*i.e.*, insurance, managing claims, working with insurers, maintain the risk register, monitoring credit risk, working with supply chain risk];
- legal [*i.e.*, in-house counsel functions, managing outside counsel, legal support for state and federal regulatory, real estate siting transactions, corporate governance, strategic transactions, litigation, environmental compliance, and claims];
- security;

- cyber security;
- Information Technology [*i.e.*, IT infrastructure, IT engineering, developing and implementing new IT, hardware and software, maintenance, support compliance with NERC and FERC standards, 24/7 operation center];
- regulatory accounting and reporting [*i.e.*, preparation of financial statements, regulatory accounting, preparation of rate cases, electric procurement including renewables, settlement processes with the RTO, and other duties];
- business services [*i.e.*, supply chain, HR, customer communication, facilities, health services, fleet emergency preparedness];
- transmission [*i.e.*, transmission control and planning, transmission planning and regulatory functions, complex engineering, NERC and FERC compliance]; and
- many other shared services. See TR 4/31:4-36:17; PPL and PPL RI Joint Exhibit 11.

Booth acknowledged that these are all typical shared services that the PPL service organization will provide to Narragansett. See TR 4/36:18-37:7. Thus, PPL proposes a customary shared services model, not a standalone model.⁶

PPL also proposes to provide a host of local services that are typically provided on a local basis. See TR 1/89:21-90:17. The Services Chart also identifies these local services. See PPL and PPL RI Joint Exhibit 11. There are numerous utility company functions that are better provided locally, and utility holding companies frequently do so. TR 3/204:14-18; TR 3/218:4-219:14; TR 4/170:20-172:7. Most of the local services that PPL proposes are – as Booth acknowledged –

⁶ Booth also acknowledged that it does not matter whether these shared services are provided from Waltham, Syracuse, Long Island, or – inferentially – Allentown. TR 3/216:19-217:3; see also TR 4/174:9-175:18.

typically and customarily provided locally, including line construction activity, customer service, governmental service, make-ready for communications companies, new facilities, meter reading and replacement, leak detection and repair, and many more. *See* TR 3/217:22-219:4.

PPL proposes to provide locally several customer facing services that National Grid currently provides from afar because, as PPL explained, performing these activities locally will better serve Rhode Island customers. TR 3/67:20-69:16. The experts all acknowledged that these services fall into the category of services sometimes provided locally depending on the jurisdiction, the utility, and the preference of the regulators. *See* TR 4/170:16:19; TR 3/204:2-7. These specific local services include gas control, gas dispatch, distribution control center, and customer service.⁷ *See* Bonenberger Rebuttal at 34:8-36:14; Reed-Dane Rebuttal at 28:7-30:17; TR 1/25:5-26:10; TR 1/112:9-20; TR 1/126:1-21; TR 2/99:17-101:10; TR 3/218:4-23. PPL's cost analysis indicates that PPL can provide this mix of shared and local services at a cost that is slightly below the current operating costs for these services. *See* Advocacy Section Exhibit 12.

In short, there is nothing to see here. PPL, consistent with National Grid and most utility holding companies, proposes to provide a typical array of shared services. It is also proposing to provide a few more local services. It is not proposing to operate Narragansett as a standalone utility. And although National Grid's operation of Narragansett has naturally resulted in interconnectedness, PPL's operation of Narragansett following a successful transition will produce a substantially similar relationship and synergies.

⁷ Providing these services locally also aligns with the Division's recommendations for more local control and presence for gas operations in its Aquidneck Island investigation report. *See* October 30, 2019 Summary Investigation Into Aquidneck Island Gas Service Instruction of January 21, 2019 Investigation Report p. 67-70 Section 8.2 Recommendations for Regulatory Expectations specifically nos. 2 & 11

C. PPL and National Grid will successfully complete the transition without harming customers.

1. PPL and National Grid will successfully transition Narragansett.

The fear-mongering deployed by the Advocacy Section is evident in its baseless claim that PPL and National Grid cannot complete a successful transition in two years. The premise again relies on Narragansett's interconnectedness with National Grid, a natural and common outgrowth of a shared services relationship. But as PPL explained in its initial post-hearing memorandum, the evidence overwhelmingly establishes that PPL and National Grid will successfully complete the transition on time because:

- They are both sophisticated utility holding companies with large and talented management teams. TR 3/204:19-209:23.
- They have both successfully transitioned utilities in both directions many times over many years. *See, e.g.*, Bellar Direct at 4:12-6:4; Advocacy Section Exhibit 38, Reed-Dane Rebuttal at 36:5-9.⁸
- They have created a comprehensive and living TSA that establishes a road map for completion and success. *See* Kelly-Willey Rebuttal at 6:15-9:14, Exhibit NG-1, Exhibit NG-2.
- They have established specific offices staffed by hundreds of employees to complete the transition successfully. *See id.*; Bonenberger Rebuttal at 22:2-23:2.
- PPL will welcome virtually all of Narragansett's direct employees who currently successfully operate the company and hundreds of National Grid Service Company employees who have been providing services to Narragansett. *See* Bonenberger Rebuttal at 25:7-28:10; Kelly-Willey Rebuttal at 13:13-14:8.

⁸ Significantly, the Advocacy Section presented no testimony or evidence that either PPL or National Grid failed to properly or timely transition a utility in any prior transaction. Lacking any direct or probative evidence, the Advocacy Section points to other utilities that experienced difficulties in transitions. *See, e.g.*, Booth Direct at 42:10-20 (discussing Delmarva Power transition); Booth Surrebuttal at 5:1-7 (identifying transactions in Virginia and North Carolina). How other utilities handled transitions is not relevant and underscores the absence of any evidence that PPL or National Grid failed to properly manage earlier transitions.

- They have established knowledge transfer plans for each major activity and many minor activities. Kelly-Willey Rebuttal at 15:12-15; 22:11-17; 30:11-14, Exhibit NG-1.
- They are committed to get this right for the people of Rhode Island. TR 2/200:1-201:13.

The National Grid witnesses provided compelling testimony supporting this conclusion. TR 2/201:2-13. And so did the PPL witnesses. *See* Dudkin Direct at 28:10-20; Bonenberger Rebuttal at 24:6-25:4; TR 1/86:5-87:18. The evidence overwhelmingly establishes that PPL and National Grid will successfully complete the Transition within 24 months. There is no reason to forecast failure here.⁹

2. The regulatory process and the PPL commitments protect customers from paying for the transition.

In its post-hearing memorandum, the Advocacy Section finally acknowledges that PPL will operate Narragansett using a shared services model, but contends that “shifting corporate families will be very expensive.” Advocacy Section Brief at 3. The Advocacy Section then points to the \$400 million in estimated transition costs and emphatically argues that: “Not one dollar of these expenditures would be necessary but for this Transaction.”¹⁰ *Id.* It is unclear what point the Advocacy Section advances here because, of course, “transition costs” occur only if

⁹ To eliminate the Advocacy Section’s concern that the TSA did not contain appropriate protections if some services provided under the TSA required additional time, PPL and National Grid negotiated an amendment to the TSA that unequivocally permits PPL to extend the TSA if and as necessary. *See* Petitioners Joint Exhibit 3 at 2; PPL and PPL RI Joint Exhibit 9; TR 1/87:10-18; TR 3/43:3-46:12.

¹⁰ The Advocacy Section here, as in other places, seeks to have it both ways. It first argues that the transition will be complicated and nuanced because Narragansett is woven into National Grid. It then complains that PPL is spending \$400 million on the transition and it is too expensive. Of course, the transition is expensive because National Grid is providing a number of shared services, particularly IT related services, which PPL will need to replace at its own cost.

there is a transaction and then a transition.¹¹ But at different times the Advocacy Section argues that (i) the customers will be exposed to transition costs because the Division and the PUC cannot adequately protect customers if PPL seeks reimbursement for inappropriate costs, (ii) PPL's cap is not adequate in light of potential cost overruns, and (iii) PPL will evade its commitment by seeking uncapped recovery through the ISR recovery mechanism. *See* Advocacy Section Brief at 3, 9, 22, 28-33. Each claim is wrong.

First, the Hearing Officer knows that the Division and the PUC have in the past and will in the future protect Rhode Island customers from insufficiently supported requests for rate recovery under existing laws and regulations, as they have done for decades and following any number of transactions; no more needs to be written on that point. *See* PPL Memorandum at 27-29.

Second, PPL has agreed to absorb at least \$325 million in transition costs (based on current estimates) and has now agreed that an \$82 million cap on recovery of transition costs will apply even if transition costs exceed the \$408 million estimate. *See* Petitioners Joint Exhibit 2; PPL Memorandum, Appendix A.

Third, PPL has agreed that the commitment not to recover duplicative costs and cap recovery of transition costs applies to the ISR recovery mechanism (and any other rate recovery mechanism), confirming it had no intention of committing to less than robust protections for customers. *See* PPL Memorandum, Appendix A. PPL also committed to a definition of and

¹¹ The Advocacy Section's declaration is also wrong in that Booth acknowledged that many of National Grid's IT systems are more than a decade old and will therefore likely soon require replacement [does anyone rely on a phone or laptop that is 10 years old?]. *See* Booth Surrebuttal at 12:5-13:11; TR 4/62:23-66:9. Booth also testified that PPL's investment of more than \$300 million in new IT systems will therefore benefit customers: better technology and the avoidance of replacement costs. *Id.*

process for recovering benefits to customers resulting from transition costs requested by the experts for the Advocacy Section and the Attorney General.¹² *See* Petitioners Joint Exhibit 2; Ballaban Surrebuttal at 22:11-14; Attorney General Exhibit 1, Combined Surrebuttal Testimony of Mark D. Ewen and Robert D. Knecht (hereinafter, “AG Surrebuttal”) at 7:3-8; TR 4/232:1-18.

PPL also agreed that it can recover transition costs only if it can demonstrate that those costs deliver incremental benefits that are quantifiable, verifiable, and demonstrable, and add functionality. *See* Petitioners Joint Exhibit 2. The Advocacy Section acknowledges this is an appropriate focus and standard. *See* Advocacy Section Brief at 30. In fact, PPL took this language directly from Mr. Ballaban’s surrebuttal testimony. *See* Ballaban Surrebuttal at 22:11-14. But that is still not enough. The Advocacy Section argues that PPL’s commitment must “require Savings to exceed costs as a condition for recovery.” Advocacy Section Brief at 30. First, if the law requires that, then PPL is obligated to meet that standard. PPL’s commitment is

¹² The Advocacy Section in surrebuttal and in its initial post-hearing memorandum floats an emergent proposal to impose a \$200 million escrow fund obligation on National Grid to guarantee a successful transition because, after all, National Grid agreed to an escrow in the Granite State Electric Company and EnergyNorth Natural Gas, Inc. transaction. *See* Booth Surrebuttal at 5:10-19; Oliver Surrebuttal at 44:19-45:10; Advocacy Section Brief at 46-48. The Division should dismiss that recommendation out of hand because: (1) PPL and National Grid already have demonstrated enormous commitment, planning, investment and organization in their transition plan; (2) there is no basis or need to impose an escrow given the deep experience and commitment of National Grid lauded by the Advocacy Section throughout this proceeding; (3) the Advocacy Section’s escrow proposal remains undeveloped and has insufficient detail to warrant consideration; (4) the escrow proposal is a poison pill designed to block the Transaction; (5) it is not the Division’s role to craft an escrow agreement of the type proposed; and (6) the circumstances here differ substantially because this Transaction involves two sophisticated and experienced utility holding companies with larger utility operations than the utility transferring. As Mr. Reed and Mr. Dane explained, the escrow arrangement in the Granite State transaction arose to address particular and peculiar issues associated with the buyer’s lack of experience in gas operations, none of which are present in this Transaction. *See* TR 3/137:4-139:6; TR 3/152:16-154:14. Thus, not only has the Advocacy Section failed to define the terms of its proposed escrow or provide supporting evidence as a basis for imposing such a condition, but the only other example of the imposition of an escrow in a utility Transaction bears no resemblance to this Transaction.

in addition to the legal requirements, not in place of the legal requirements. Second, the Advocacy Section relies on and quotes Ballaban, but the quote does not support its argument. He merely said “benefits will equal the cost that is being put forth for recovery.” *See* TR 4/102:18-23. PPL agrees. Third, intuitively the Advocacy Section’s argument makes little sense. For example, if PPL spends \$100 on an IT investment that produces \$100 in demonstrable benefits for the customers because National Grid needed to install that system anyway, then PPL should be able to recover that \$100.¹³ The point is that PPL’s recovery cannot exceed the benefits it demonstrated.¹⁴

In sum, National Grid provides a healthy menu of shared services to Narragansett, and PPL proposes to do the same with a few more customer-facing services provided locally. National Grid’s sharing of services over many years with Narragansett has interwoven the two systems. That is why PPL and National Grid have constructed a robust transition plan that will ensure a successful transition in two years and result in \$400 million in estimated transition costs. And PPL has put in place a series of commitments that both caps the recovery of transition costs to less than 20 percent of the estimated spend, commits to a cost recovery standard requested by the experts for the Advocacy Section and the Attorney General, and protects Rhode Island customers from the inappropriate recovery of transition costs.

¹³ The Advocacy Section complains that PPL’s cap on transition costs does not apply to all transition costs, but does not identify any other category of transition costs that cause it concern. *See* Advocacy Section Brief at 28.

¹⁴ All of this is “belt and suspenders” given the presence and authority of both the PUC and the Division as regulatory watchdogs in any proceeding to recover transition costs.

D. There is no risk that Narragansett customers will pay for stranded costs for AMF and Grid Modernization Planning or for Gas Business Enablement and IT/Cybersecurity Investments.

The Advocacy Section has asserted that Narragansett customers will be on the hook for certain “stranded costs” for which they will realize no benefit. *See* Advocacy Section Brief at 39-40. Specifically, the Advocacy Section alleges that: (1) Narragansett customers have paid for nearly \$3 million in costs to prepare the AMF and grid modernization filings Narragansett already has made, but they will not benefit from those costs because PPL will be submitting replacement plans if the Division approves the Transaction; and (2) there are regulatory assets for investments in the Gas Business Enablement (“GBE”) program and in IT/Cybersecurity investments for which Narragansett will seek recovery in a future rate filing, but for which Narragansett customers will not benefit because PPL will be replacing these programs. *See id.* These arguments are red herrings for several reasons.

First, PPL will not seek recovery for any amounts, including amounts in regulatory assets, if there are not corresponding customer benefits attached to them:

PPL and PPL RI will not be seeking recovery of costs incurred solely for the purpose of replacing assets and functionality that Narragansett previously provided for its customers under National Grid USA ownership. . . . PPL and PPL RI will not cause Narragansett to seek approval from the Commission for cost recovery that would require Narragansett customers to pay for the same thing twice. If an asset or system exists already, but PPL and PPL RI must re-create it as a result of the Transaction, then PPL and PPL RI will not seek cost recovery for the pure like-for-like replacement of the asset or functionality for which Narragansett customers already have paid.” *See* PPL and PPL RI Joint Exhibit 3, Rebuttal Testimony of Bethany Johnson at 22:15-18; 23:9-13 (hereinafter “Johnson Rebuttal”).

This approach to cost recovery protects Narragansett customers from being charged for investments for which they already have paid, including the investments made in GBE and

IT/Cybersecurity that have been established as regulatory assets. Under PPL ownership, Narragansett may or may not seek to recover those regulatory assets. *See* TR 1/75:19-76:18. It would be appropriate for Narragansett to seek recovery if those regulatory assets already have provided benefits to customers and/or if the amounts in those regulatory assets paid for investments that will remain used and useful for customers after the Transaction closes. Conversely, if those regulatory assets have not yet provided any benefits and will not be used and useful going forward, then Narragansett will not seek recovery for them under PPL ownership.

Second, the regulatory process provides protection from any unwarranted cost recovery for these regulatory assets. If Narragansett does seek cost recovery for the GBE and IT/Cybersecurity regulatory assets, then the PUC will review that request to determine whether the recovery is appropriate. PPL has no ability to simply get recovery of these regulatory assets; it must meet its burden of proof to obtain approval for any recovery.

Third, it is a false premise for the Advocacy Section to suggest that customers will no longer receive the benefit for the amounts they paid for Narragansett to develop their AMF and grid modernization filings. PPL has testified that it is developing its AMF and grid modernization plans for Narragansett based on the plans that National Grid already developed. *See* Bonenberger Rebuttal at 19:9-15; Johnson Rebuttal at 23:18-24:16. Moreover, any request by Narragansett to recover additional costs to develop updated AMF and grid modernization plans under PPL ownership will be subject to the robust regulatory review process that applies to all requests for rate recovery. Accordingly, Narragansett customers have benefitted and will continue to benefit from the investments they have made developing AMF and grid modernization plans and will be faced with additional costs only if those costs drive additional

benefits sufficient to support rate recovery. *See* Petitioners Joint Exhibit 2; PPL Memorandum, Appendix A.

E. PPL will effectively and efficiently prepare and implement AMF and Grid Modernization plans.

The Advocacy Section again displays its reliance on the incumbency argument when it objects to the Transaction because it claims it will delay implementation of and result in the loss of synergies for both AMF and grid modernization. *See* Advocacy Section Brief at 40-42, 51-53. The Advocacy Section explains its “delay” objection by asserting that “[u]nder National Grid’s ownership, Narragansett has already developed plans to execute those two essential programs. Those plans are now suspended. And if the Transaction is approved, Narragansett will not submit a new plan for another twelve months.” *Id.* at 51-52. So the Advocacy Section urges the Hearing Officer to deny the approval because (1) the petition prompted the PUC [quite reasonably] to suspend the docket, and (2) PPL will submit an updated AMF plan only after (and if) the Division approves the Transaction. It blames that delay on PPL, but it is simply an artifact of the petition, which would result regardless of the buyer. *See* TR 4/46:1-48:1. This is another clear and pernicious application of the Advocacy Section’s incumbency argument – the Division should not approve because the petition delayed the rollout and because PPL has not already filed a plan for a utility it does not yet own.¹⁵ The unfairness and punitive nature of this contention is manifest. No proposed Transaction could win approval if this were the standard. There will always be pending dockets and investment proposals that would be delayed for

¹⁵ Notably, as the Advocacy Section acknowledged, neither National Grid’s Updated AMF Business Case or grid modernization plan filing had any guarantee of moving forward on any particular schedule because those filings remained subject to PUC review and approval as part of the regulatory process. *See* TR 4/70:4-10. The Advocacy Section’s delay argument measures against a timing standard that does not exist.

consideration of a transaction, and, applying the Advocacy Section's standard, National Grid would be compelled to continue to own National Grid in perpetuity.

Similarly, the Advocacy Section's argument that the Transaction will result in a loss of synergies is based on a comparison that is entirely one-sided. After three years of work and planning, National Grid estimated that by combining the rollout with its New York affiliates, National Grid could reduce its costs by approximately \$35 million. Advocacy Section Exhibit 18. As explained in PPL's initial post-hearing memorandum, National Grid presented an estimate for the cost of implementation, not a fixed price, and the Advocacy Section inappropriately challenged PPL to match that estimate. *See, e.g.*, PPL Memorandum at 11, 38-41. National Grid has not yet committed to "match" its own estimate. *See* TR 4/69:14-73:4. That the Advocacy Section urges the Division to fault PPL for declining to do so is preposterous.

If PPL earns the approval it seeks, it will prepare an updated AMF implementation plan, along with other plans dealing with grid modernization, gas supply to Aquidneck Island, the 2021 Act on Climate, and other matters. *See* Petitioners Joint Exhibit 2. Buyers prepare these important and exhaustive plans after assuming ownership, not before. Indeed, National Grid's AMF plan was the product of years of work. And even with its enormous experience in AMF and grid modernization, PPL would be doing Rhode Island and its customers a disservice if it did not take advantage of the knowledge of and work performed by many of the employees who will join PPL if the Transaction is approved. So the Advocacy Section's conclusion that National Grid has a better estimate is groundless and immaterial. Its contention that approval of the petition will result in \$35 million of added costs is nothing but speculation measured against a fictitious benchmark.

Further, although the Advocacy Section, the Attorney General, and the Environmental Interveners turned a blind eye to these facts, it is undisputed that PPL has (1) successfully installed more than 1,000,000 AMF-enabled meters in multiple jurisdictions; and (2) installed and is operating the software systems necessary to employ those smart meters. *See* Dudkin Direct at 33:10-34:4; Bonenberger Rebuttal at 18:3-20:2; TR 1/204:16-22; PPL Memorandum, Appendix C. In contrast, National Grid has not installed or operated an AMF system. *See* TR 4/68:1-20. And, PPL has a strong relationship with the meter vendor. *See* TR 2/30:8-33:11. PPL has testified that it believes it will achieve substantial efficiencies through its significant experience and familiarity. *See id.*; *see also* PPL Memorandum, Appendix C.

In fact, PPL has demonstrated that Rhode Island customers will gain significant synergistic benefits from PPL's vast experience; PPL already has completed integration and similar deployments in Pennsylvania and Kentucky, and PPL's customers are realizing extensive benefits from those deployments. *See* PPL Memorandum, Appendix C. PPL's ADMS and DERMS systems that are already being used in Pennsylvania that provide advanced functionality such as FLISR will be scaled-up to include Rhode Island at minimal cost. *Id.* National Grid does not yet have these systems available.

In the case of cost sharing, similar synergies are expected from PPL ownership as would be expected under National Grid ownership. There will be increased purchasing scale, the opportunity to leverage known processes, designs, standards and project management from prior deployments, and most importantly, the fact that the system integration process has already occurred for deployments, having started at least a decade earlier. *See* TR 2/30:8-33:11; PPL Memorandum, Appendix C. PPL can apply lessons learned and yield synergies from all facets of

AMF and grid modernization such as planning, selection, procurement, execution, and operation of AMF-enabled meters. *See id.*

This design, implementation and integration work requires significant time and rigor. PPL already has spent the years necessary to fully integrate these systems and processes and can leverage that investment to significantly reduce deployment time and increase efficiency to bring a fully integrated, system-wide AMF system to Rhode Island. Rhode Island customers will be the beneficiary of countless lessons learned and innovative solutions to implement new technology including system and human performance challenges. In addition, PPL has researched, identified, designed, and implemented the necessary and critical back-office systems and infrastructure to maximize the benefits of AMF meters to customers and key stakeholders with regard to safety, reliability, cost, and customer satisfaction.

In view of the record and the clear demonstration of value and synergies that PPL will bring to an AMF rollout, it becomes even clearer that the Advocacy Section's AMF argument is another example of rewarding and favoring incumbency and establishing standards regarding future commitments that no reasonable buyer could meet.

All the same arguments apply with even greater force to grid modernization, where National Grid's plans and estimates remain even less clearly defined. To date, National Grid has not yet made any proposals for cost recovery for any of the investments in the current grid modernization plan. *See* TR 4/71:22-72:10. Accordingly, the Advocacy Section's suggestion that PPL ownership would likely result in increased costs for grid modernization is entirely unsupported.

Further, the Advocacy Section fails to acknowledge and consider that PPL has designed and implemented, and is successfully operating, one of the most advanced grid systems in the

country. *See* Dudkin Direct at 10:1-11:7, 34:5-12; TR 1/79:24-82:10; TR 2/19:24-20:20. That is the type of industry-leading know-how that a state seeking to lead the country in clean energy and greenhouse gas reductions might be expected to covet. But the Advocacy Section seems to pretend PPL's achievements in this area do not exist. Its experts neither explored nor were interested in PPL's successes in implementing an advanced grid system or deploying AMF. Booth testified that he conducted a neutral evaluation – yet somehow he failed to evaluate either of these two key aspects of PPL's experience. *See* TR 4/66:24-67:24; TR 4/75:10-78:2; *see generally* Booth Direct; Booth Surrebuttal. This imbalanced assessment reveals the lack of objectivity in the Advocacy Section's assessment of this Transaction and demonstrates that the Advocacy Section's objections centered on potential delays and increased costs for AMF and grid modernization are baseless.

F. PPL will capably perform the ISR plans after the transition.

Remarkably, the Advocacy Section persists in its position that PPL will not be able to successfully manage the ISR plans. *See* Advocacy Section Brief at 48-51. The Advocacy Section's argument in its post-hearing memorandum reads as if it failed to acknowledge any of the evidence PPL and National Grid provided in pre-filed testimony, in discovery, or during the hearing. It is undisputed and uncontested that: (1) PPL has experience with long-term infrastructure investment programs in its existing jurisdictions, and (2) the National Grid personnel with significant experience performing the ISR plans for Narragansett will be transferring to PPL when the Transaction closes.¹⁶ *See* Bonenberger Rebuttal at 13:4-14:7; TR

¹⁶ The Advocacy Section dismisses this employee transfer as “a couple executives who were involved several years ago.” *See* Advocacy Section Brief at 51. That is a blatant misstatement of the evidence. As National Grid's witnesses at the hearing testified, “I just want to try to assure Mr. Booth that the capability is there, it's coming over and there's also 90 plus people that . . . function to create and help get approved the ISR [plan] every year. A majority of those 90 folks

2/189:11-192:1 As PPL explained in detail in its initial post-hearing memorandum, there is no underlying support for any of the Advocacy Section’s forecasts of failure in performing the ISR plan process. *See* PPL Memorandum at 31. On the contrary, the evidence demonstrates that PPL, through its experience, the experience of the National Grid employees who will transfer to PPL after Transaction close, and the support National Grid will provide under the TSA, is well-positioned to successfully continue this important statutory program.

G. PPL’s three year stay-out is adequate.

In response to the recommendation made by the Attorney General’s two expert witnesses and Mr. Ballaban for the Advocacy Section, PPL committed not to file a base distribution rate case before the third anniversary of the Transaction closing. *See* Petitioners Joint Exhibit 2. Those experts expressed their preference that the test year for the next rate case provide a year of PPL operations that do not include a year when National Grid continued to provide substantial services under the TSA. *See* Advocacy Section Exhibit 4, Direct Testimony and Supporting Exhibits of Michael R. Ballaban at 25:6-26:4; Attorney General Exhibit 1, Combined direct testimony and supporting exhibits of Mark D. Ewen and Robert D. Knecht at 34:19-35:15. PPL’s commitment meets these recommendations and ensures that Narragansett customers will get the benefit of no increases in base distribution rates for four additional years. *See* TR 4/116:7-118:21.

or those 90 roles are coming over to PPL with the exception of a handful of a couple of fringe organizations which will be covered by a TSA.” TR 2/192:2-12. The Advocacy Section’s willingness to mischaracterize the level of experience and number of employees transferring to PPL who will maintain the stability of the ISR plan process epitomizes the Advocacy Section’s unbalanced assessment of this Transaction in favor of trying to bind National Grid to own and operate Narragansett indefinitely.

Now, the Advocacy Section and the Attorney General demand a longer stay-out to avoid the risk that the transition takes more than two years and PPL files a case before completing a “clean” test year.¹⁷ *See* TR 4/95:10-97:3; Advocacy Section Brief at 33-38. That demand is unreasonable for several reasons. First, it would unreasonably and potentially harmfully preclude PPL from filing a base distribution rate case in three years. PPL and National Grid confidently expect to complete the transition in two years and therefore a three year stay-out will produce a clean test year. Second, as Ms. Johnson testified and as the Division knows, utilities commonly adjust test years based on a host of one-off occurrences through normalization and pro forma adjustments. *See* Johnson Rebuttal at 7:15-8:7. The PUC, the Division, the Advocacy Section, the Attorney General and PPL are all competent to consider adjustments for any lingering transition activities that the Advocacy Section and the Attorney General fear might bleed into the test year. Third, the PUC determines whether any utility seeking rate adjustments has presented sufficient supporting data for any proposed rates and the PUC knows what to do if, as the Advocacy Section speculates, PPL presents inadequate test year data. Finally, a requirement for a longer stay-out could be harmful to customers, the regulators and all concerned parties. The last base distribution rate case concluded in August of 2018. The PUC might want to examine Narragansett’s base distribution rates sooner to permit it to perform its critical review function of those rates and to adjust policies and set the path forward, particularly given Rhode Island’s aggressive Act on Climate mandates. An order in this case requiring a four year stay-out could interfere with the PUC’s statutory mandate.

¹⁷ The Attorney General’s opposition belies the testimony of its experts. PPL agreed to implement virtually every recommendation those experts made to protect the interests of the ratepayers, as demonstrated on Appendix A. Disappointingly, the Attorney General now turns away from the review conducted by its experts.

For each of these reasons, the Division should not issue an order that lengthens the three year stay-out commitment.

H. PPL has demonstrated it has the necessary gas operations experience.

The undisputed evidence in this proceeding is that, for more than a decade, PPL has owned and safely and reliably operated a gas distribution utility in Kentucky, Louisville Gas & Electric Company (“LG&E”) that serves more customers and covers more geographic area than Narragansett’s gas distribution system. *See* Bellar Direct at 4:2-6:4; Oliver Direct at 14:9-21:4; TR 4/162:15-164:8. During PPL’s ownership, LG&E has completely eliminated leak prone gas mains and has aggressively worked to remove leak prone gas service lines since taking ownership of them. *See* TR 4/181:8-12. LG&E generally performs well in customer satisfaction surveys. *See* Bellar Direct at 6:3-4; Bellar Rebuttal at 19:10-22:2. There was no serious evidence introduced to refute that PPL has strong experience operating LG&E safely and reliably.¹⁸

Rather than focus on – or even acknowledge – LG&E’s excellent operational track record, the Advocacy Section and other interveners sought out specific areas of difference in the operations of LG&E and Narragansett to raise fears that PPL might not be able to operate certain aspects of Narragansett’s gas operations quite as well as National Grid. This approach ignores the actual standard under R.I. Gen. Laws § 39-3-25, and instead focuses on the incumbency and locational arguments that underlie all the Advocacy Section’s challenges to the Transaction.

¹⁸ The Advocacy Section introduced one example of a gas explosion that was revealed to have been caused primarily by a third party and was not the fault of LG&E. *See* TR 2/103:8-108:24; Advocacy Section Exhibit 25; Advocacy Section Exhibit 26. The Advocacy Section also introduced concerns raised regarding environmental concerns related to a pipeline reinforcement project, but the testimony of Lonnie Bellar demonstrated that LG&E has meticulously followed all the processes and requirements to obtain land rights and approvals, and that the complaints in the area essentially amount to NIMBY-ism. *See* TR 2/133:7-137:5.

The Advocacy Section argues that PPL will not be able to manage Narragansett's gas procurement activities and hedging programs because Rhode Island is a capacity-constrained area where financial hedging plays a major role, whereas Kentucky is not capacity-constrained and does not rely on (or even permit) financial hedging transactions. *See* Advocacy Section Brief at 4, 57-60. Further, the Advocacy Section argues that PPL will lose buying power if it is conducting purchasing only for Narragansett instead of for all the National Grid utilities. *See id.* Not only are these arguments the quintessence of favoring the local incumbent based only on incumbency and geographic location, but they also willfully ignore facts that counteract any concerns.

Narragansett is the only gas distribution company in Rhode Island. Accordingly, the only utility holding company that has experience purchasing gas in capacity-constrained Rhode Island is National Grid. If the standard is that a buyer, whether it is PPL or anyone else, must have experience with the specific gas procurement programs in place in Rhode Island, or have the same regional gas purchasing experience on behalf of multiple northeast area gas utilities, then practically no buyer could ever meet it, and the incumbent National Grid would likely be consigned to own Narragansett forever. That is not the standard. Moreover, the Advocacy Section has not identified anything specific about the gas procurement activities that would prevent an experienced gas utility operator from being able to learn them. As National Grid explained in its post-hearing memorandum, the individuals who currently perform gas procurement and financial hedging for Narragansett will continue to do so through the transition period, and they will transfer their knowledge and skill in those areas to the PPL personnel who will perform those functions. *See* Post Hearing Memorandum of National Grid USA and The Narragansett Electric Company at 32-34. The Advocacy Section presents nothing other than

unsubstantiated fear that the experienced utility personnel for PPL will not be able to acquire the necessary skills from the accomplished National Grid team that will be training them.

Moreover, the Advocacy Section criticizes (rather than celebrates and supports) that PPL has committed to engaging third-party support from experienced New England gas procurement professionals to further bolster PPL's substantial experience. *See* Advocacy Section Brief at 57-60. That the Advocacy Section is unsatisfied with the substantial measures PPL and National Grid have taken to ensure continuity of the gas procurement and financial hedging functions suggests again that no potential buyer could meet the Advocacy Section's standard.

The same holds true for the Advocacy Section's criticism of PPL's ability to manage Narragansett's LNG operations. First, the entirety of the Narragansett staff who currently operate Narragansett's LNG facilities will remain Narragansett employees under PPL ownership and continue to carry out the functions to operate those facilities as they currently do. *See* Kelly-Willey Rebuttal at 19:3-20:17; Bellar Rebuttal at 8:6-9:15; TR 2/195:18-196:18. There will be no changes or disruptions. *Id.* Second, PPL will engage with third-party consultants (just as National Grid currently does) for to perform certain functional activities of Narragansett's LNG operations. *See* Kelly-Willey Rebuttal at 20:12-14. Third, there is no special magic to the operation of LNG facilities. As an undisputedly sophisticated utility operator, PPL has the capability of learning and understanding the particularities of LNG operation. Fourth, National Grid will provide LNG dispatch operations under the TSA as PPL personnel gain experience in that area. *See* Kelly-Willey Rebuttal, Exhibit NG-1 and Exhibit NG-2. Neither the Advocacy Section nor any other party has suggested that there is something unlearnable or unknowable concerning LNG operations. Accordingly, the transition period will provide PPL with sufficient time to absorb the particularities of owning and operating an LNG facility.

Finally, the Advocacy Section's contention that PPL will not adequately manage gas leaks and gas main replacements reflects a manifest disregard for the evidence in this case. The Advocacy Section's supposed expert on gas operations¹⁹ admitted that LG&E has replaced all the leak prone gas mains on its system. *See* TR 4/181:8-12. He also admitted that there are significant leak prone gas mains that remain on the Narragansett system. *See* Oliver Direct at 17:2-4; TR 4/181:22-182:15. He merely speculates that the job of replacing the leak-prone gas mains on the Narragansett system would be a more difficult job that PPL might not be able to handle effectively. *See* TR 4/181:22-182:15. Oliver provided no support for this position; just a statement that Narragansett's system is older. *See id.* Of course, the obvious inference is that he is suggesting that any owner/operator that does not have experience on the Narragansett system is not fit for the job. Or, in other words, only National Grid can do it. There is, however, no support for that position, and it is not the standard.

Similarly, the Advocacy Section's position regarding the prevalence of hazardous leaks on the LG&E system versus the Narragansett system is disingenuous. The Advocacy Section ignores Mr. Bellar's hearing testimony explaining that the appropriate calculation of hazardous leaks on the LG&E system shows that there are significantly fewer leaks in gas mains than on the Narragansett system and that the greater number of hazardous leaks on gas services on the LG&E system is attributable to a number of factors – not the least of which is that LG&E only recently took over responsibility and ownership of these service pipes. *See* TR 2/87:4-95:1. Moreover, Mr. Bellar noted that the statistics do not account for the potential variations in how leaks are reported. *See* Bellar Rebuttal at 17:12-19:9; TR 2/93:13-17. In short, and most

¹⁹ Mr. Oliver's educational training is not in engineering or other gas operations-related fields. *See* Oliver Direct, Attachment A at 4; TR 4/164:23-165:8.

importantly, there was no evidence presented that gave any hint that LG&E under PPL ownership failed to meet any operational standards with respect to identification of and response to gas leaks – or any other aspect of gas operations. Rather, the record shows that LG&E operations under PPL ownership have produced safe and reliable gas service to its customers.

I. PPL is prepared to help Rhode Island meet the 2021 Act on Climate Requirements.

PPL has demonstrated that it is ready, willing, and able to lead Narragansett in establishing a modern electric grid that will be better able to integrate renewable energy generation and support Rhode Island’s greenhouse gas reduction obligations. PPL also demonstrated that it has a track record of meeting carbon reduction and renewable energy generation requirements in the jurisdictions in which it currently operates, including on energy efficiency programs and renewable energy procurement. Finally, PPL has demonstrated its commitment to taking the steps necessary to understanding the complex and interrelated issues that factor into the future of gas distribution operations as Rhode Island works to achieve net zero carbon emissions by 2050 (the same target PPL has set for its own operations), while also meeting the energy needs of its citizens and businesses. That is why PPL has committed to conducting studies and preparing reports on its plan to assist the State with achieving the mandates of the Act on Climate and assessing the future of the gas distribution system. *See* Petitioners Joint Exhibit 2. Further, there is nothing in the record that would support a conclusion that PPL will not be able to continue Narragansett’s current activities in furtherance of the State’s environmental goals, including its energy efficiency programs and renewable energy procurement processes.

The Environmental Intervenors speculate, however, that, because the environmental laws in Pennsylvania and Kentucky are not as aggressive and prescriptive as they are in Rhode Island,

PPL will not be up to the challenge of complying with them. *See* Post Hearing Memorandum of Conservation Law Foundation at 13-14 (hereinafter, “CLF Memorandum”); Post Hearing Memorandum of Acadia Center at 4-7 (hereinafter, “Acadia Memorandum”); Post-Hearing Brief of Green Energy Consumers Alliance at 9-11 (hereinafter, “GECA Brief”). But, this argument is, again, an incumbency and location argument that is divorced from the applicable standard. And, it is entirely unsupported. PPL has met or exceeded the greenhouse gas reduction and renewable energy requirements and goals that apply to it at every turn. *See* Dudkin Direct at 12:3-15:11; Bonenberger Rebuttal at 44:3-15. It has developed an electric grid in Pennsylvania that is more prepared to adapt to the renewable energy future in furtherance of meeting climate change goals than any other utility in the country. Dudkin Direct at 34:13-35:14; Bonenberger Rebuttal at 18:3-20, 20:9-18. These facts demonstrate that PPL can meet any carbon reduction or renewable energy requirements that might be imposed on it. The lack of particular experience on certain discrete technologies, such as green hydrogen or ground-source heat pumps, is of no moment. There is no basis to believe that PPL will not be ready to innovate as necessary to meet the challenges of the Act on Climate or any other environmental standard that might come to pass.

As the Acadia Center and the Attorney General have pointed out, regulated utilities are the product of their regulated environments. *See* TR 4/251:3-8. PPL has acted within the regulatory and legal framework that exists in its current jurisdictions, and it is looking to serve Rhode Island with eyes wide open about the environmental expectations here. In fact, as PPL’s CEO Vincent Sorgi testified, one of the reasons PPL is excited about coming to Rhode Island is the opportunity to match its technological know-how regarding smart grid technology with the forward-leaning policy of the State regarding the shift to renewable energy and achieving a net-zero future. *See* TR 1/79:20-82:10. Meeting these goals is directly in PPL’s wheelhouse, and

PPL looks forward to collaborative and constructive relationships with the Environmental Interveners and other stakeholders to chart the course that meets everyone's needs consistent with State policy.

But, this is not the proceeding to establish new policy or new standards for PPL to follow. Nor would it be appropriate for PPL to announce any particular actions it is going to take on environmental issues related to utility operations here. As the Hearing Officer correctly identified in the intervention order in imposing restrictions on the Environmental Interveners' participation in this proceeding:

However, in the interest of remaining true to the Division's limited jurisdiction under R.I. Gen. Law §39-3-25, as well as to prevent undue delays or prejudice the adjudication of the rights of the Petitioners and other parties, their interventions will be subject to strict limitations.

These groups have indicated in their papers that they seek assurances from PPL, that if PPL's petition is approved, that there will be no deterioration in any of the existing programs or commitments related to the promotion of clean, renewable, and efficient energy production and heating. Accordingly, the Division shall restrict the participation of these parties to seeking only such assurances. PPL put it concisely in its argument in favor of a limited intervention, namely, that the "scope does not include attempting to reshape the State's renewable energy policies or seeking commitments to advocate for changes or new policies – matters that lie within the Commission's jurisdiction or are addressed through the legislative process." The Division supports this limiting language. ***The Division also wishes to emphasize that such assurances must be limited to currently existing programs and commitments from National Grid/Narragansett; such participation in this docket shall not be used to seek any expansion of such programs and/or commitments not otherwise specifically required by law or order of the Commission.*** PPL/Narragansett Intervention Order at *44 (emphasis added.)

The Environmental Interveners and the Attorney General seek to exceed this limited scope in the conditions they seek to impose in their post-hearing memoranda. See CLF Memorandum at 13-

15; Acadia Memorandum at 18-20; GECA Brief at 5, 12. Although they make their requested conditions under the suggestion that the Division has authority to impose them because of the Act on Climate, their argument fails.

Although the Act on Climate does empower the Division to consider it when exercising its authority, it does not provide *carte blanche* to impose new requirements and conditions where none previously existed. *See* R.I. Gen. Laws §§ 42-6.2-2, 42-6.2-3, 42-6.2-8. The Act on Climate currently imposes no specific requirements on utilities. Rather, there are ongoing processes that are working to establish the plans for the State to comply with the Act on Climate. *See* TR 2/66:23-68:17. That planning process takes an economy-wide view and will develop approaches that consider how the steps the State will take to comply with the Act on Climate will interact with one another to avoid unintended adverse consequences. *See* R.I. Gen. Laws §§ 42-6.2-2, 42-6.2-3. Narragansett is participating in those processes, and it will continue to do so under PPL ownership. *See* TR 2/17:12-22. PPL looks forward to continuing the collaborative efforts to develop the right solutions, and it stands ready to comply with any requirements that might be imposed on it.

But, to establish any new policies or standards through this proceeding would in fact usurp the authority of the other bodies taking on this work and would freeze out participation of interested stakeholders who did not take part in this proceeding. *See New Energy Rhode Island et al. v. The Rhode Island Division of Public Utilities and Carriers et al.*, C.A. No. PC-2021-05941, Decision at 9 (R.I. Super. Ct. Dec. 9, 2021) (“the Division’s role in the approval of this transaction is extremely limited in scope”). Further, it would directly contradict the specific restriction the Hearing Officer imposed on the Environmental Intervenors in this proceeding; the conditions that the Environmental Intervenors seek exceed anything that Narragansett currently

does or would be required to do under continued National Grid ownership.²⁰ Accordingly, the Hearing Officer should reject the proposed conditions as beyond the scope of this hearing and the permitted participation of the Environmental Interveners.

J. The Hearing Officer conducted a thorough and fair process.

The Hearing Officer presided over a full and fair process for the review and consideration of the Transaction. The after-the-fact procedural complaints by the Attorney General and the Advocacy Section are both baseless and disappointing.

Petitioners submitted their petition on May 4, 2021, consistent with the requirements of R.I. Gen. Laws § 39-3-25.²¹ Before the Hearing Officer even established any schedule in this

²⁰ Some of the Conservation Law Foundation’s requested conditions reflect things that PPL already plans to do, in part, such as filing a report on the how Narragansett will help the State meet the Act on Climate requirements and submitting updated AMF and grid modernization proposals. But, in these instances, the specific details proposed in the conditions exceed the scope of the proceeding and are overly prescriptive. Further, other proposed conditions, such as a commitment to petition to open a future of gas docket with the PUC, or to pay for an independent consultant to perform a Deep Decarbonization Pathways analysis, exceed the scope of the Division’s authority in this matter and may not be the best approach to achieving the goals they set out to achieve. Thus ordering them in this proceeding would preclude other potential creative solutions that might achieve better results. Accordingly, they should not be imposed through this proceeding. Further, there is no need to direct PPL to consider the Act on Climate’s emission reduction requirements in making future proposals. If the law requires it, that is self-executing.

Acadia Center’s proposed conditions suffer from similar maladies. First, PPL will continue to operate Narragansett, so it will be continuing Narragansett’s decarbonization strategy and building upon Narragansett’s plans. But, PPL must maintain the flexibility to make changes if there are opportunities for enhancements that could yield better results. It makes little sense, for example, to require PPL to have Narragansett submit an energy efficiency budget that is at least 110 percent of the most recent budget. The development of Narragansett’s energy efficiency plans is a collaborative process involving many stakeholders. Directing a future budget proposal would undermine that process. Similarly, this is not the proceeding in which to impose a moratorium on new gas connections. Whether to take such a step is a complex policy decision that involves policy-makers at many levels of Rhode Island government. And, demanding that PPL commit to meeting National Grid’s cost-benefit ratios for GMP and AMF is nonsensical; National Grid did not even have such a commitment.

²¹ The statute requires “a petition . . . signed and verified by the president and secretary of the respective companies clearly setting forth the object and purposes desired; stating whether or not

matter, the Advocacy Section began serving discovery and Petitioners expeditiously responded.²² The Hearing Officer established a detailed schedule to evaluate potential interveners and followed that schedule.²³ The Hearing Officer issued a thorough and detailed order deciding the motions to intervene, which carefully and thoroughly articulated the basis for his decisions on each proposed intervener, including specifically defining the standard of review that applies to consideration of the Transaction and the resulting limitations on the participation of some of the interveners. *See PPL/Narragansett Intervention Order* at *42-*53. As the memoranda from the Attorney General and the Environmental Intervenors demonstrate, the Hearing Officer's intervention order was clear and unambiguous. *See Attorney General Brief* at 3-4, 8-9. The Attorney General did not appeal or otherwise challenge the intervention order, nor did the Advocacy Section or the Environmental Intervenors – they chose to accept it.

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 petition in this case included all these requirements plus additional, supplementary information in support of the petition. Specifically, the petition included a copy of the Share Purchase Agreement, which sets forth the terms and conditions of the Transaction, as well as direct testimony from three PPL officers and a National Grid officer supplementing the information for the Hearing Officer to evaluate. The Advocacy Section's newly articulated position that the petition did not meet the statutory requirements because it did not lay out the details of each step of how PPL and National Grid would accomplish the transition is meritless and untimely.

²² The Advocacy Section served its first set of data requests on June 8, 2021 and its second set of data requests on June 11, 2021. The Hearing Officer issued the Notice of Filing and Deadline to Intervene establishing the schedule for consideration of motions to intervene from interested parties on June 11, 2021.

²³ Even before filing a response to the motions to intervene, Petitioners advised the Attorney General that they did not oppose his motion. Accordingly, the Attorney General should have known long before the Hearing Officer's intervention order that he would be party to this proceeding and could have sought to begin to participate. Under Division rules, if there is no objection to a motion to intervene, the motion “shall be deemed allowed[.]” 815-RICR-00-00-1.17(e).

After issuing the intervention order, the Hearing Officer established a schedule for the rest of the docket. The Hearing Officer encouraged the parties to work together to reach an agreed-upon schedule, and the parties did so. Accordingly, the schedule for the completion of discovery, submission of pre-filed testimony, settlement discussions, the dates for the hearings, and post-hearing briefing all were the result of an agreement between the parties. The Attorney General and all other parties had every opportunity to raise concerns and advocate for a different schedule. No one uttered a word; they chose to accept it.

After the Hearing Officer entered the schedule, the parties worked to meet it. Although the Attorney General and the Environmental Intervenors could have served discovery on Petitioners at any time, they chose not to do so until more than a month after the Hearing Officer issued the intervention decision. Petitioners received minimal extensions to provide responses to some of the hundreds of discovery requests served by the Advocacy Section and the intervenors. The intervenors, including the Attorney General, received an extension to file direct testimony to account for the modest extension of time afforded to Petitioners to provide discovery responses. Petitioners responded to approximately 500 data requests, and among those responses Petitioners objected to only a small number. No party challenged any of the objections. No one filed a motion to compel. They all accepted the discovery responses.

The procedural schedule also contemplated that the parties would engage in settlement discussions before the hearing. Those discussions never materialized, but Petitioners nevertheless sought to try and narrow the issues ahead of the hearing. Thus, in the absence of an agreement between any of the parties, Petitioners identified certain concerns raised by the other parties and the solutions they proposed to those problems, and provided the list of commitments in advance of the hearing. *See* TR 1/47:11-49-10; Petitioners Joint Exhibits 2 and 3. The Advocacy Section

and the Attorney General now criticize these concessions from Petitioners as a late-filed surprise that hindered their ability to fully and fairly evaluate the Transaction. *See* Advocacy Section Brief at 12-13; Attorney General Brief at 5-6. That criticism completely miscasts the nature of the commitments and the role that they actually played in the proceeding.

First, the timing of the commitments resulted because PPL fully expected to engage in settlement discussions with the Advocacy Section and the Attorney General in advance of the hearing, but learned that no such discussions would take place only two business days before the start of the hearing. *See* TR 4/269:20-271:4. Whatever the Advocacy Section and Attorney General's reasons for not engaging in such discussions after indicating that they would do so, that late decision left PPL in the position of having to propose these commitments as part of the hearing process to narrow the issues.

Second, each and every one of the commitments is a direct response to recommendations made or conditions proposed by the Advocacy Section and/or the Attorney General. *See* TR 1/47:11-49:10. PPL did not modify the petition or the Transaction; it accepted the recommendations or conditions proposed by the Advocacy Section and the Attorney General to provide additional protections for customers. Those commitments streamlined the hearing and removed disputed issues.²⁴

Now, Petitioners have again sought to remove disputed issues through the post-hearing memorandum. *See* PPL Memorandum, Appendix A. At the hearing, the Advocacy Section and the Attorney General expressed some concern that transition costs might escalate or PPL might

²⁴ This is most plainly demonstrated by the Stipulation entered at the conclusion of the Advocacy Section's case, in which two of the Advocacy Section's five experts acknowledged that the commitments resolved their concerns and the Advocacy Section withdrew its objection to approval of the Transaction on the basis of those objections. Neither witness needed to appear or testify. *See* PPL Memorandum, Appendix B.

evade the cap on transition costs through the ISR rate recovery mechanism. *See, e.g.*, TR 1/59:18-65:11; TR 3/173:13-180:16. The Advocacy Section challenged PPL’s witnesses to make commitments to address those perceived risks at the hearing. *See* TR 1/6710-22; TR 4/27:8-29:7. The PPL employees on the stand could not do so; they needed to consider the requests and discuss them with the management team. After post-hearing consideration, PPL determined that it could take additional issues off the table and agree to cap transition cost recovery even if costs escalated and clarify that the commitment not to recover duplicative costs covered all aspects of distribution rates, including the ISR cost recovery factor. *See* PPL Memorandum, Appendix A.

Rather than welcoming these refinements to the commitments to resolve its concerns, the Advocacy Section instead asserts that “certain of Petitioners’ assertions/commitments included in its January 18th filing contain new information and/or revised content, thereby requiring more time for review/reply than would ordinarily be contemplated or necessary for a reply memorandum or brief.” *See* Advocacy Section Email Request for Extension of Time to File Reply Brief. This position is emblematic of the Advocacy Section’s flawed approach to its evaluation of this Transaction. Rather than undertaking a reasoned and balanced assessment that weighed the experience and financial strength of PPL to determine whether it can safely and reliably continue the operations of Narragansett after the Transaction without causing harm to the public, the Advocacy Section positioned itself as the defender of the status quo and searched for any and every opportunity to argue against approval. Accordingly, even Petitioners’ efforts to assuage concerns have been viewed with suspicion and prompted efforts to find fault – rather than acknowledge the positives of the commitment.²⁵

²⁵ The efforts of the Advocacy Section, the Attorney General, and the Environmental Intervenors have resulted in meaningful commitments from PPL and Narragansett that will provide benefits

That the Attorney General and the Advocacy Section now complain that the process did not provide them with a sufficient opportunity to fully evaluate the Transaction is disingenuous. At no point did anyone challenge the process and procedure implemented by the Hearing Officer. Nor did anyone challenge the sufficiency of the discovery responses served by Petitioners.²⁶ Nor did anyone seek relief related to the commitments filed by the Petitioners in advance of the hearing. Why? Because there is no substance to these procedural arguments.²⁷ They are, instead, another attempt to drum up a basis to oppose the Transaction. Everyone worked expeditiously and collaboratively to facilitate a full and fair review of the Transaction. The Hearing Officer provided an open forum to address any issues that arose and permitted a thorough review of the issues at hearing. The Hearing Officer was open and transparent about the

for Rhode Island customers and contribute to the policy aims of the interveners that otherwise would not be required under continued National Grid ownership.

²⁶ The Attorney General knew that it would be a party to this proceeding at least as early as July 15, 2021 at the hearing on the motions to intervene. Nevertheless, the Attorney General declined to serve any discovery until September 15, 2021, and then served a second set of data requests on October 1, 2021, the deadline to serve discovery.

²⁷ The Attorney General has harped on the lack of the production of post-Transaction financial statements by PPL, but this argument is bootless. The Attorney General has not identified any particular aspects of PPL's finances about which it does not have sufficient information. Nor has the Attorney General challenged the reams of evidence that demonstrate PPL's financial strength. Moreover, the Attorney General's argument completely discounts the substantial explanation for why PPL has not provided post-Transaction financial statements and the reasons why they are not necessary. *See* Henninger Rebuttal at 3:8-5:18. Finally, and critically, the request for estimated financial statements rings hollow when the Attorney General and the Advocacy Section have criticized PPL for the cost analysis it performed because it is an estimate. *See* Booth Surrebuttal at 9:6-17; AG Surrebuttal at 5:12-6:2. These arguments reflect a "heads I win, tails you lose" approach. If PPL provides estimates, they aren't good enough; if PPL does not provide estimates, then they fail to meet their burden. In reality, the Advocacy Section and the Attorney General have just sought out any argument they can manufacture to attempt to convince the Division that it should reject the Transaction – rather than engage in an evenhanded assessment of whether it meets the standard the Division applies.

process the case would follow throughout. The Hearing Officer, therefore, should disregard the Attorney General and the Advocacy Section's groundless criticisms of the process.

III. CONCLUSION

For these reasons, as well as those set forth in PPL's and National Grid's written testimony, hearing testimony, and initial post-hearing memoranda, Petitioners have satisfied their burden and the Division should approve the Transaction.

Date: January 28, 2022

Respectfully submitted,

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

/s/ Gerald J. Petros

Gerald J. Petros (#2931)
Adam M. Ramos (#7591)
Hinckley Allen & Snyder
100 Westminster Street, Suite 1500
Providence, RI 02903-2319
(401) 457-5278
(401) 277-9600 (fax)
gpetros@hinckleyallen.com
aramos@hinckleyallen.com

CERTIFICATE OF SERVICE

I hereby certify that on January 28, 2022, I sent a copy of the foregoing to the service list by electronic mail.

/s/ Gerald J. Petros

Appendix A

RI ATTORNEY GENERAL – ASKS/COMMITMENTS

	Attorney General’s Ask	PPL Current Position
1	Commit to at least a three-year base rate stayout (Direct Testimony of Ewen and Knecht, 11:23-26, 35:3-15)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 1)
2	Commit to make ratepayers whole for the loss of ADIT balance (Direct Testimony of Ewen and Knecht, 11:20-22)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 16)
3	NEC will continue to issue its own debt to finance its operations (Direct Testimony of Ewen and Knecht, 16:15, 18:6-8)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 6(b))
4	Commit that Narragansett shall not use any Narragansett assets to support debt instruments to finance non-Narragansett assets, including for PPL or any affiliate debt, without regulatory approval (Direct Testimony of Ewen and Knecht, 16:18-19, 18:6-8)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 6(f))
5	NEC will not guarantee the credit of any PPL affiliates without regulatory approval (Direct Testimony of Ewen and Knecht, 16:16-17, 18:6-8)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 6)
6	Commit to prepare an evaluation of the long-term viability of the natural gas distribution system in the context of Rhode Island’s 2021 Act on Climate, within 12 months of the closing date for the sale. The study should address (a) efforts to expand the natural gas distribution grid, (b) its repair versus replace policies for the existing system, and (c) the potential to substitute abandonment/electrification for mains replacement. (Direct Testimony of Ewen and Knecht, 11:8-15, 25:1-19)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 11)

	Attorney General's Ask	PPL Current Position
7	Commit to prepare an evaluation relating to standardizing policies for the incorporation of distributed energy resources to the electric distribution grid, along the lines of the analysis prepared in Pennsylvania, within 36 months of the closing date for the sale. (Direct Testimony of Ewen and Knecht, 11:16-19, 26:16-21)	Commitment made (Petitioners Joint Exhibit 2 at ¶ 12)
8	Commit to a cap on the recovery of transition costs (Day 4 TR, at 231)	Commitment made (PPL Memorandum at 21-22, Appendix A)
9	Commit to no recovery of duplicate costs in the ISR (Day 4 TR, at 233)	Commitment made (PPL Memorandum at 21, Appendix A)
10	Commit to consult with the Rhode Island Attorney General and the other stakeholders in the room and in the community before undertaking those (gas system and DERMS) studies . . . to make sure that this isn't a simple study that doesn't address what the parties are concerned about. (Day 4 TR at 231)	Commitment made in testimony (TR 2/16:18-18:17)
11	Commit that debt share of capital for either PPL RI or Narragansett shall not exceed 50 percent (i.e., commit to not finance goodwill at PPL RI level with debt) (Direct Testimony of Ewen and Knecht, 11:1-7, 18:10-14)	Commitment made for Narragansett (Petitioners Joint Exhibit 2 at ¶ 7) (Accepted by AG at TR 4/241:3-11) No commitment for PPL RI (Day 4 TR, at 229) (Explained at TR/2:219:13-221:4)

	Attorney General's Ask	PPL Current Position
12	Provide a reasonable estimate of post-transaction financial statements for Narragansett and PPL RI, including its evaluation of the tax impacts (Direct Testimony of Ewen and Knecht, 10:25-27)	<p align="center">No Commitment (Provided the financial information we submitted to Moodys in March – see PPL Corporation and PPL RI's response to Attorney General Record Request 2 and Attachment AG RR2-1)</p> <p align="center">(Explained at TR 2/211:20-216:20)</p>
13	Commit to limit capital expenditures for the natural gas distribution system to projects already underway or those that are necessary for public safety (Direct Testimony of Ewen and Knecht, 11:8-15)	<p align="center">No Commitment</p>
14	Commit to recovery of transition costs equal to the value of the net benefit (Day 4 TR, at 232)	<p align="center">Commitment made on transition cost recovery (Petitioners Joint Exhibit 2 at ¶ 2)</p>