

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

Docket No. D-21-09

In Re: Petition for Authority to Transfer Ownership of
The Narragansett Electric Company to
PPL Rhode Island Holdings, LLC and Related Approvals
Witness: Tadd Henninger

PRE-FILED REBUTTAL TESTIMONY

OF

TADD HENNINGER

VICE PRESIDENT - FINANCE AND TREASURER

Submitted in support of PPL Corporation, PPL Rhode Island Holdings, LLC,

National Grid USA, and The Narragansett Electric Company's

Petition for Authority to Transfer Ownership of The Narragansett Electric Company

to PPL Rhode Island Holdings, LLC and Related Approvals

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1 **I. Introduction**

2 **Q. Please state your full name and business address.**

3 A. My name is Tadd Henninger, and my business address is 2 North Ninth Street, Allentown,
4 PA 18101.

5 **Q. What is your current position?**

6 A. I am the Vice President - Finance and Treasurer of PPL Corporation (“PPL”). I am
7 responsible for overseeing financial planning and analysis, as well as PPL’s treasury related
8 activities.

9 **Q. Please describe your educational background and professional experience.**

10 A. My career dates back to 1998 when I began working at Ernst & Young, a public accounting
11 firm, upon graduating from Kutztown University with a Bachelor of Science degree in
12 Accounting. I spent more than ten years with Ernst & Young prior to joining PPL in 2009.
13 Since joining PPL, I have primarily served in finance-related roles, including working in
14 PPL’s mergers and acquisitions group prior to joining the Treasury organization in 2011.
15 Since joining the Treasury organization, I have served in various roles, including my current
16 role as Vice President - Finance and Treasurer.

17 **Q. Do you serve on any boards?**

18 A. Yes. I serve on the board of directors for Wildlands Conservancy, which is a non-profit
19 organization that protects and restores critical nature areas and waterways, and educates the
20 community to create a legacy of a healthy, sustainable, environment for future generations.

1 **Q. Have you testified before any public utilities regulators?**

2 A. Yes. I have testified before public utilities regulators in Pennsylvania.

3 **Q. What is the purpose of your testimony?**

4 A. My testimony supports the Petitioners' request that the Division of Public Utilities and
5 Carriers (the "Division") approve PPL Rhode Island Holdings, LLC's ("PPL RI") acquisition
6 of The Narragansett Electric Company ("Narragansett") from National Grid USA (the
7 "Transaction"). Specifically, my testimony establishes that PPL RI's acquisition of
8 Narragansett will not cause a degradation in utility service or adversely impact the public,
9 including Narragansett customers. My testimony specifically addresses PPL and PPL RI's
10 plans to ensure that Narragansett remains financially strong after the Transaction closes,
11 including PPL's policies and practices related to financing and cost of capital. My testimony
12 also specifically responds to certain issues raised in the Pre-Filed Direct Testimony of
13 Division Advocacy Section (the "Advocacy Section") Witnesses Matthew I. Kahal and
14 David J. Effron, as well as Rhode Island Attorney General (the "RIAG") Witnesses Mark D.
15 Ewen and Robert D. Knecht.

16 **Q. How is your testimony structured?**

17 A. This Section I is the Introduction, which provides an overview of my relevant background
18 and the purpose of my testimony. Section II describes PPL's financial strength as a
19 company. Section III explains PPL's proposed specific ring-fencing measures. Section IV
20 describes PPL's exclusion of goodwill from Narragansett's ratemaking capital structure after

1 the Transaction. Section V addresses PPL’s approach to achieving a target common equity
2 ratio for Narragansett. Section VI discusses PPL’s approach to long-term debt issuances for
3 Narragansett after the Transaction closes. Section VII explains PPL’s approach to short-term
4 debt to provide liquidity for Narragansett after the Transaction closes. Section VIII is the
5 Conclusion.

6
7 **II. PPL’s Financial Strength**

8 **Q. Describe PPL’s financial strength as a company prior to the Transaction.**

9 A. PPL has been and continues to be a financially strong company. PPL has maintained its
10 financial stability during numerous strategic transactions that it has completed over the last
11 decade. In 2010 and 2011, PPL acquired utilities in Kentucky for \$7.6 billion and in the
12 United Kingdom (the “UK”) for \$6.5 billion, expanding its geographic presence and
13 increasing its regulated operations while maintaining strong investment grade credit ratings.
14 In 2015, PPL spun off its unregulated generation business to focus on high-performing
15 regulated utilities in both the United States and the UK. The spin-off resulted in PPL being
16 upgraded to an “Excellent” business risk profile at S&P. PPL’s credit ratings also upgraded
17 to A- at S&P and Baa2 at Moody’s, and PPL maintains those ratings today. In June 2021,
18 PPL divested its UK operations for net cash proceeds of \$10.4 billion. PPL utilized
19 \$3.9 billion of the sales proceeds to reduce corporate debt obligations and expects to use

1 \$3.8 billion of the sales proceeds to fund the acquisition of Narragansett without the need to
2 incur incremental debt.

3 **Q. What will PPL’s financial position be post-Transaction?**

4 A. PPL continues to be a financially strong company with a market capitalization of
5 approximately \$22.0 billion as of October 31, 2021. As previously mentioned, after the sale
6 of PPL’s UK operations in June 2021, PPL utilized \$3.9 billion of the sales proceeds to
7 reduce corporate debt obligations and will use \$3.8 billion to fund the acquisition of
8 Narragansett without the need to incur incremental debt. As a result, PPL expects to increase
9 its targeted cash from operations less working capital to debt ratio to 16%-18% prospectively
10 that, at a minimum, will support PPL’s current credit ratings. PPL’s debt to capitalization
11 has also decreased as a result. PPL also expects to maintain its “Excellent” business risk
12 profile and current A- credit rating with S&P. In addition, PPL is currently on “Positive”
13 outlook at Moody’s because of the recent actions taken to strengthen its balance sheet.
14 Moody’s has stated that “PPL's ratings could be upgraded if the NECO sale is executed as
15 expected and PPL maintains its improved financial profile, including its CFO pre-WC to debt
16 ratio above 16%, on a sustained basis.” (Moody’s Credit Opinion September 2021).

17 **Q. In RIAG Witnesses Ewen and Knecht’s testimony, they recommend that “PPL be**
18 **required to provide its best estimates of its post-transaction financial statements, and**
19 **that parties be given the opportunity to evaluate those statements.” See Ewen and**

1 **Knecht Testimony 15:22-24. Why has PPL not provided the post-transaction financial**
2 **statements for Narragansett?**

3 A. PPL will comply with SEC Rule 3-05, which may require pro forma financial statements to
4 be filed with the SEC within 75 days following the closing of the Transaction, depending
5 upon the results of required significance tests under the rule. PPL is in the process of
6 developing a five-year financial forecast for Narragansett under PPL RI's ownership. This
7 process is a "bottoms up" forecast that requires resolution on various matters, including but
8 not limited to (i) the incorporation of labor costs under PPL RI's ownership, (ii) quantifying
9 the transition services costs, (iii) establishing a rate case cadence, (iv) developing a capital
10 expenditure plan, including incorporating the results of the current capital Infrastructure,
11 Safety, and Reliability plan ("ISR") filing, (v) determining the fair values of the assets
12 acquired and liabilities assumed at the Transaction closing date, and (vi) quantifying the
13 impacts of the election under section 338(h)(10) of the Internal Revenue Code. As a result,
14 PPL is not yet able to provide post-Transaction financial statements.

15 **Q. Why are you focusing solely on Narragansett's post-transaction financial statements?**

16 A. My testimony focuses solely on post-transaction financial statements for Narragansett, and
17 not PPL RI, because PPL RI is a corporate holding company, and, therefore, its financial
18 statements and financial condition are not expected to have a financial impact to rate payers.

1 **III. Ring-fencing Measures**

2 **Q. What are ring-fencing measures?**

3 A. Generally, ring-fencing measures are structural measures to provide separation between a
4 utility company and its corporate affiliates.

5 **Q. Describe PPL's evaluation of the need for ring-fencing to protect Narragansett after the**
6 **closing of the Transaction.**

7 A. PPL has evaluated the need for ring-fencing to protect Narragansett after the closing of the
8 Transaction. As I mentioned earlier, PPL is a financially strong company that has a track
9 record of successfully integrating and operating regulated utilities in various regions. PPL's
10 earnings are almost entirely derived from its regulated utility operations. PPL has strong
11 investment grade credit ratings that should benefit Narragansett. PPL expects Narragansett's
12 overall credit ratings will be stronger under PPL's ownership based on PPL and National
13 Grid USA's current and expected credit ratings.

14
15 Based on these considerations, PPL has identified certain financial protections to ensure the
16 financial stability of Narragansett and the reliability of its service in the unexpected event
17 PPL or any of its affiliates face financial or other difficulties in the future. First, Narragansett
18 will continue as a distinct corporate subsidiary with its own Board of Directors, consistent
19 with PPL's other regulated utility subsidiaries. Second, Narragansett will maintain separate
20 records and financial statements that will be accessible to the Division. Third, Narragansett

1 will continue to issue its own long-term debt to finance its operations and maintain its own
2 credit ratings. Fourth, Narragansett will not guarantee the credit of any PPL affiliates at any
3 point in the future unless it first seeks and receives regulatory approval. Fifth, neither PPL
4 nor any of its affiliates will issue any security or incur any debt that pledges any assets of
5 Narragansett, without first obtaining regulatory approval. These measures are consistent
6 with measures currently in place for PPL's existing regulated utilities. In addition, PPL's
7 financial strength and these protective measures insulate Narragansett against financial risk at
8 least as much as the existing ownership and financial structure under National Grid. These
9 conditions provide sufficient ring-fencing to protect the financial health of Narragansett.

10 **Q. Has PPL considered whether it is necessary to adopt additional ring-fencing measures**
11 **to achieve “full” ring fencing?**

12 A. Yes. Based on upon prior comments, PPL does not believe additional ring-fencing measures
13 are necessary. The behavioral and financial measures I described earlier are sufficient to
14 ensure the financial independence and strength of Narragansett.

15 **Q. RIAG Witnesses Ewen and Knecht recommend that “PPL’s ‘planned’ ring-fencing**
16 **provisions be adopted as commitments, which can only be varied by**
17 **Division/Commission approval.” See Ewen and Knecht Testimony 18:7-8. What**
18 **assurances can PPL provide that it will adopt the ring-fencing measures it has**
19 **proposed?**

20 A. PPL is committed to adopting the specific ring-fencing measures previously mentioned.

1 **Q. Advocacy Section Witness Kahal testified that “the ring fencing measures I recommend**
2 **for Narragansett under PPL ownership . . . are the same as or are substantially similar**
3 **to Narragansett’ [sic] current and past practices and policies, . . . [and] PPL’s**
4 **acquisition of Narragansett would weaken the current financial protections.” See**
5 **Kahal Testimony 17:16-20. Why are some specific measures Mr. Kahal mentions not**
6 **necessary for Narragansett?**

7 A. As I mentioned earlier, PPL plans to adopt many ring-fencing measures for Narragansett,
8 including many of the specific measures that Mr. Kahal describes in his testimony.
9 Furthermore, PPL anticipates filing an application for approval under R.I. Gen. Laws § 39-3-
10 15 and 815-RICR-00-00-1.14 for Narragansett to enter into a financing arrangement where
11 Narragansett will become a co-borrower in a PPL Capital Funding Syndicated Master Credit
12 Facility, which will provide liquidity capacity to Narragansett in a cost-effective manner.

13

14 **IV. Goodwill**

15 **Q. What is the goodwill associated with this Transaction?**

16 A. PPL’s current estimate of the acquisition premium is approximately \$1.7 billion.
17 Narragansett currently has goodwill on its books of \$0.7 billion, resulting in approximately
18 \$1.0 billion of incremental goodwill associated directly with the Transaction that is subject to
19 purchase price accounting adjustments upon closing of the Transaction.

1 **Q. How will PPL treat the goodwill associated with this Transaction?**

2 A. PPL will exclude the acquisition premium and goodwill associated with the Transaction from
3 the ratemaking capital structure for Narragansett. The acquisition premium anticipated to be
4 recorded by PPL will not be pushed down to Narragansett's balance sheet; rather, it will be
5 on the books of PPL RI. PPL will not seek to include the effect of the acquisition premium
6 or transaction costs in the capital structure used for ratemaking purposes. PPL will continue
7 to exclude goodwill from this calculation so long as this treatment of goodwill remains
8 consistent with the prevailing regulatory best practices with respect to ratemaking capital
9 structure.

10 **Q. Mr. Kahal testified that he "interpret[s]" PPL's plans for the treatment of goodwill as**
11 **meaning "in a future rate case PPL could simply decide that the removal of goodwill**
12 **from equity is no longer an appropriate regulatory adjustment." See Kahal Testimony**
13 **20:4-6. What is PPL's plan regarding goodwill in future rate cases?**

14 A. As I mentioned earlier, PPL's current commitment for this proceeding is to exclude the
15 goodwill from the capital structure used for ratemaking purposes. Currently, goodwill is
16 generally not a recognized component of capital structure for ratemaking purposes for
17 regulated utilities. PPL recognizes and acknowledges that is the current regulatory paradigm.
18 Accordingly, PPL will not include goodwill as part of ratemaking capital structure unless the
19 regulatory paradigm changes. Although PPL does not currently anticipate any shift in the
20 accepted practices for the treatment of goodwill, PPL reserves the right to adjust its approach

1 if such a shift does occur. Any changes PPL proposes for the treatment of goodwill for
2 ratemaking purposes in the future will be subject to the review and approval of the Rhode
3 Island Public Utilities Commission (the “Commission”), with the Division’s input.
4

5 **V. Common Equity Ratio**

6 **Q. What is PPL’s approach to achieving a target common equity ratio for Narragansett?**

7 A. PPL’s approach to achieving a target common equity ratio for Narragansett is to manage
8 Narragansett’s common equity ratio to remain substantially consistent with the approved
9 common equity ratio from Narragansett’s most recent base distribution rate case,
10 Commission Docket No. 4770, which is currently approximately 51%.

11 **Q. Advocacy Section Witness Kahal testified that PPL needs to commit to target a**
12 **common equity ratio for Narragansett of at least 48 percent for a period of at least five**
13 **years. Is that commitment necessary?**

14 A. No. As I mentioned earlier, PPL does not need to commit to maintain a minimum common
15 equity ratio for Narragansett following the close of the Transaction to ensure that there is no
16 net harm to utility customers from the ownership transfer. Rather, PPL will manage
17 Narragansett’s common equity ratio to remain substantially consistent with the approved
18 common equity ratio of 51% from Narragansett’s most recent rate case. This approach is
19 consistent with how PPL manages its other regulated utility subsidiaries, which are managed
20 at or above the equity ratios approved in their most recent respective rate cases. In addition,

1 PPL expects to maintain adequate credit metrics to ensure that Narragansett maintains
2 financial strength and investment grade credit ratings consistent with PPL's other regulated
3 utility subsidiaries. These practices will ensure that there will be no net harm to utility
4 customers from the ownership transfer.

5 **Q. Similarly, RIAG Witnesses Ewen and Knecht recommend that "the maximum debt to**
6 **capital ratio excluding goodwill for [Narragansett] not exceed 50 percent without**
7 **regulatory approval." See Ewen and Knecht Testimony 18:11-12. Is this commitment**
8 **necessary for Narragansett?**

9 A. No. PPL also plans to manage Narragansett's debt to capitalization ratio excluding goodwill
10 so that it remains substantially consistent with the debt to capitalization ratio from
11 Narragansett's most recent rate case, which is currently approximately 49%. This is
12 consistent with PPL's practice regarding the management of debt to capitalization ratios for
13 its other regulated utilities. This plan is sufficient to ensure that there will be no net harm to
14 utility customers from the ownership transfer. As previously mentioned, PPL will maintain
15 Narragansett's credit metrics to ensure adequate financial strength and investment grade
16 credit ratings.

1 **VI. Long-Term Debt**

2 **Q. What is PPL’s approach to long-term debt for Narragansett after the closing of the**
3 **Transaction?**

4 A. After the transaction closes, PPL will evaluate Narragansett’s current long-term debt
5 financing structure, which consists of primarily senior unsecured long-term debt, to
6 determine if that is the most cost-effective structure and efficient form of financing
7 prospectively. Narragansett may issue additional unsecured debt if appropriate under the
8 circumstances. Currently, PPL’s utility subsidiaries are Securities and Exchange
9 Commission (“SEC”) registrants that access the public capital markets to issue senior secured
10 debt through first mortgage bond indentures. PPL will evaluate the costs, benefits, and
11 constraints associated with making Narragansett an SEC registrant and establishing a secured
12 indenture, which would provide Narragansett the ability to issue senior secured, first
13 mortgage bonds in the public market versus senior unsecured debt via private placement.

1 **Q. Advocacy Section Witness Kahal recommends that “where feasible, practical, and cost-**
2 **effective, Narragansett under PPL ownership should issue secured long-term debt, as**
3 **doing so will minimize long-term debt costs, [and] PPL should be required to report**
4 **back to the Division on the feasibility of doing so within six months of the close of the**
5 **Transaction.” See Kahal Testimony 24:5-9. Is it necessary for PPL to report back to**
6 **the Division on the feasibility of issuing secured long-term debt within six months?**

7 A. No. Currently, Narragansett primarily issues unsecured long-term debt. The request from
8 Mr. Kahal is asking PPL to make Narragansett do something that Narragansett currently is
9 not required to do under National Grid ownership. Under the applicable statutory standard as
10 defined by the Hearing Officer in this proceeding, PPL’s position is that it is required only to
11 continue National Grid’s current practice regarding long-term debt, and Narragansett’s
12 current financing structure includes unsecured long-term debt. As such, Mr. Kahal’s
13 recommended course of action is unnecessary. Regardless, PPL plans to evaluate the costs,
14 benefits, and constraints associated with making Narragansett an SEC registrant and
15 establishing a secured indenture, which would provide Narragansett the ability to issue
16 secured long-term debt rather than unsecured long-term debt.

1 **VII. Short-Term Debt**

2 **Q. What is PPL's approach to short-term debt for Narragansett after the Transaction**
3 **closes?**

4 A. PPL expects Narragansett to have excess cash upon closing as a result of National Grid's
5 \$600 million long-term debt issuance in April 2020, which likely will provide Narragansett
6 with liquidity post-Transaction. PPL expects to supplement this cash position by establishing
7 a third-party credit facility for Narragansett, as well as a PPL-affiliate borrowing
8 arrangement for purposes of providing additional liquidity to fund working capital. The
9 affiliate borrowing arrangement will likely include the ability for Narragansett to lend to and
10 from PPL affiliates, providing the ability to maximize returns on excess cash and minimize
11 interest costs for working capital. The third-party credit facility will provide an efficient cost
12 of borrowing commensurate with Narragansett's stand-alone credit ratings and likely access
13 to the commercial paper market.

14 **Q. Can you provide additional detail regarding the PPL affiliate borrowing arrangement**
15 **that will be used to provide liquidity capacity to Narragansett?**

16 A. PPL expects to establish an affiliate borrowing arrangement where Narragansett may lend or
17 borrow funds on a short-term basis at market-based rates. The interest rates on borrowings
18 are expected to be commensurate with market-based rates based on the individual credit
19 ratings of the borrower providing an efficient use of cash and cost of capital. PPL has
20 included a draft of these Loan Agreements as Exhibit A and Exhibit B.

1 **Q. Can you provide additional details on PPL’s plan for establishing a Master Credit**
2 **Facility?**

3 A. PPL is in the process of establishing a syndicated Master Credit Facility in the aggregate
4 amount of \$1.25 billion under which PPL Capital Funding would be a borrower and
5 Narragansett could become a co-borrower upon receipt of regulatory approval. The Master
6 Credit Facility will have a maturity date of December 6, 2026 and would allow for each co-
7 borrower to participate in a single credit facility, which would enable efficient and unilateral
8 positioning of revolving capacity subject to sub-limits for each co-borrower. If approved,
9 Narragansett would not be jointly liable for PPL Capital Funding’s borrowings (or vice
10 versa) and pricing for Narragansett and PPL Capital Funding would be specific to their
11 respective individual credit ratings. PPL expects to enter the Master Credit Facility with
12 respect to PPL Capital Funding on or about December 6, 2021, and PPL Capital Funding
13 initially would have access to the full \$1.25 billion capacity under the Master Credit Facility
14 as the sole Borrower. Immediately upon the close of the Transaction after PPL assumes
15 ownership and control of Narragansett, PPL will cause Narragansett to file an application for
16 approval under R.I. Gen. Laws § 39-3-15 and 815-RICR-00-00-1.14 for Narragansett to enter
17 this financing arrangement by joinder. Once Narragansett joins the Master Credit Facility
18 upon receiving regulatory approval, the sub-limits are expected to be \$650 million to
19 \$1.25 billion for PPL Capital Funding, with an operative sublimit of \$1.0 billion, and \$0 to
20 \$600 million for Narragansett, with an initial operative sub-limit of \$250 million. PPL

1 expects that Narragansett will have sufficient liquidity through excess cash on hand and/or
2 the use of affiliate borrowings to operate Narragansett until it obtains approval of its joinder
3 to the Master Credit Facility.

4 **Q. Does PPL currently operate a corporate money pool?**

5 A. PPL does not operate a corporate money pool that includes all its regulated utility
6 subsidiaries. However, LG&E and KU participate in a money pool arrangement with their
7 parent company, LKE. This money pool arrangement in Kentucky provides the ability to
8 utilize cash amongst these operating subsidiaries that are jointly managed for purposes of rate
9 case proceedings and ongoing financing needs with the Kentucky Public Service
10 Commission. PPL currently has no plans to implement a utility money pool following the
11 close of the Transaction, nor does PPL intend to have Narragansett participate in the LKE
12 money pool arrangement. PPL will continue to evaluate and consider whether a money pool
13 would be beneficial prospectively. This evaluation would include the cost benefits
14 associated with that arrangement for Narragansett and PPL's other utility subsidiaries,
15 including any required regulatory approvals in all of PPL's regulatory jurisdictions.

1 **Q. Advocacy Section Witness Kahal states that if “the Transaction is approved, then PPL**
2 **should investigate and evaluate [the] options [Mr. Kahal describes in his testimony] and**
3 **report back to the Division within six months of closing.” See Kahal Testimony 26:14-**
4 **15. How does PPL respond to this recommendation?**

5 A. As I mentioned earlier, PPL is currently in the process of establishing a syndicated Master
6 Credit Facility under which PPL Capital Funding would be a borrower and Narragansett
7 could become a co-borrower upon receipt of regulatory approval. If Narragansett enters into
8 a money pool agreement in the future, Narragansett will submit such an agreement to the
9 Division for review and consideration.

10

11 **VIII. Conclusion**

12 **Q. Can you summarize PPL’s policies and practices related to financing and cost of capital**
13 **that will benefit customers if the Division approves the Transaction?**

14 A. PPL will adopt several ring-fencing protections to ensure Narragansett’s independence and
15 financial stability. PPL will exclude goodwill from ratemaking capital structure. In addition,
16 PPL will manage Narragansett’s common equity ratio to remain substantially consistent with
17 the approved common equity ratio of 51% from Narragansett’s most recent rate case. PPL
18 also will evaluate Narragansett’s current long-term debt financing structure, which is
19 primarily unsecured long-term debt, to determine whether it is cost-effective and efficient or
20 whether PPL should pursue the steps necessary to allow Narragansett to issue secured long-

1 term debt. Regarding short-term debt, PPL is establishing a syndicated Master Credit
2 Facility under which PPL Capital Funding would be a borrower and Narragansett could
3 become a co-borrower upon receipt of regulatory approval after the Transaction closes.
4 Overall, PPL has the experience and the plans in place to ensure that Narragansett remains an
5 independent, financially strong utility with the necessary access to capital to ensure
6 continued safe and reliable operations after the Transaction closes.

7 **Q. Does this conclude your testimony?**

8 A. Yes.

LOAN AGREEMENT

September 10, 2021

Narragansett Electric Company
Two North Ninth Street
Allentown, PA 18101

Gentlemen:

CEP Reserves, Inc. ("Lender") may, at its option, quote interest rates including the period such rate will remain in effect (collectively, a "Rate Quote") for loans (collectively, the "Loans" and individually, a "Loan") to Narragansett Electric Company ("Borrower"), and the Borrower, at its option, may accept such Loans. Acceptance of a Rate Quote by the Borrower, whether verbal, telephonic or in writing, shall be irrevocable and, upon such acceptance, the Borrower shall execute a Note in favor of the Lender for such Loans (the "Note") and the Lender shall record the amount of each such Loan, its maturity date, if any, its interest rate, the applicable interest rate period, and other key terms in a confirmation to the Borrower. Such records of the Lender shall be presumptive evidence of the matters indicated therein, as described in Exhibit A, the Intercompany Facility Term Sheet.

The Borrower makes the continuing representation and warranty to the Lender (i) that the execution and delivery of this Loan Agreement and the Note by the Borrower have been duly authorized, (ii) that all governmental and regulatory approvals required in connection with execution, delivery or performance of this Loan Agreement and the Note have been obtained and are in full force and effect, (iii) that the execution, delivery and performance of this Loan Agreement and the Note will not conflict with any other agreement to which the Borrower is a party or with the Borrower's bylaws, articles of incorporation or other organizational documents and (iv) that this Loan Agreement and the Note are valid and legally binding obligations of the Borrower and enforceable in accordance with their respective terms.

This Loan Agreement may be terminated by the Borrower or the Lender at any time by giving the other party not less than five business days notice to that effect. Prior to termination, the Borrower will pay to the Lender the principal amount and accrued interest on any outstanding Loans made under this Loan Agreement.

This Loan Agreement and the Note shall be subject to the laws of the State of Delaware.

Very truly yours,

CEP Reserves, Inc.

By: _____

Vice President, Secretary & Assistant Treasurer

Accepted and Agreed to:

Narragansett Electric Company

By: _____

Vice President Finance and Treasurer

Exhibit A

Confirmation – Intercompany Facility Term Sheet

Effective 9/20/2021

Lender CEP Reserves, Inc

Borrower Narragansett Electric Company

Instruments Loan Agreement, Demand Note

Purpose Working capital needs

Type Demand, revolving facility

Rate 1 Month LIBOR + Applicable Percentage

Conventions Actual/360 basis

Revolving Commitment \$400,000,000.00

Commitment Fee None

Definitions: “Applicable Percentage” means, for purposes of calculating the applicable interest rate for any day for any Loans, the appropriate applicable percentage is set forth below, corresponding to the then current highest rating of PPL Corporation.:

	Borrower’s Ratings (S&P/Moody’s)	Applicable Percentage for Commitment Fee	Applicable Percentage for Loans
Category A	≥ A+ from S&P / A1 from Moody’s	0.075%	0.875%
Category B	A from S&P / A2 from Moody’s	0.100%	1.000%
Category C	A- from S&P / A3 from Moody’s	0.125%	1.125%
Category D	BBB+ from S&P / Baa1 from Moody’s	0.175%	1.250%
Category E	BBB from S&P / Baa2 from Moody’s	0.200%	1.500%
Category F	≤ BBB- from S&P / Baa3 from Moody’s	0.250%	1.625%

“Highest Rating of PPL Corporation” means, the then-prevailing senior unsecured long-term debt rating of PPL Corporation from S&P or Moody’s, as this is the corporation’s primary source of external financing. In the event the ratings differ between the two companies referred above, the higher of the two ratings will apply.

“1 Month LIBOR rate” means the rate quoted on the last business day of

the prior calendar month. The offered quotation for the Currency and for one month period which appears on systems (e.g. Bloomberg Service, Thomson – Reuters, etc.) for the purposes of displaying London Interbank offered rates of banks as of 11:00 a.m. (London time). The quotation for the most recent preceding Business Day shall apply for days that are not Business Days.

“Business Day” means a day on which banks in New York are generally open.

“Currency” means US Dollars.

<u>Interest Payment</u>	Settlement as of the 20 th calendar day of each month, with at such time or times as determined by the PPL Treasury Department.
<u>Prepayment</u>	Of all or any portion at any time, with reimbursement to the Lender for any loss or expense as provided for in the documents
<u>Termination for cause</u>	Conditions including failure to pay, etc., as provided for in the documents.
<u>Jurisdiction</u>	State of Delaware

DEMAND NOTE

Allentown, Pennsylvania

September 10, 2021

FOR VALUE RECEIVED, the undersigned, Narragansett Electric Company (“Borrower”), promises to pay to CEP Reserves, Inc. (“Lender”), each of the Loans indicated on the Lender’s records (collectively, the “Loans” and individually, a “Loan”) on demand for such Loan as recorded by the Lender. The aggregate principal amount of all such Loans shall not exceed \$400,000,000.00. All principal payments hereunder shall be made in immediately available funds in lawful money of the United States of America.

The undersigned further promises to pay interest on each such Loan for the interest period and at the rate per annum recorded by the Lender for such Loan. Interest on each such Loan hereunder shall be due and payable at the end of an interest period as recorded by the Lender. All interest payments hereunder shall be made in immediately available funds in lawful money of the United States of America.

This Note is the Note referred to in the Loan Agreement (“Loan Agreement”) dated September 10, 2021 by and between the undersigned and the Lender, as at any time amended. All capitalized terms used herein which are not otherwise defined shall have the meanings assigned in the Loan Agreement.

The proceeds of any Loan made hereunder shall be transferred on the date such Loan is made in immediately available funds to a bank account designated by the Borrower.

The Lender may, at its option, declare this Note immediately due and payable and terminate its commitment under the Loan Agreement without further formality, if (a) the Borrower fails to pay when due the principal of or interest on any Loan or any other amount payable hereunder or under the Loan Agreement, or (b) the Borrower ceases to pay its debts or makes an assignment for the benefit of creditors, or any proceeding relating to the Borrower under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, is commenced by or against the Borrower or the Borrower becomes or is adjudicated insolvent or bankrupt, provided, that upon the happening of any event specified in subparagraph (b) above, this Note and any other obligations of the Borrower to the Lender shall become immediately due and payable and commitments under the Loan Agreement shall be terminated without declaration or other notice to the Borrower.

The Borrower may prepay all or any portion of a Loan at any time. However, if for any reason the principal of any Loan evidenced by this Note, or any portion thereof, is paid prior to the stated maturity date, the Borrower shall reimburse the Lender on demand for any resulting loss or expense incurred by it including any loss or expense incurred in obtaining, liquidating or employing deposits from third parties.

Narragansett Electric Company

By: _____

Vice President Finance and Treasurer

LOAN AGREEMENT

September 10, 2021

CEP Reserves, Inc.
3993 Howard Hughes Parkway Suite 250
Las Vegas, NV 89109

Gentlemen:

Narragansett Electric Company ("Lender") may, at its option, quote interest rates including the period such rate will remain in effect (collectively, a "Rate Quote") for loans (collectively, the "Loans" and individually, a "Loan") to CEP Reserves, Inc. ("Borrower"), and the Borrower, at its option, may accept such Loans. Acceptance of a Rate Quote by the Borrower, whether verbal, telephonic or in writing, shall be irrevocable and, upon such acceptance, the Borrower shall execute a Note in favor of the Lender for such Loans (the "Note") and the Lender shall record the amount of each such Loan, its maturity date, if any, its interest rate, the applicable interest rate period, and other key terms in a confirmation to the Borrower. Such records of the Lender shall be presumptive evidence of the matters indicated therein, as described in Exhibit A, the Intercompany Facility Term Sheet.

The Borrower makes the continuing representation and warranty to the Lender (i) that the execution and delivery of this Loan Agreement and the Note by the Borrower have been duly authorized, (ii) that all governmental and regulatory approvals required in connection with execution, delivery or performance of this Loan Agreement and the Note have been obtained and are in full force and effect, (iii) that the execution, delivery and performance of this Loan Agreement and the Note will not conflict with any other agreement to which the Borrower is a party or with the Borrower's bylaws, articles of incorporation or other organizational documents and (iv) that this Loan Agreement and the Note are valid and legally binding obligations of the Borrower and enforceable in accordance with their respective terms.

This Loan Agreement may be terminated by the Borrower or the Lender at any time by giving the other party not less than five business days notice to that effect. Prior to termination, the Borrower will pay to the Lender the principal amount and accrued interest on any outstanding Loans made under this Loan Agreement.

This Loan Agreement and the Note shall be subject to the laws of the State of Delaware.

Very truly yours,

Narragansett Electric Company

By: _____

Vice President Finance and Treasurer

Accepted and Agreed to:

CEP Reserves, Inc.

By: _____

Vice President, Secretary & Assistant Treasurer

Exhibit A

Confirmation – Intercompany Facility Term Sheet

Effective 9/10/21

Lender Narragansett Electric Company
Borrower CEP Reserves, Inc.
Instruments Loan Agreement, Demand Note
Purpose Working capital needs
Type Demand, revolving facility
Rate 1 Month LIBOR + Applicable Percentage
Conventions Actual/360 basis

Revolving Commitment \$150,000,000.00

Commitment Fee None

Definitions: “Applicable Percentage” means, for purposes of calculating the applicable interest rate for any day for any Loans, the appropriate applicable percentage is set forth below, corresponding to the then current highest rating of PPL Corporation.:

	Borrower’s Ratings (S&P/Moody’s)	Applicable Percentage for Commitment Fee	Applicable Percentage for Loans
Category A	≥ A+ from S&P / A1 from Moody’s	0.075%	0.875%
Category B	A from S&P / A2 from Moody’s	0.100%	1.000%
Category C	A- from S&P / A3 from Moody’s	0.125%	1.125%
Category D	BBB+ from S&P / Baa1 from Moody’s	0.175%	1.250%
Category E	BBB from S&P / Baa2 from Moody’s	0.200%	1.500%
Category F	≤ BBB- from S&P / Baa3 from Moody’s	0.250%	1.625%

“Highest Rating of PPL Corporation” means, the then-prevailing senior unsecured long-term debt rating of PPL Corporation from S&P or Moody’s, as this is the corporation’s primary source of external financing. In the event the ratings differ between the two companies referred above, the higher of the two ratings will apply.

"1 Month LIBOR rate" means the rate quoted on the last business day of the prior calendar month. The offered quotation for the Currency and for a one month period which appears on systems (e.g. Bloomberg Service, Thomson - Reuters, etc.) for the purposes of displaying London Interbank offered rates of banks as of 11:00 a.m. (London time). The quotation for the most recent preceding Business Day shall apply for days that are not Business Days.

"Business Day" means a day on which banks in New York are generally open.

"Currency" means US Dollars.

<u>Interest Payment</u>	Settlement as of the 20 th calendar day of each month, with at such time or times as determined by the PPL Treasury Department.
<u>Prepayment</u>	Of all or any portion at any time, with reimbursement to the Lender for any loss or expense as provided for in the documents
<u>Termination for cause</u>	For conditions including failure to pay, etc., as provided for in the documents.
<u>Jurisdiction</u>	State of Delaware

DEMAND NOTE

Allentown, Pennsylvania

September 10, 2021

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CEP Reserves, Inc.

By: _____
Mindy Walser
Vice President, Secretary & Assistant Treasurer