IN RE: Petition of PPL Corporation, PPL Rhode Island Holdings, LLC, National Grid USA, and The Narragansett Electric Company for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals  

Docket No. D-21-09

SURREBUTTAL TESTIMONY OF  
DAVID J. EFFRON

ON BEHALF OF  
THE RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS ADVOCACY SECTION

DECEMBER 9, 2021
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SURREBUTTAL TESTIMONY OF
DAVID J. EFFRON

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
A. My name is David J. Effron.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS DOCKET?
A. Yes. I submitted direct testimony on November 3, 2021. My qualifications and experience are included with my direct testimony.

II. PURPOSE OF SURREBUTTAL TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?
A. In this surrebuttal testimony, I respond to the Rebuttal Testimony of PPL Witness Johnson. In particular I respond to Witness Johnson’s Rebuttal Testimony regarding the issues of (1) restatement of pension and postretirement benefits other than pensions (“PBOP”) assets and liabilities to their fair value at the time of the merger or acquisition; and (2) the mechanism to hold customer impacts neutral in relation to
the rate impact associated with the elimination of accumulated deferred income taxes (“ADIT”) as of the date of the Transaction.

III. ISSUES RAISED BY PPL REBUTTAL

A. Pension and PBOP Assets and Liabilities

Q. DID PPL RESPOND TO YOUR TESTIMONY REGARDING THE EFFECT OF THE TRANSACTION ON THE VALUATION OF PENSION AND PBOP ASSETS AND LIABILITIES?

A. Yes. Witness Johnson states that “PPL and PPL RI agree with Mr. Effron’s assertion that the remeasurement at Transaction close should not alter Narragansett’s revenue requirement, and they agree that it will not do so at the time of Transaction close.”

Q. DOES THE PPL REBUTTAL RESOLVE YOUR CONCERNS REGARDING THE EFFECT ON THE TRANSACTION ON THE VALUATION OF PENSION AND PBOP ASSETS AND LIABILITIES?

If this represents an enforceable commitment that any restatement of plan assets and liabilities to fair value upon acquisition after Transaction closing will not increase Narragansett’s revenue requirement to a level higher than the level that would exist in the absence of the Transaction, yes. Such a commitment does not mean that there should never be any adjustment to the revenue requirement based on the pension and PBOP plan assets on an indefinite basis. It means only that customers should be held

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1 Rebuttal Testimony of Bethany L. Johnson at 31:2 (“Johnson Rebuttal Test.”).
harmless from the booking of any revaluation of plan assets and liabilities as a result of the Transaction.

B. Accumulated Deferred Income Taxes

Q. DOES PPL AGREE WITH YOUR PROPOSED MECHANISM TO HOLD CUSTOMERS HARMLESS FROM THE ELIMINATION OF ADIT AS A RESULT OF THE TRANSACTION?

A. PPL Witness Johnson states that “[a]lthough Mr. Effron’s proposed mechanism may be a reasonable approach, whether it is the approach that PPL and PPL RI should adopt cannot be determined at this time.”

Q. DID PPL IDENTIFY ANY PROBLEMS OR DEFICIENCIES WITH YOUR RECOMMENDED MECHANISM?

A. No. Witness Johnson asserts that “[b]ecause PPL and PPL RI have not yet determined when they will make the next rate case filing for Narragansett, they cannot specifically identify the precise approach that will effectively hold impacts neutral.” My proposed mechanism takes account of both: (1) what the ADIT on the acquired assets from the time of the acquisition going forward under continuing National Grid ownership would be; and (2) the ADIT on the acquired assets going forward under PPL ownership. It recognizes how the difference between those

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2 Johnson Rebuttal Test. at 33.

3 Id.
balances changes from year to year, and its efficacy is not dependent on the timing of the next rate case filing for Narragansett.

I do not mean to imply that my proposed mechanism is the only way to hold customers harmless from the loss of ADIT or that some other mechanism might not also be appropriate. However, PPL has not identified any problems with my recommendation, described any necessary modifications, or offered any potential alternatives.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.