

PPL CORPORATION, PPL RHODE ISLAND 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: Bethany L. Johnson

PRE-FILED REBUTTAL TESTIMONY

OF

BETHANY L. JOHNSON

DIRECTOR OF REGULATORY AFFAIRS

**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 Bethany Johnson, 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 Director of Regulatory Affairs for PPL Electric Utilities Services. I am responsible
7 for PPL Electric Utilities Corporation's ("PPL Electric") energy and utility policy, company
8 strategy, development of load and revenue forecasting and analysis, procurement of
9 wholesale generation supply, distribution rate design and administration, general tariff
10 administration, and cost of service implementation, as well as transmission FERC Formula
11 Rates, development of rate case strategies and processes, and regulatory compliance with the
12 regulatory requirements of the Pennsylvania Public Utility Commission, the Federal Energy
13 Regulatory Commission and other regulatory agencies, as necessary. As part of this
14 function, I am responsible for the preparation, review, and technical oversight and guidance
15 of the development, content, and structure of cost allocation and revenue requirement studies.
16 In addition, I am responsible for all aspects of PPL Electric's rates and rider and scheduling
17 and settlement activities with PJM Interconnection, LLC. I also prepare and present expert
18 testimony regarding these and other cost-of-service and ratemaking-related issues.

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

2 A. In 2000, I was employed by PPL Global Operations, Inc. (“PPL Global Operations”), where I
3 supported the accounting and financial reporting activities for PPL Global Operations’
4 domestic operations. In 2001, as a result of corporate realignment, I joined PPL Generation,
5 LLC. In this position, my responsibilities included cost control, budgeting, reporting, and
6 management of the forecasting process for large construction projects, as well as the
7 administration of construction and financing contracts. In 2004, I rejoined PPL Global
8 Operations as a Senior Business Analyst with responsibility for maintaining, analyzing,
9 consolidating, and presenting business plans and operational performance results for PPL
10 Global Operations’ international affiliates. In 2007, I joined PPL Energy Services Group,
11 LLC as a Business Analyst providing financial modeling and analytical support for
12 evaluations of acquisition, development, and divestiture opportunities. In 2009, I joined PPL
13 Electric as a Project Controls Specialist providing advanced cost analysis for distribution and
14 transmission projects. Later in 2009, I became the Financial Business Planning Specialist in
15 the Regulatory Compliance Department. In August 2012, I was named Manager -
16 Regulatory Compliance for PPL Electric, and in October 2015, I was named Manager -
17 Regulatory Operations, which included overseeing scheduling and settlement functions with
18 PJM Interconnection, LLC. During my time in this role, I also took responsibility for load
19 and revenue forecasting and reporting as well as energy and utility policy, company strategy.
20 In September 2020, I was named Director-Regulatory Affairs.

1 I earned a Bachelor of Arts degree in General Finance from King's College in 1999, and I
2 received a Master of Business Administration from Moravian College in 2003.

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

4 A. Yes. I have testified before public utilities regulators in Pennsylvania. Please see Exhibit A
5 for a list of proceedings in which I have provided testimony.

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

7 A. This Section I is the Introduction, which provides an overview of my relevant background.
8 Section II provides a brief overview of the purpose of this testimony. Section III describes
9 PPL Corporation's ("PPL") approach to and experience with developing proposals for
10 electric rates and the filing of these proposals for PPL Electric in Pennsylvania. Section IV
11 explains PPL's overarching approach to cost recovery in the context of the PPL Rhode Island
12 Holdings, LLC's ("PPL RI") proposed acquisition of The Narragansett Electric Company
13 ("Narragansett") from National Grid USA (the "Transaction"), including during the
14 transition period established by the Transition Services Agreement ("TSA"), pursuant to
15 which National Grid USA and its affiliate National Grid USA Service Company, Inc.
16 ("National Grid Service Company") will continue to provide services to Narragansett for a
17 period of time after the Transaction closes. Section V provides a general overview of PPL's
18 forward-looking approach to rate-setting in Rhode Island. Section VI discusses certain
19 accounting matters in connection with the Transaction. Section VII is the Conclusion.

1 **II. Purpose of this Testimony**

2 **Q. Did you file direct testimony in support of the Petition?**

3 A. No.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. As a general matter, my testimony supports approval of the Transaction by the Division of
6 Public Utilities and Carriers (the “Division”) under the applicable legal standard. My
7 testimony helps demonstrate that PPL is a seasoned utility operator with the experience
8 necessary to ensure that there is no degradation of utility service after the Transaction closes.
9 My testimony also demonstrates that Narragansett will pursue cost recovery in a future rate
10 proceeding in a manner that ensures that Narragansett customers will not be charged higher
11 rates solely because of the Transaction. Finally, my testimony directly responds to issues
12 raised by several witnesses on behalf of the Division Advocacy Section (the “Advocacy
13 Section”) and the Rhode Island Attorney General (the “RIAG”), particularly with respect to
14 the recovery of costs incurred during the transition period and costs that may be duplicative
15 of expenditures made during National Grid USA’s ownership of Narragansett. These
16 witnesses include Advocacy Section Witnesses Michael R. Ballaban, Gregory L. Booth,
17 David J. Efron, and Bruce R. Oliver and RIAG Witnesses Mark D. Ewen and Robert D.
18 Knecht. As I describe in this testimony, PPL’s general approach to costs recovery and its
19 treatment of transition costs under the TSA mean that customers will experience no net harm
20 from the Transaction with respect to rates and costs recovery. Additionally, my testimony

1 explains certain accounting matters in connection with the Transaction in response to the
2 Advocacy Section Witness Effron's testimony and explains why these accounting elections
3 will not result in any adverse impacts as a result of the Transaction.
4

5 **III. PPL's General Approach to Cost Recovery**

6 **Q. In what jurisdictions does PPL currently file base distribution rate cases?**

7 A. PPL files base distribution rate cases in Pennsylvania and Kentucky.

8 **Q. Are you familiar with the substantive showings PPL must make in these jurisdictions
9 for base rate approval?**

10 A. I am familiar with the substantive showings PPL must make in Pennsylvania to obtain
11 approval for base distribution rates. PPL's experience with base distribution rate case
12 proceedings in Kentucky will be addressed in the Pre-Filed Rebuttal Testimony of Lonnie E.
13 Bellar.

14 **Q. Are you familiar with the substantive showings required in Rhode Island for base
15 distribution rate approval?**

16 A. Yes.

17 **Q. How do the requirements in Rhode Island compare to those required in other
18 jurisdictions where PPL currently files rate cases?**

19 A. Overall, the requirements for approval of base distribution rates in Pennsylvania are very
20 similar to the requirements for approval of base distribution rates in Rhode Island. PPL's

1 experience in filing base distribution rate proceedings in Pennsylvania, therefore, prepares it
2 well to understand and manage the base distribution rate case process in Rhode Island.

3 **Q. Can you summarize the base distribution rate case process in Pennsylvania?**

4 A. Yes. From a process perspective, PPL Electric routinely evaluates the need for a distribution
5 base rate case, including during the business planning process, as well as other times
6 throughout the year if PPL Electric believes that there may be significant changes to its
7 financial position during the term of the business plan. PPL Electric continuously reviews its
8 financial needs and balances those needs with the potential impacts to customers and other
9 stakeholders, such as the Pennsylvania Public Utilities Commission, the Office of Consumer
10 Advocate, the Office of Small Business Advocate, and other stakeholders, as well as
11 evaluating the utility industry environment for emerging trends and technologies that should
12 be considered when PPL Electric proposes a base distribution rate case. These factors are
13 considered when determining whether PPL Electric will submit a base distribution rate case.

14
15 Once PPL Electric decides to file a base distribution rate case, the regulatory department acts
16 as the lead to develop the case, including oversight of the overall process and strategy as well
17 as all of the filing requirements, interrogatories, and testimony. The regulatory leads reach
18 out to key members of the business areas to begin preparations and identify how to prepare
19 the information and the timeline for preparation. There are various milestones throughout the
20 process including kickoff meetings and regularly scheduled meetings with senior leadership

1 to provide status updates and re-evaluate any strategic decisions as the proposal is developed.

2 In Pennsylvania, the time from filing to rate implementation is typically about nine months.

3 However, PPL Electric will begin development of its filing well in advance of the filing date

4 – potentially six months or more. This allows ample time to determine subject matter

5 experts, process and workflow, leadership updates and more.

6
7 Due to the process in Pennsylvania, PPL Electric does not typically engage stakeholders in

8 advance of filing the case; however, public notice is provided 30 days prior to filing. After

9 filing, PPL Electric engages with stakeholders through several public input hearings and all

10 intervenors through settlement negotiations. In fact, the Pennsylvania Public Utility

11 Commission (“PA PUC”) encourages parties to reach full or partial settlement agreements.

12 PPL Electric was able to reach settlement in two of its last three rate cases dating back to

13 2010.

14
15 Pennsylvania allows for the use of a Fully Projected Future Test Year (“FPFTY”), which

16 PPL Electric has utilized in its only rate case filed since its use was permitted in 2012. In

17 order to use a FPFTY for ratemaking purposes, PPL Electric must be able to support a very

18 detailed business plan including detailed expenses and anticipated project-in-service dates.

19 PPL Electric also submits as support for its claim historic and future test year data (“HTY”

20 and “FTY,” respectively). This demonstrates the considerable time and effort PPL Electric

1 undertakes to provide detailed financial information for three years (historic and future) in its
2 initial filing, and PPL Electric is able to explain changes to the data over those three years,
3 proving that the information provided in the FPFTY is prudent and will result in just and
4 reasonable rates. As part of this initial filing, PPL Electric also provides cost-of-service
5 studies for each of the three years, typical annualizing and normalizing ratemaking
6 adjustments, including tax impacts, and demonstrates what customer rates would be for each
7 rate schedule.

8 **Q. Can you summarize your understanding of the base distribution rate case process in**
9 **Rhode Island?**

10 A. Yes. PPL and PPL RI understand that Narragansett's planning process to prepare to file a
11 base distribution rate case in Rhode Island is substantially similar to the process described
12 above by PPL Electric, though Rhode Island does not currently recognize future test years.
13 From that process, Narragansett prepares proposed base distribution rates based on a historic
14 test year. Narragansett also identifies any other investments or expenditures for which it
15 seeks approval for recovery through base distribution rates, as well as identifying any other
16 costs for which it seeks recovery. Through this process, Narragansett develops a cost of
17 service for a proposed rate year. The Rhode Island Public Utilities Commission (the
18 "Commission") then conducts a proceeding to vet Narragansett's proposed revenue
19 requirement, base distribution rates, and accompanying proposals. That proceeding includes
20 participation by the Division as a consumer advocate, and often includes many other

1 interested parties as interveners. Often, the Division and the other intervening parties
2 negotiate to reach a settlement with Narragansett to present to the Commission for review
3 and approval. The parties and the Commission assess the reasonableness of the rates, and the
4 Commission enters an order establishing the new base distribution rates.

5 **Q. Are there any aspects of the Rhode Island base distribution rate case process with**
6 **which PPL does not have experience?**

7 A. No. Although the processes are not identical, the work necessary to develop and support
8 proposed base distribution rates is substantially similar, and PPL's experience translates well
9 to what it will need to do to prepare base distribution rate cases in Rhode Island.

10 **Q. Are there components of rates in Rhode Island that are not part of the base distribution**
11 **rates?**

12 A. Yes, there are many additional rates and factors that Narragansett establishes through
13 proceedings outside base distribution rate proceedings. Those rates and factors include, but
14 are not limited to the cost of supply, transmission rates, various renewable energy programs,
15 and the Infrastructure, Safety, and Reliability ("ISR") Plans.

16 **Q. Does PPL have experience in Pennsylvania with these other rates and factor**
17 **proceedings as well?**

18 A. Yes, though they are not identical. One difference is that Pennsylvania does not have a
19 program substantially similar to the ISR Plans. PPL Electric obtains approval for its capital
20 spending on electric distribution infrastructure as part of its Long Term Infrastructure

1 Improvement Plan, and it recovers costs for that spending through the Distribution System
2 Improvement Charge. As a result of this similar experience, together with the services PPL
3 will receive from National Grid USA and National Grid Service Company through the TSA
4 and the experienced personnel PPL is hiring from National Grid USA and National Grid
5 Service Company as part of the transition, PPL will have the complete capability to
6 seamlessly take over management of the various filings Narragansett must make pursuant to
7 its existing tariffs that provide for these various reconciling mechanisms and the rates and
8 factors that result from them.

9
10 **IV. Cost Recovery in Connection with the Transition Period**

11 **Q. Upon closing, does PPL intend to make any immediate changes to Narragansett rates
12 and tariffs?**

13 A. No, PPL does not intend to make any immediate changes to Narragansett rates and tariffs
14 upon closing of the Transaction. PPL will need to seek approval to change the entity name
15 identified in certain tariffs to remove the “doing business as National Grid” designation.
16 Aside from that, Narragansett’s rates and tariffs will remain the same immediately following
17 Transaction close.

1 **Q. If Narragansett subsequently wanted to adjust its rates or tariffs, how would it go about**
2 **doing so?**

3 A. Narragansett would have to follow exactly the same regulatory procedures it follows now,
4 unless there are statutory or regulatory changes. PPL does not expect that there will be any
5 such changes. If any do occur, such changes only would arise through the actions of the
6 Rhode Island General Assembly, the Commission, and/or the Division. PPL would not be
7 able to make any such changes unilaterally.

8 **Q. Do PPL and PPL RI plan to have Narragansett seek recovery of any transition costs as**
9 **part of the Transaction?**

10 A. PPL and PPL RI have not yet determined whether Narragansett will seek recovery of any
11 transition costs. As PPL and PPL RI explained in their responses to data requests in this
12 proceeding, they plan to make a determination on a case-by-case basis whether to seek
13 recovery of transition costs.

14 **Q. What is your understanding of the showing Narragansett would have to make to justify**
15 **any transition cost recovery through rates?**

16 A. My understanding is that Narragansett would have to demonstrate that the transition costs
17 generated benefits for customers and are just and reasonable.

18 **Q. Is that any different than the showing Narragansett must make now?**

19 A. No.

1 **Q. Can you explain in detail what PPL and PPL RI's approach will be to recovery of**
2 **transition costs?**

3 A. Yes. If PPL and PPL RI decide to pursue recovery of transition costs, it will be because they
4 have determined that they can demonstrate that those costs are just and reasonable to be
5 passed on to customers. This would require PPL and PPL RI to demonstrate that the costs
6 for which it is seeking recovery are incremental, providing new benefit, and have not been
7 previously recovered from customers for the same services that National Grid USA would
8 have provided. Accordingly, to the extent PPL and PPL RI cause Narragansett to seek
9 recovery for transition costs, those costs will either be: (i) like-for-like replacement of costs
10 that Narragansett otherwise would have incurred under National Grid USA ownership, or (ii)
11 additional costs that delivered incremental customer benefits over and above the services and
12 benefits Narragansett customers previously had received. Any PPL and PPL RI proposal for
13 recovery of transition costs will be subject to review and approval by the Commission
14 applying the benefit-cost framework it has adopted for evaluation of cost recovery for
15 proposals – now referred to as the Rhode Island Test. In any Commission proceeding to
16 determine whether to allow recovery of transition costs, whether as part of a base distribution
17 rate case or otherwise, the Division will have a full and fair opportunity to review and weigh
18 in on whether such costs should be recoverable. Additionally, other interested parties will
19 have an opportunity to seek to intervene, or otherwise comment on, the appropriateness of
20 the proposed cost recovery. Narragansett will not be able to recover any transition cost

1 unless it meets all the necessary regulatory hurdles to establish that it is appropriate for
2 Narragansett to do so.

3 **Q. Have PPL and PPL RI made any commitments not to seek other costs associated with**
4 **the Transaction?**

5 A. Yes, PPL and PPL Rhode Island will not seek recovery of acquisition premiums and
6 transaction costs. Further, to the extent that PPL and PPL RI incur costs that are duplicative
7 of costs Narragansett already has incurred to replace existing facilities or Information
8 Technology Systems (and these replacements do not provide incremental functionality and
9 benefits), or that Narragansett incurs transition costs that are duplicative of costs National
10 Grid Service Company is providing under the TSA, PPL and PPL RI will not cause
11 Narragansett to seek recovery of such costs.

12 **Q. Advocacy Section Witness Ballaban claims that PPL and PPL Rhode Island have**
13 **provided inconsistent responses on whether recovery for transition costs will be sought;**
14 **do you agree?**

15 A. No. PPL and PPL RI have been consistent throughout their responses to data requests in this
16 proceeding. It is too early to tell which transition activities and costs will provide
17 incremental benefits, which is why PPL and PPL RI have explained that they will determine
18 whether to seek recovery of transition costs that fit the criteria for recovery at the appropriate
19 time. It will be PPL and PPL RI's burden to support approval of any requested cost
20 recovery. However, PPL and PPL RI will not cause Narragansett to seek recovery of any

1 costs or investments that would result in customers paying for the same thing twice as a
2 result of the Transaction.

3 **Q. Briefly, what is the TSA?**

4 A. The Transition Services Agreement, or “TSA,” is an agreement between Narragansett and
5 National Grid Service Company through which National Grid Service Company will provide
6 ongoing support to Narragansett for certain functions after the Transaction close.

7 **Q. How do PPL and PPL RI plan to treat costs incurred by Narragansett under the TSA?**

8 A. First, Narragansett’s base distribution rates will remain the same after the Transaction closes
9 until such time as PPL and PPL RI cause Narragansett to file a new base distribution rate
10 case. Accordingly, under PPL RI ownership, Narragansett will not recover any additional
11 costs that arise under the TSA unless they seek recovery for them – either in a future base
12 distribution rate case or as a part of another filing with the Commission seeking cost
13 recovery. Second, PPL will not seek to recover in rates any markup charged by National
14 Grid Service Company in providing the TSA services. Instead, when PPL and PPL RI have
15 Narragansett file for cost recovery in the future, they will establish a cost of service based on
16 its costs (or estimated costs) – not on the amounts paid to National Grid Service Company
17 during the transition period under the TSA. As Chief Operating Officer Gregory Dudkin
18 testified in PPL and PPL RI’s initial filing and later explained in response to data requests,
19 the costs under the TSA will not result in an increase to the rates charged to Narragansett

1 customers. PPL and PPL RI will ensure that any future rate filing is consistent with that
2 position.

3 **Q. What is PPL's approach to cost recovery of any transition expenses that extend beyond**
4 **the TSAs?**

5 A. It will be the same as the approach described above for potential recovery of transition costs
6 during the expected transition period. PPL will not seek to recover in rates any markup
7 charged by National Grid Service Company in the provisioning of the TSA services. This
8 commitment applies to the original term of the TSA and any extensions.

9 **Q. How will PPL track whether costs were incurred in connection with the TSA?**

10 A. PPL will track transition costs, including costs for (i) operations and services provided by
11 National Grid USA and National Grid Service Company under the TSA, (ii) related to setting
12 up the PPL and PPL RI organization to serve Narragansett's customers, (iii) internal costs of
13 employees spending time working on transition issues, and (iv) external costs paid to
14 consultants to reorganize and consolidate functions at the PPL corporate level. To
15 accomplish this, PPL has set up separate project codes that are tracking internal labor time
16 spent on the Transaction as well as project codes that are tracking external third-party
17 invoices for project costs that it is incurring. Additionally, these project codes are being
18 tracked at the corporate level.

1 **Q. Who will have responsibility for tracking costs incurred in connection with the TSA?**

2 A. As explained above, PPL and PPL RI have set up a tracking process in its accounting
3 systems to separately track the transition costs they incur for the Transaction. By using those
4 project codes, the costs will be tracked separately and distinctly within PPL's accounting
5 system.

6 **Q. Advocacy Section Witness Ballaban raises a concern that PPL did not describe the**
7 **effect of the Transaction on customer rates during the transition period. Will the**
8 **Transaction have an impact on customer rates during the transition period?**

9 A. No, it will not. Narragansett's existing base distribution rates will remain in effect during the
10 transition period and until such time as PPL and PPL RI cause Narragansett to file a new
11 base distribution rate case, and new rates will go into effect after the Commission renders a
12 decision on the rate case filing. PPL and PPL RI do not have any current plans to file a new
13 base distribution rate case during the transition period, and, when PPL and PPL RI prepare
14 Narragansett's next base distribution rate case, PPL and PPL RI will not seek recovery of the
15 costs incurred for services provided by National Grid Service Company or any duplicative
16 costs PPL and PPL RI incurred during the transition. Rather, the next Narragansett base
17 distribution rate case will reflect PPL and PPL RI's understanding and expectation of its
18 costs to operate Narragansett and will not include any additional costs to facilitate the
19 transition. The Commission and all interested parties will have a full opportunity to review
20 and vet Narragansett's future rate proposal.

1 Additionally, during the transition period, the other components of Narragansett's rates,
2 which are set through a variety of reconciling mechanisms, will continue to be calculated and
3 approved in the same manner as they are currently, as prescribed by statute and as set forth in
4 Narragansett's tariffs. These reconciling mechanisms, which primarily provide for recovery
5 of pass-through costs, will continue to be incurred in the same manner. The Commission and
6 interested parties will continue to have the opportunity to review and vet Narragansett's
7 filings to confirm that it continues to calculate the rates and factors pursuant to the tariff
8 provisions governing these reconciling mechanisms under PPL RI ownership.

9 **Q. Mr. Ballaban anticipates significant effects on rates during the transition period based**
10 **on PPL's responses to the Advocacy Section's Data Requests DIV 4-1 through DIV 4-3.**
11 **See Ballaban Testimony 21:3-22:17. How do you respond to Mr. Ballaban's concerns?**

12 A. As Mr. Dudkin testified when PPL, PPL RI, National Grid USA, and Narragansett initially
13 submitted this petition, and as PPL and PPL RI consistently have stated in responses to data
14 requests, Mr. Ballaban's concern is unfounded. PPL and PPL RI will not be seeking to
15 establish rates based on the costs incurred for transition services during the transition period.
16 PPL and PPL RI will be tracking those costs separately and will identify any transition costs
17 that are appropriate for cost recovery under ratemaking principles. But, the pure transition
18 costs that PPL and PPL RI must incur solely to effectively take over ownership,
19 management, operation, and control of Narragansett and that do not provide incremental
20 benefits to Rhode Island customers, will not be a part of any rate recovery filing by

1 Narragansett. Therefore, there will not be significant effects on rates from the Transaction –
2 either during the transition period, or afterward.

3 **Q. Does PPL believe the Commission properly can evaluate any transition costs included**
4 **in a future rate case using the traditional reasonable and prudent standard?**

5 A. Yes. PPL and PPL RI have full faith in the Commission’s ability to fully evaluate any such
6 costs for which PPL and PPL RI seek recovery through rates at the proper time. Narragansett
7 will have the burden to satisfy the standard for recovery of any cost. If Narragansett seeks
8 recovery of transition costs on the grounds that the costs will result in incremental benefits to
9 customers, then Narragansett will have to establish how it calculated those incremental
10 benefits and how they arise from the costs such that the proposed benefit justifies cost
11 recovery. This is the typical work of ratemaking. The possibility that such an analysis might
12 be complex is not a reason to require that PPL and PPL RI refrain from seeking cost recovery
13 for any transition costs. The Commission and the Division are experienced and
14 knowledgeable in assessing cost recovery proposals, and the Commission has established
15 expectations and standards for determining whether costs are recoverable.

16
17 Further, Mr. Ballaban’s concerns about intergenerational inequity also are addressed through
18 the review and approval process, as well as Narragansett’s approach to determining the
19 transition costs for which it will seek recovery. Because Narragansett will seek recovery
20 only for those costs for which it can demonstrate incremental benefits, Narragansett will have

1 to identify the benefits that justify the cost recovery. The Commission will have an
2 opportunity to analyze the benefits Narragansett identifies and determine whether the cost
3 recovery proposal is just and reasonable for those benefits. If the proposed benefits are too
4 remote or speculative to justify the proposed upfront investment by customers, then the
5 Commission will have the ability to make that determination. Regardless, Mr. Ballaban's
6 concerns are highly speculative. PPL and PPL RI have not yet identified whether to seek
7 recovery of any transition costs, nor have they identified the benefits they will demonstrate to
8 support the recovery of any costs. The possibility that there might be a request for recovery
9 of transition costs now that PPL and PPL RI will justify based on benefits that will occur far
10 in the future may never come to pass, and therefore that concern does not support the
11 conclusion that PPL and PPL RI should face restrictions on their ability to have Narragansett
12 seek recovery of transition costs.

13
14 Additionally, Mr. Ballaban's concerns about transition costs impacting transmission formula
15 rates that are passed through to Narragansett customers are equally speculative and
16 unfounded. Any changes to Narragansett's formula transmission rates will be reviewed and
17 approved by FERC. That process will assess whether any such changes are appropriate
18 under the FERC rules.

1 **Q. Mr. Ballaban proposes a distribution base rate freeze for at least four years after the**
2 **Transaction closes. Does PPL agree with this recommendation?**

3 A. No. A rate freeze is not necessary to ensure that Narragansett customers do not pay
4 increased rates as a result of the Transaction or because of the transition costs. Whenever
5 Narragansett files its next base distribution rate case, it will be proposing rates based on its
6 costs to operate Narragansett and will not be seeking to set rates based on any increased costs
7 that arise because of the transition.

8 **Q. Mr. Booth also faults PPL for not indicating when after Transaction close it may make**
9 **a base distribution rate case filing. Does PPL have an estimate at this time of when**
10 **Narragansett may make rate filings?**

11 A. PPL and PPL RI have not yet determined when they will make Narragansett's next base
12 distribution case filing. At this time, because PPL does not have adequate detailed historic
13 information of its own, and must allow for time to develop such history, as well as a detailed
14 business plan, PPL and PPL RI currently are unable to predict with specificity future
15 Narragansett customer base distribution rates after the Transaction closes and Narragansett is
16 integrated with PPL. When PPL and PPL RI are better positioned to evaluate Narragansett's
17 financial needs to safely and reliably operate Narragansett, and balance that need with those
18 of customers, the Division, as well as other stakeholders, again taking into consideration
19 emerging trends and technologies, including the policy goals of the state of Rhode Island,

1 they will evaluate timing of a base distribution rate case and work the with Division and
2 other stakeholders, as appropriate, regarding its proposals.

3 **Q. Mr. Ballaban also proposes that the Division require PPL to “file robust evidence**
4 **regarding key accounting policies” at least 12 months before submitting a base**
5 **distribution rate request to the Commission. See Ballaban Testimony 36:18-37:6. How**
6 **does PPL respond to this recommendation?**

7 A. This recommendation is unnecessary and impractical. First, PPL and PPL RI already
8 provided their current cost allocation model when responding to data requests, and, while the
9 cost allocation manual does not include Narragansett, the principles in the manual will apply
10 to the cost allocation manual that will include Narragansett. See Attachment PPL-DIV
11 9-93-1. Second, as Mr. Ballaban acknowledges in his testimony, the Commission and the
12 Division will have the opportunity to review PPL and PPL RI’s accounting policies during
13 Narragansett’s next base distribution rate case. The rationale that requiring them to be
14 submitted in advance will give the Commission and the Division more time to review them
15 and “a greater opportunity to influence outcomes directly” is not a basis to impose a
16 requirement that is in excess of that which already is in place for Narragansett. Third, any
17 accounting policies that PPL and PPL RI might provide at this time may change by the time
18 Narragansett files its next base distribution rate case. Fourth, PPL and PPL RI will record
19 transactions in accordance with FERC and Generally Accepted Accounting Principles
20 (“GAAP”) accounting principles. Finally, historic financial information, such as that

1 provided in a distribution base rate case and in FERC Formula Rates, will be independently
2 audited. Thus, reviewing and vetting the current policies may result in wasted effort.

3
4 **V. PPL's Approach to Specific Rate-Setting Issues in Rhode Island**

5 **Q. Mr. Booth in his testimony opines that National Grid USA currently achieves synergies**
6 **and costs savings for Narragansett by allocating only a portion of the book value and**
7 **annual operating costs of certain facilities and functions to Narragansett. He uses as an**
8 **example the Northborough, Massachusetts, control center and states that, "Absent a**
9 **commitment by PPL to avoid passing certain costs to Rhode Island customers,**
10 **Narragansett ratepayers will be funding the full value of this new control center in**
11 **addition to paying 100 percent of its operating costs, as opposed to the current structure**
12 **in which Rhode Island ratepayers only incur a portion of costs for depreciated control**
13 **center built at a much lower costs than will be incurred by PPL." See Booth Testimony**
14 **19:11-20:8. How do you respond to this concern?**

15 **A.** Mr. Booth's concerns are misplaced. First, as discussed earlier in this testimony, PPL and
16 PPL RI will not be seeking recovery of costs incurred solely for the purpose of replacing
17 assets and functionality that Narragansett previously provided for its customers under
18 National Grid USA ownership. Second, Mr. Booth's focus on just one aspect of where
19 potential costs may be higher fails to take into account the many operational areas where PPL
20 and PPL RI believe there will be cost savings. As demonstrated in Attachment PPL-DIV 1-

1 54-1, PPL's costs are not expected to result in overall higher costs to operate Narragansett.
2 PPL and PPL RI intend to operate Narragansett, including the new control center, effectively
3 and efficiently such that any potential lost synergies from removing Narragansett from under
4 the National Grid USA umbrella are not expected to cause increased costs to operate
5 Narragansett that get passed on to Narragansett customers.

6 **Q. How does PPL intend to approach cost recovery for other instances in which PPL**
7 **Rhode Island start-up costs duplicate National Grid USA's existing facilities or**
8 **functions?**

9 A. PPL and PPL RI will not cause Narragansett to seek approval from the Commission for cost
10 recovery that would require Narragansett customers to pay for the same thing twice. If an
11 asset or system exists already, but PPL and PPL RI must re-create it as a result of the
12 Transaction, then PPL and PPL RI will not seek cost recovery for the pure like-for-like
13 replacement of the asset or functionality for which Narragansett customers already have paid.

14 **Q. Does this approach apply to Narragansett's investments to date in advanced metering**
15 **functionality and grid modernization?**

16 A. Yes.

17 **Q. Please elaborate.**

18 A. PPL and PPL RI are aware that Narragansett has made certain investments in grid
19 modernization for which it has received cost recovery through the rates established in Docket
20 Nos. 4770 and 4780. Additionally, PPL and PPL RI have reviewed the advanced metering

1 functionality (“AMF”) business case and the grid modernization plan (“GMP”) Narragansett
2 filed in Commission Docket Nos. 5113 and 5114, respectively, which the Commission has
3 stayed pending the Division’s decision in this matter. PPL and PPL RI are in the process of
4 evaluating Narragansett’s filings in Docket Nos. 5113 and 5114 and preparing a revised
5 AMF Business Case and GMP to propose in those dockets if the Division approves the
6 Transaction. With respect to cost recovery for any proposed grid modernization or AMF
7 investments, as PPL and PPL RI have explained in response to data requests, they will not
8 seek cost recovery for expenses that may duplicate expenses for which National Grid or
9 Narragansett has already sought and received recovery for grid modernization and AMF
10 investments. As with other costs, PPL and PPL RI may seek to recover portions of the costs
11 of its investments that replace unused assets to the extent they can demonstrate incremental
12 benefits, such as but not limited to (i) deploying Fault Location Isolation Service Restoration,
13 (ii) achieving real time visibility into the operation of the grid through the use of remote-
14 controlled smart grid facilities, and/or (iii) building Distributed Energy Resource
15 Management (“DERMS”) capabilities inside of the Advanced Distribution Management
16 System.

1 **Q. Mr. Booth faults PPL for not including a rate impact analysis with its initial Petition.**

2 **See Booth Testimony, 8:6-9, 13:16-14:8. Is there a reason PPL and PPL RI did not**
3 **provide a rate impact analysis with the Petition for approval of the Transaction?**

4 A. Yes. PPL and PPL RI have not completed a rate impact analysis because they have not
5 determined when Narragansett will file its next base distribution rate case and Narragansett's
6 base distribution rates will remain at their current levels until the Commission reviews and
7 approves new base distribution rates after the next base distribution rate case filing. As PPL
8 and PPL RI have explained, they expect that their costs to operate Narragansett will be less
9 than or equal to National Grid's costs to operate Narragansett, and PPL and PPL RI have
10 provided an illustrative cost estimate to demonstrate the reasoning behind that expectation in
11 Attachment PPL-DIV 1-54-1. The reconciling mechanisms will operate as they do currently,
12 and PPL does not expect any impact from the Transaction.

13 **Q. How do PPL and PPL RI respond to Mr. Booth's criticism that they created pro forma**
14 **earnings per share and cash flows for the Transaction for investors, but did not provide**
15 **a rate impact analysis?**

16 A. The analysis that PPL and PPL RI performed to create pro forma earnings per share and
17 expected cash flows is similar to the analysis that PPL and PPL RI performed to create the
18 operations cost comparisons in Attachment PPL-DIV 1-54-1. The expectations that PPL
19 communicated to investors regarding earnings per share and cash flows carry similar levels
20 of certainty as PPL and PPL RI's expectation that it will incur costs to operate Narragansett

1 that are less than or equal to National Grid USA's costs to operate Narragansett, and
2 therefore that the Transaction will not have an adverse impact on customer rates.

3
4 **VI. Transaction Accounting**

5 **Q. Do you agree that the Transaction will result in an acquisition premium?**

6 A. Yes. PPL's current estimate of the acquisition premium is approximately \$1.725 billion.

7 Narragansett currently has goodwill on its books of \$725 million, resulting in approximately
8 \$1.0 billion of incremental goodwill associated directly with the Transaction.

9 **Q. How do PPL and PPL RI plan to treat the acquisition premium with respect to setting
10 Narragansett's customer rates?**

11 A. PPL will exclude the acquisition premium and goodwill associated with the Transaction from
12 the ratemaking capital structure for Narragansett. The acquisition premium anticipated to be
13 recorded by PPL will not be pushed down to Narragansett's balance sheet; rather, it will be
14 on the books of PPL RI. PPL will not seek to include the effect of the acquisition premium
15 or transaction costs in the capital structure used for ratemaking purposes. PPL will continue
16 to exclude goodwill from this calculation so long as this treatment of goodwill remains
17 consistent with the prevailing regulatory best practices with respect to ratemaking capital
18 structure.

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

5 A. As I mentioned earlier, PPL’s current commitment for this proceeding is to exclude the
6 goodwill from the capital structure used for ratemaking purposes. Currently, goodwill is not
7 a recognized component of capital structure for ratemaking purposes for regulated utilities.
8 PPL recognizes and acknowledges that is the current regulatory paradigm. Accordingly, PPL
9 will not include goodwill as part of ratemaking capital structure unless the regulatory
10 paradigm changes. Although PPL does not currently anticipate any shift in the accepted
11 practices for the treatment of goodwill, PPL reserves the right to adjust its approach if such a
12 shift does occur. Moreover, any changes PPL proposes for the treatment of goodwill for
13 ratemaking purposes in the future will be subject to the review and approval of the
14 Commission, with the Division’s input.

15 **Q. What assurance is there that PPL and PPL RI will follow these plans after Transaction**
16 **close?**

17 A. If PPL and PPL RI were to take a different approach, then the Commission and the Division
18 would have the ability to reject that alternate approach.

1 **Q. Have any Advocacy Section witnesses taken a position regarding whether PPL and PPL**
2 **RI's proposed treatment of acquisition premium is appropriate?**

3 A. Yes. Mr. Effron testified that PPL and PPL RI's plans are appropriate. *See* Effron
4 Testimony 6:14-16.

5 **Q. Mr. Effron also raises concerns regarding the valuation of Narragansett's assets and**
6 **liabilities. Does PPL expect any differences between the fair market value of acquired**
7 **assets and the book value at the time of Transaction close?**

8 A. No.

9 **Q. Has PPL made any commitments in the event there is a difference between fair market**
10 **value and book value at the time of Transaction close?**

11 A. Yes. Post-Transaction, PPL and PPL RI will continue to state the utility property on
12 Narragansett's books of account at its original cost when first devoted to public utility
13 service.

14 **Q. Does Mr. Effron take a position regarding whether these commitments regarding**
15 **valuation are appropriate?**

16 A. Yes. Mr. Effron's testimony agrees with this approach. *See* Effron Testimony 7:11-17.

1 **Q. Mr. Effron’s testimony discusses the effect of the Transaction on Narragansett’s**
2 **valuation of assets and liabilities related to pensions and postretirement benefits other**
3 **than pensions (“PBOP”). How does PPL intend to address the valuation of pension and**
4 **PBOP assets and liabilities after Transaction close?**

5 A. The Transaction itself is not causing an increase or decrease in pension and postretirement
6 benefit obligations that would cause a change to Narragansett’s revenue requirement. The
7 pension plan and postretirement benefits will be re-measured upon acquisition after
8 Transaction closing, which is similar to the annual remeasurement performed by
9 Narragansett under National Grid USA ownership currently.

10
11 At the closing of the Transaction, employees remaining with Narragansett will be transferred
12 to new pension and other postretirement benefit plans specific to Narragansett. In addition,
13 the costs and obligations for a small number of National Grid Service Company employees
14 whose costs were previously allocated in part to Narragansett will now become direct
15 participants in the new Narragansett plans when those employees transition over to being
16 employees of Narragansett. Overall, the individual benefits provided and the obligations
17 related to the employees in the new plans will not change. However, the new plans will have
18 an initial measurement date effective with the close of the Transaction. As such, the gross
19 obligation will be remeasured based on assumptions and market conditions at the closing
20 date, similar to an annual remeasurement under GAAP. The assets of the former National

1 Grid USA pension plan(s) will be split using the required ERISA 4044 asset allocation
2 guidance, which prescribes how assets are attributed to existing active and retired
3 participants. In addition, the final asset amounts will be dependent upon market conditions
4 and returns and will be based on actual asset values as of the Transaction date, again similar
5 to an annual remeasurement.

6
7 Finally, PPL and PPL RI understand that in the most recent Pension Adjustment Factor
8 Filing for Narragansett at Docket No. 5054, National Grid USA is authorized to reconcile its
9 actual pension and post-retirement benefits other than pensions expenses annually for the
10 twelve-month period ending March 31 (in accordance with the plan sponsor's fiscal year
11 end). The difference between the PPL's actual expense and the allowance included in base
12 distribution rates is either charged or credited to electric retail delivery customers. PPL and
13 PPL RI expect to continue to fully comply with the Order at Docket No. 5054.

14 **Q. Does Mr. Effron have concerns with this approach?**

15 A. Yes. Mr. Effron is concerned that the remeasurement at the close of the Transaction may be
16 more extensive than the current annual remeasurement and could impact annual pension and
17 PBOP expense going forward. He seeks a commitment that any restatement of plan assets
18 and liabilities to fair value "will not increase Narragansett's revenue requirement to a level
19 higher than the level that would exist in the absence of the Transaction."

1 **Q. What is your response to Mr. Effron's position?**

2 A. PPL and PPL RI agree with Mr. Effron's assertion that the remeasurement at Transaction
3 close should not alter Narragansett's revenue requirement, and they agree that it will not do
4 so at the time of Transaction close. To the extent that Mr. Effron's position is that there can
5 be no adjustment to revenue requirement based on the pension and PBOP plan assets on an
6 indefinite basis because of the potential relationship to the remeasurement at Transaction
7 close, PPL and PPL RI do not agree. It is too speculative to determine whether future plan
8 assets and liabilities will impact revenue requirement, or whether any impacts to revenue
9 requirements would be connected to the remeasurement at Transaction close.

10 **Q. Finally, Mr. Effron discusses the Transaction's effect on accumulated deferred income**
11 **taxes ("ADIT"). Please describe briefly why this Transaction has an impact on ADIT.**

12 A. PPL, PPL RI, and National Grid USA have made an election under section 338(h)(10) of the
13 Internal Revenue Code (the "Tax Election") to treat PPL RI's stock purchase of Narragansett
14 as an asset purchase for tax purposes.

15 **Q. How does that election affect Narragansett's ADIT?**

16 A. ADIT arises because of accelerated tax depreciation on certain assets. As a result of the Tax
17 Election, Narragansett's asset values are reset to fair market value and the accelerated tax
18 depreciation previously recorded on those assets, and which gave rise to deferred tax
19 liabilities, is eliminated. Consequently, upon closing of the Transaction, Narragansett's
20 ADIT is reset to \$0.

1 **Q. What is the potential impact to customers of the elimination of Narragansett's ADIT?**

2 A. For ratemaking purposes, ADIT serves as a deduction from rate base, thus lowering rates.

3 The elimination of ADIT has the potential to result in increased rates.

4 **Q. Will the elimination of ADIT as a result of this Transaction increase Narragansett's**
5 **rate base and, therefore, customer rates?**

6 A. No.

7 **Q. Why is that?**

8 A. Although the reduction/elimination of ADIT will result in an increase to Narragansett's rate
9 base, in any future rate filing that includes ADIT, PPL will include a proposal to mitigate or
10 offset the impact to customers associated with the elimination of ADIT as of the date of the
11 Transaction.

12 **Q. How can the Division and the other interested parties be assured that the reset of ADIT**
13 **does not adversely impact customer rates?**

14 A. The Commission and other interested parties will review and assess the proposal that PPL
15 and PPL RI present when they make their next rate case filing and can confirm that the
16 proposal accomplishes holding customer impacts neutral.

17

18 In addition, it should be noted that the stepped-up tax basis resulting from the Tax Election
19 will give rise to offsetting ADIT generated in future periods. Therefore, the impact is a
20 function of the point at which rates are reset, and PPL's proposal will address the

1 circumstances existing at that point. Similarly, to the extent that the reduction/elimination of
2 such ADIT impacts Narragansett's FERC formula transmission rates, which are passed
3 through to Narragansett's distribution customers, PPL's proposal also will address the impact
4 of any such FERC formula transmission rate changes on Narragansett customers.

5 **Q. In his Schedule DJE-1, Mr. Effron proposes a "hold harmless mechanism" that he**
6 **recommends to enforce PPL's commitment with respect to the effect of ADIT on**
7 **Narragansett's rate base. Have you evaluated Schedule DJE-1?**

8 A. Yes.

9 **Q. What conclusions have you reached with respect to Schedule DJE-1?**

10 A. Although Mr. Effron's proposed mechanism may be a reasonable approach, whether it is the
11 approach that PPL and PPL RI should adopt cannot be determined at this time. With the
12 stepped-up tax basis, there will be offsetting ADIT generated in the future. Therefore, the
13 impact of resetting ADIT on rates is a function of the point at which rates are established.
14 Because PPL and PPL RI have not yet determined when they will make the next rate case
15 filing for Narragansett, they cannot specifically identify the precise approach that will
16 effectively hold impacts neutral. PPL and PPL RI will take Mr. Effron's proposal into
17 consideration and may apply it (or make some adjustments to it) when they make a rate case
18 filing that will be impacted by the ADIT reset, but they cannot definitively identify the
19 precise mechanism they will use to hold impact neutral at this time.

1 VII. **Conclusion**

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

3 A. Yes.

**Proceedings in Which Ms. Johnson
Provided Expert Testimony**

As an employee of PPL Electric, Ms. Johnson has offered expert testimony in the following electric utility proceedings before the PUC.

PA PUC

Docket No. R-2012-2290597 (Distribution rate case)
Docket No. M-2012-2312472 (1307(e) filing)
Docket No. C-2013-2367475 (GSC-1 Complaint by OSBA)
Docket No. P-2013-2325034 (DSIC Petition for Mechanism)
Docket Nos. M-2010-2213754 and M-2011-2239806 (TSC Refund Plan)
Docket No. P-2014-2417907 (DSP III)
Docket Nos. C-2013-2398441 and C-2013-2398440 (ACR-1 & ACR-2 Complaints by PPLICA)
Docket Nos. P-2014-2430781 and M-2009-2123945 (Smart Meter Plan filing – June 2014)
Docket No. C-2014-2418167 (Hulber Customer Complaint)
Docket No. R-2015-2469275 (distribution rate case)
Docket No. M-2015-2515642 (Act 129 Phase III)
Docket No. F-2016-2569470 (Kozeracki Customer Complaint)
Docket No. P-2019-3010128 (Petition of PPL Electric Utilities Corporation for Approval of Tariff Modifications and Waivers of Regulations Necessary to Implement its Distributed Energy Resources Management Plan) (Proprietary and Non-proprietary versions)