BEFORE THE
STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

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
BRUCE R. OLIVER

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

DECEMBER 9, 2021
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SURREBUTTAL TESTIMONY OF BRUCE R. OLIVER

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive, Fairfax Station, Virginia, 22039.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by Revilo Hill Associates, Inc., and serve as President of the firm. I manage the firm’s business and consulting activities. I also direct the preparation and presentation of economic, utility planning, and regulatory policy analyses for our clients.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. My testimony in this proceeding is presented on behalf of the Advocacy Section of the Division of Public Utilities and Carriers (hereinafter “Division Advocacy Section”).
Q. ARE YOU THE SAME BRUCE R. OLIVER WHO PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE DIVISION ADVOCACY SECTION?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS PROCEEDING?

A. This surrebuttal testimony responds to the rebuttal testimonies of witnesses Kelly and Willey for National Grid and witnesses Bellar,1 Bonenberger,2 and Reed and Dane3 for PPL. Although PPL Corporation (“PPL Corp.”) and PPL Rhode Island Holdings, LLC (“PPL RI”) (together, “PPL”) witness Jirovec indicates that his rebuttal testimony addresses my direct testimony, it is unclear which portions of his testimony, if any, actually address my direct testimony.4 In that context, the fact that I do not explicitly address Witness Jirovec’s rebuttal should not be construed as my acceptance of his rebuttal arguments.

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1 Rebuttal Testimony of Lonnie E. Bellar (“Bellar Rebuttal Test.”).
2 Rebuttal Testimony of David J. Bonenberger (“Bonenberger Rebuttal Test.”).
3 Rebuttal Testimony of John J. Reed and Daniel S. Dane (“Reed and Dane Rebuttal Test.”).
4 Rebuttal Testimony of Todd. J. Jirovec.
II. SUMMARY

Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE REBUTTAL TESTIMONY AND SUPPLEMENTAL DATA REQUEST RESPONSES THAT HAVE BEEN OFFERED BY THE PETITIONERS IN THIS PROCEEDING?

A. The Petitioners’ plans for operation of Narragansett’s gas system and protecting the safety, reliability, and affordability of service for Rhode Island gas customers still fail to support a Division finding that the proposed transaction is consistent with the public interest and will not ultimately diminish the facilities available for the provision of gas service in Rhode Island.

In this period of substantially increased energy commodity costs for both natural gas and electricity, the ability to prudently and cost-effectively contract for gas supplies, gas transportation, and gas storage services is particularly critical to the protection of ratepayer interests. Approval of this transaction will mean the loss of economies of scale in the procurement and management of gas supplies in the gas markets on which Narragansett is dependent. This factor coupled with PPL’s lack of experience in the procurement and management of liquefied natural gas (“LNG”) raises substantial concern that ratepayers will be exposed post-transaction to increases in gas costs that might otherwise be avoidable. As gas cost increases are flowed through the Gas Cost Recovery (“GCR”) mechanism and are not part of base rate determinations, protection of Rhode Island gas users from such potentially avoidable cost increases cannot easily be accomplished through Rhode Island’s gas regulatory processes.
Likewise, the Petitioner’s Rebuttal Testimony does not offer any workable solutions for addressing the Advocacy Section’s concerns regarding:

1. PPL’s large projected increases in Salaries and Benefits for Narragansett’s Gas Operations and Customer Service functions; and

2. Protection of the Narragansett gas system from increases in the frequency of hazardous gas leaks per 100 miles of mains and/or per 1,000 services operated in light of the worse-than-industry-average performance with respect to those metrics by PPL’s only gas distribution subsidiary, LG&E.

Q. HAS THE REBUTTAL TESTIMONY OF WITNESSES FOR THE PETITIONERS CAUSED YOU TO ALTER ANY OF THE FINDINGS AND RECOMMENDATIONS PRESENTED IN YOUR DIRECT TESTIMONY?

A. No, it has not.

III. RESPONSE TO NATIONAL GRID WITNESSES KELLY AND WILLEY

Q. NATIONAL GRID WITNESSES KELLY AND WILLEY ASSERT AT PAGES 33 AND 34 OF THEIR REBUTTAL TESTIMONY THAT THE PETITIONERS HAVE MET THE STANDARD FOR APPROVAL OF THE TRANSACTION. DO YOU CONCUR?

A. No, I do not. I disagree with their assessment for two primary reasons.

First, in the absence of greater specifics regarding how, when and where new facilities will be developed in Rhode Island (including a primary Gas Control Center, a backup Gas Control Center, a Customer Service Center, and a Training facility) the only
conclusion that the Division can reasonably reach is that the Transaction will diminish the facilities available to provide safe and reliable service to Rhode Island gas customers. The Petitioners have not identified where such facilities will be located, when those facilities will be completed, or how much each facility will cost. Although PPL represents that the referenced facilities may provide “incremental benefits” for Rhode Island consumers, no information has been provided to date regarding the expected value to consumers of any incremental benefits that are anticipated or the portion of the costs of each facility that will be incurred to provide such incremental benefits. In the absence of such information, any subsequent regulatory challenge to claimed costs and/or benefits for those facilities will inherently be characterized by PPL as an application of 20/20 hindsight.

Second, the transaction proposed in this proceeding is unlike any other Rhode Island energy utility merger or acquisition that the Division has been asked to review over the last 30 years. Importantly, there are no identified synergy savings and no discernible immediate ratepayer benefits. Rather, ratepayers will be faced with considerable risk of increased costs in the post-transition period as economies of scale and synergies are lost, and as PPL attempts to learn how to run a gas system that faces very different operational challenges than its Louisville Gas and Electric (“LG&E”) gas system in Kentucky. National Grid’s assistance to PPL during the transition period under the proposed Transition Services Agreement (“TSA”) provides no assurance that the levels

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5 Bonenberger Rebuttal Test. at 33:4-5.
of costs, safety, and service reliability to which Rhode Island gas customers will be exposed in the post-transition period will be comparable to (let alone an improvement over) those presently experienced. In this context, there is no basis for a finding that the proposed transaction is consistent with the public interest.

Even a base rate stay out (or freeze of base rates) cannot ensure that Rhode Island gas customers will be protected against otherwise avoidable increases in gas purchase costs, and the Petitioners have offered no regulatory mechanism for assuring that Narragansett’s gas costs will not rise relative to those experienced by Rhode Island consumers under National Grid ownership or relative to the gas costs experienced by customers of other New England gas utilities. Although PPL has touted that its gas costs for LG&E have been lower than those for other Kentucky gas utilities, PPL has offered no mechanism for comparing the gas cost performance that can be expected for Narragansett under PPL ownership with gas costs for other New England utilities.

Q. WITNESSES KELLY AND WILLEY ASSERT THAT INTEGRATING NARRAGANSETT INTO PPL IS NOT AN INSURMOUNTABLE TASK AS BOTH NATIONAL GRID AND PPL USE SHARED SERVICES MODELS.⁶ DO YOU AGREE?

A. I do. However, the question of whether Narragansett can be integrated into PPL’s corporate structure is of less substantive importance than the impacts on service

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⁶ Joint Rebuttal Testimony of Christopher Kelly and Duncan Willey at 11:5-6 (“Kelly and Willey Rebuttal Test.”).
reliability, safety, and costs that may result from such integration. In non-regulated industries, acquired organizations are frequently integrated into the organizational structures of new corporate parents. But, there is no guarantee that such integration processes will ultimately be cost-effective or favorable for customers of the acquired entity. Utilities are more than just commodities to be traded by larger utility holding companies. They have public service obligations that must be met and fiduciary responsibilities to their customers, as well as their shareholders. For the proposed transaction to be consistent with the public interest, the new ownership structure must render safe and reliable service at reasonable cost. Whether one corporate entity can integrate another into its corporate structure does not address the impacts of the integration process on the costs and quality of services provided by the absorbed entity.

The simple observation that both National Grid and PPL use shared services provides little insight regarding the costs and benefits of the services shared. As I explained in my direct testimony, PPL’s gas operations with Narragansett included would still represent a comparatively small fraction of the size of National Grid’s overall gas operations. The representation by witnesses Kelly and Willey that National Grid is confident that PPL will achieve similar economies of scale Narragansett once it is fully integrated into PPL\textsuperscript{7} is not supported by any record evidence. Moreover, the development of a transition plan does not, in and of itself, demonstrate confidence in PPL’s ability to achieve comparable economies of scale. PPL might be able to achieve

\textsuperscript{7} \textit{Id.} at 11:8-10.
economies of scale similar to those for National Grid in such areas as accounting, legal, and financial services, but there is no evidence that PPL will be able to achieve comparable economies of scale in purchasing natural gas, gas transportation and storage services, and the equipment and materials needed to operate and maintain Rhode Island’s natural gas system. Rather, as observed in my direct testimony, the scale of National Grid’s gas operations far exceeds that for the combined LG&E and Narragansett gas systems in terms of customers served and miles of mains and numbers of services operated.\(^8\)

Q. **DO YOU HAVE ANY COMMENTS REGARDING THE PETITIONERS’ PLANS FOR TRANSFERRING EXPERIENCE AND EXPERTISE FROM NATIONAL GRID TO PPL?**

A. I do. Organizations typically provide greater compensation to employees who have demonstrated experience and expertise because of the added value they provide. If experience and expertise can be readily transferred, the value of the information to be transferred must be questioned. The information provided by the Petitioners to date lacks detail regarding the frequency and/or duration of training sessions and the subject matter to be addressed in each scheduled training session. There is also no specification of the credentials of the persons who will conduct the referenced training sessions. Also, National Grid indicates that “the Service Company will transfer appropriate knowledge and historical data, including physical documents and electronic files,” no

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\(^8\) Direct Testimony of Bruce R. Oliver at 14:8-21:4, 32:3-33:47 (“Oliver Direct Test.”).
insight is provided regarding what National Grid considers “appropriate knowledge and
historical data.” In some areas, these concerns may seem unnecessary or insignificant.
However, PPL’s recognition of substantive differences between its LG&E gas
operations and Narragansett’s gas operations, as well as PPL’s admitted need to expand
and enhance its understanding of PPL’s gas operations, emphasize the substance of
information to be transferred and the manner in which critical information will be
transferred.

Q. WITNESSES KELLY AND WILLEY SUGGEST THAT THE LEVEL OF
EXPERIENCE AND EXPERTISE OF THE DIRECT NARRAGANSETT
EMPLOYEES TRANSFERRING TO THE PPL ORGANIZATION IS THE
SAME AS THE EXPERTISE CURRENTLY WITHIN NATIONAL GRID. DO
YOU ACCEPT THAT REPRESENTATION?

A. Only in part. Certainly it is expected that persons transferring to PPL will have the
same knowledge and expertise after the transfer that they have exhibited prior to the
transfer. However, in a service company such as that operated by National Grid, much
of the knowledge and expertise resides within individuals who service National Grid’s
broader portfolio of utilities and often spend only a portion of their time on
Narragansett-related matters. In these situations, transferring a comparatively junior
employee to PPL would not ensure a full transfer of the knowledge necessary to
efficiently and cost-effectively procure needed commodities and services and plan and
operate the Narragansett gas system.
I note, for example, that in Narragansett’s recent annual GCR filings, testimony on gas
cost and gas supply management issues has been provided by panels of witnesses. In
the most recent filing (Rhode Island Public Utilities Commission (“RIPUC”) Docket
No. 5080) the panel presenting such testimony included Elizabeth Arangio, Megan
Borst, and Samara Jaffé. Ms. Arangio is Director of Gas Supply Planning for National
Grid USA Service Company. She has testified in nearly all of Narragansett’s GCR
proceedings over the last decade, and she is responsible for gas supply planning for the
resource portfolios of all of National Grid’s gas utility subsidiaries. She also manages
National Grid’s Customer Choice programs. Ms. Jaffé is the Director of Gas
Contracting, Compliance and Hedging for National Grid USA and has appeared as a
witness in each of the last three Narragansett GCR proceedings. Ms. Borst is a Lead
Planner in the National Grid USA gas supply group and the most junior member of the
current panel. Docket No. 5080 represents the first GCR proceeding in which she has
appeared.

Decisions regarding which of these individuals, if any, is transferred from the National
Grid USA Service Company to Narragansett/PPL Rhode Island could have a
substantial impact on the level of expertise that will ultimately be available to
Narragansett in the gas supply planning area. Similar observations can be made with
respect to transfers of personnel in other areas. Transfer of more junior staff may not
ensure maintenance of equivalent levels of experience and expertise to guide
Narragansett’s gas operations after PPL assumes full responsibility for those operations.

I also observe that National Grid’s Supplemental Response to the Advocacy Section’s Data Request 7-36, Attachment 7-36-2-5, page 9 of 12, indicates that twelve (12) additional persons will need to be recruited and trained as System Controllers to operate the Rhode Island Gas Distribution System. This does not reflect a situation in which Narragansett/PPL Rhode Island will have the same the experience and expertise available after the transition period that it has currently. Rather, even by the end of the transition period Narragansett will have a Gas Control Center staff that will include a disproportionately large portion of personnel who are inexperienced with respect to Narragansett’s gas procurement and operations.

Similar observations can be made with respect to the staffing of transition and post-transition activities in other areas. The Petitioners’ transition plan does not effectively assure that the requisite level of experience and expertise will be available to Narragansett either during or after the transition period.

Q. HAVE YOU REVIEWED THE NATIONAL GRID’S SUPPLEMENTAL RESPONSE TO THE ADVOCACY SECTION’S DATA REQUEST 7-36?

A. Yes. I have reviewed the full supplemental response which was provided on November 23, 2021 (i.e., the same day that the Petitioners filed their Rebuttal Testimony),

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9 Advocacy Section’s Data Request 7-36, attach. NG-DIV 7-36-5-2 supplemental, at 9. A copy of all data responses cited in this testimony are contained in Exhibit C to my direct testimony.
including its multiple attachments. Based on my review of those materials, I offer the following observations. Most importantly, the descriptions offered for the vast majority of the identified TSA task areas contain no information regarding the fees to be assessed for the specified services to be provided. In most cases the fee information is either left blank or listed as “TBD” (i.e., to be determined). Thus, we continue to lack an appropriate basis for assessing the reasonableness of either the structure of costs or the total costs for the support National Grid will provide under the TSA.

Q. WITNESSES KELLY AND WILLEY TESTIFY THAT THE SERVICE COMPANY WILL TRANSFER “APPROPRIATE KNOWLEDGE AND HISTORICAL DATA” TO PPL.\textsuperscript{10} DOES THIS ANSWER ONE OF YOUR CONCERNS?

A. No, not at all. What National Grid believes will constitute “appropriate knowledge and historical data” cannot be determined from the Kelly and Willey Rebuttal Testimony.\textsuperscript{11} Moreover, National Grid has not outlined the criteria it would use to determine the adequacy and appropriateness of information, documents, and electronic files that it would transfer to PPL. For example, the transfer of ownership must not be permitted to result in the effective erasure of data regarding significant elements of the history of Narragansett’s gas and electric operations. As proposed, the transaction is intended to keep Narragansett intact as an operating entity, and in that context, there is no reason

\textsuperscript{10} Kelly and Willey Rebuttal Test. at 15:17-19.

\textsuperscript{11} Id.
that data should be transferred for less than its full operating history. Likewise, PPL, as the new party responsible for Narragansett, will need full information regarding the environmental response programs, including such items as past and current contracts, reports filed, costs incurred, insurance claims, reports submitted, and any present or past disputes and litigation. Given National Grid’s current management structure, it is unclear how much of this information presently resides with the National Grid USA Service Company and how much is maintained by Narragansett.

Q. DO WITNESSES KELLY AND WILLEY CORRECTLY REFLECT THE CONTENT OF YOUR DIRECT TESTIMONY WHEN THEY SUGGEST IN THE QUESTION AT PAGE 18, LINES 9-11, THAT YOU BELIEVE NATIONAL GRID WILL NOT SUPPORT PPL RHODE ISLAND THROUGH THE END OF THE TRANSITION PERIOD?

A. No. I did not say that National Grid “will not support” PPL RI. Rather, my testimony states:12

… it must be considered that the importance and priority attributed to transition activities by National Grid and its Service Company may not be the same after an approval of the Transaction by the Division. With continuing responsibilities for multiple larger gas utility systems in Massachusetts and New York, it would not be surprising for those non-Rhode Island systems to be given greater priority in allocations of time for more experienced Service Company personnel.

I also state:

12 Oliver Direct Test. at 64:11-16 (emphasis added).
There is no assurance that the persons who will be assigned to assist Narragansett and PPL during the transition period or will be employed by PPL to perform key functions after the end of the transition period will be highly qualified individuals who possess “significant institutional” of Rhode Island’s gas operations.\(^{13}\)

I stand by these assessments. Moreover, I note that my concerns are consistent with those reflected in the settlement of proceedings in New Hampshire which resulted in National Grid’s transfer of ownership of Energy North Natural Gas and Granite State Electric Company to Liberty Utilities. There was sufficient concern regarding the support National Grid would provide under the TSAs for those transactions that the settlement agreement in that proceeding required National Grid to post a significant escrow to ensure its continued support of those utilities during a transition period.\(^{14}\)

Q. SHOULD NATIONAL GRID’S CONTRACTUAL OBLIGATIONS UNDER THE PROPOSED TSA IN THIS PROCEEDING BE VIEWED AS ADEQUATE ASSURANCE OF THE QUALITY OF SERVICES THAT NATIONAL GRID WILL PROVIDE AFTER THE CLOSING OF THE TRANSACTION?

A. No. National Grid’s representation is that it is “contractually obligated” to provide services and support to Narragansett under the Share Purchase Agreement and TSA. That is of little value in the absence of objective measures of its performance and more direct ties between National Grid’s performance under such metrics and the amounts

\(^{13}\) Oliver Direct Test. at 64:1-5.

\(^{14}\) See Settlement Agreement – Joint Petition for Authority to Transfer Ownership § III.E, ¶ 2, Division Docket No. DG 11-040 (Apr. 10, 2012) (“Conditions Agreed to by National Grid”). As stated therein, “Such Escrow Funds will be held for the purposes of securing the provision of Transition Services by National Grid.”
National Grid will bill for transition services. For most of the specified TSA tasks, such performance measures are either non-existent or presented in such terms that National Grid may exercise considerable discretion in terms of how tasks are executed and who is assigned to perform specific tasks. There is no assurance that each task will be performed by experienced and well-qualified personnel. Nor is there any assurance that qualified personnel will necessarily be available to provide advice on critical matters.

The National Grid USA Service Company will be operating with a reduced staff as a result of significant transfers of personnel to PPL Rhode Island, but it will need to continue to provide services for four other larger gas utilities. In that context, there is considerable potential for priority conflicts between the performance of TSA tasks and the performance of on-going support functions for National Grid’s gas utility operations in Massachusetts, New York City, Long Island, and upstate New York (i.e., Niagara Mohawk). This is particularly true where the terms of the TSA do not specify who will perform specific tasks. In such situations, less experienced, lower level personnel can be readily substituted for more experienced and expert person without fear of a claim that National Grid has breached its contractual obligations. Regardless of the representations in the Kelly and Willey Rebuttal Testimony, once ownership of Narragansett is transferred to PPL, it will be PPL and not National Grid that will be accountable for Narragansett’s performance.
Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF WITNESSES KELLY AND WILLEY AT PAGE 23, LINES 5-13, IN WHICH THEY ADDRESS THE IMPACT OF THE DELAYED START-UP OF THE FIELDS POINT LNG LIQUEFACTION FACILITY.

A. Witness Kelly and Willey assert that the impact of such a delay will be the same regardless of the ownership of Narragansett. I do not agree. The history of Narragansett’s gas operations suggests that unexpected requirements for additional supplies of gas liquids (i.e., LNG) can be very costly and disproportionately impact Narragansett’s overall gas supply costs. National Grid has experience with the procurement and trucking of gas liquids under adverse market conditions. PPL has admitted that it has no prior experience with either the procurement or trucking of gas liquids. Yet, PPL represents that it will assume control of Narragansett’s LNG Operations as of Day 1 (i.e., immediately upon the closing of the Transaction).

Q. TABLE 2 ON PAGE 17 OF THE REBUTTAL TESTIMONY OF NATIONAL GRID WITNESSES KELLY AND WILLEY PROVIDES APPROXIMATE NUMBERS OF SERVICE COMPANY EMPLOYEES THAT NATIONAL GRID EXPECTS TO TRANSFER TO PPL. DOES THIS INFORMATION ADDRESS YOUR CONCERNS ABOUT POST-ACQUISITION CAPABILITIES OF NARRAGANSETT AND PPL?

A. No. The information offered only shows the numbers of employees that National Grid expects to transfer to PPL by broad functional categories. It does not: (a) segregate
numbers of union and non-union employees; (b) specify the responsibilities the
transferred employees will assume; (c) indicate the education, training and experience
levels of transferring employees; or (d) provide the qualifications of the transferring
employees for the positions to which they will be assuming. Furthermore, no
information is provided regarding the positions that will remain vacant within
Narragansett after the referenced employee transfers are completed in the absence of
new hires.

Q. WITNESSES KELLY AND WILLEY ASSERT THAT THE LNG EMPLOYEES
TRANSFERRED FROM THE SERVICE COMPANY ARE THE SAME
EMPLOYEES THAT NARRAGANSETT PRESENTLY RELIES UPON.
SHOULD THE DIVISION ACCEPT THAT REPRESENTATION AS
ASSURANCE THAT NARRAGANSETT’S LNG FACILITIES WILL BE
OPERATED RELIABLY IN FUTURE PERIODS?

A. No. National Grid’s witnesses fail to disclose that the two Senior Supervisors
(identified in Attachment NG-DIV 5-1-1 to National Grid’s response to the Advocacy
Section’s data request 5-1) who will be transferred to PPL Rhode Island have very
limited tenures with National Grid and very little time in their current positions. As I
observe in my direct testimony at page 69, lines 7-11, one has been with National Grid
only since June of this year (2021).\(^{15}\) That individual has never been through a winter
heating season with Narragansett, and has no documented prior experience in the

\(^{15}\) Oliver Direct Test. at 69:7-11.
operation of LNG facilities. The other identified Senior Supervisor has only been with
National Grid since July 27, 2020, and again has no documented prior LNG
experience. Thus, the experience of those two Senior Supervisors with Narragansett’s
LNG facilities and operations is quite limited.

Q. PLEASE RESPOND TO THE REPRESENTATIONS WITNESSES KELLY
AND WILLEY OFFER REGARDING THE INDIVIDUALS WITH LNG
EXPERIENCE THAT WILL TRANSFER TO PPL RHODE ISLAND.

A. The rebuttal testimony of witnesses Kelly and Willey make representations regarding
the staffing of Narragansett’s LNG operations on Day 1.16 At lines 5-7, reference is
made to an “additional Service Company employee was recently named the future
Manager of LNG Operations at PPL.”17 However the name of that individual is not
disclosed and no resume is provided for the referenced individual. In addition, National
Grid’s witnesses state, “a significant number of employees with LNG- and gas-related
experience who will transfer to PPL Rhode Island on Day 1 to ensure that Rhode Island
gas customers continue to receive comparable LNG services under PPL ownership.”18
However, no information is provided from which we can assess either the significance
of the number of transferring employees with LNG and gas-related experience or the
experience and qualifications of those employees for the assignment for which those

16 Kelly and Willey Rebuttal Test. at 20:5-17.
17 Id. at 20:5-7.
18 Id. at 20:14-17.
individuals will be responsible. Thus, it is not possible to validate National Grid’s claim that those transfers will “ensure that Rhode Island gas customers continue to receive comparable LNG services under PPL ownership.”

Further, although witnesses Kelly and Willey reference a large contingent of employees who will transfer from the Service Company to support Narragansett’s gas operations, the only individual specifically identified in their testimony is Michele Leone who will be VP of Gas Operations.

Q. WITNESSES KELLY AND WILLEY ASSERT THAT THERE IS A “PLETHORA” OF GAS UTILITY MANAGEMENT, FORECASTING, AND PLANNING PERSONNEL RESIDENT IN RHODE ISLAND. SHOULD THE DIVISION ACCEPT THAT REPRESENTATION?

A. No. National Grid’s witnesses do not identify any current gas utility management, forecasting, and/or planning personnel that are currently resident in Rhode Island. More importantly National Grid’s witnesses miss the context in which my concern was presented. My concern related to the availability of persons not presently employed by Narragansett or National Grid to fill open gas utility management, forecasting and planning positions. National Grid’s rebuttal fails to provide any information regarding the number of persons presently residing in Rhode Island who are not currently employees of Narragansett, National Grid, or an affiliate who might be available to fill management, forecasting, and/or planning positions for PPL Rhode Island.

19 Id.
Q. **DO YOU CONCUR WITH THE ASSERTION OF WITNESSES KELLY AND WILLEY THAT PPL CAN CONTINUE TO MANAGE NARRAGANSETT'S CANADIAN ASSETS IN A MANNER SIMILAR TO THAT CURRENTLY USED BY NATIONAL GRID?**

A. No, I do not. Witnesses Kelly and Willey do not address the comparatively small size of Narragansett’s Canadian assets and the impact on bargaining power of removing those assets from the larger National Grid gas asset portfolio. A smaller asset portfolio generally serves to limit a third party asset manager’s flexibility and increase the costs of managing the portfolio per dekatherm (“Dth”) of gas managed. A larger portfolio can provide a third party asset manager more flexibility, expectations of greater asset management revenue, and opportunities for greater profit potential per Dth of gas managed. If the transaction proposed in this proceeding is approved, it should be expected that future Narragansett/PPL negotiations for management of such Canadian assets will yield lesser benefit for Narragansett and its gas customers than the current arrangement.

Q. **WOULD A DECISION BY PPL TO MOVE TO THIRD PARTY ASSET MANAGEMENT FOR NARRAGANSETT'S ENTIRE PORTFOLIO ALLEVIATE CONCERNS WITH RESPECT TO GAS ASSET MANAGEMENT?**

A. No, it would not. Such a change would undermine the existing Natural Gas Procurement Management Program (“NGPMP”) mechanism which, as I demonstrated
in my direct testimony, has produced substantial gas cost benefits for Rhode Island gas customers. The NGPMP was designed to create incentives for National Grid to maximize gas asset management benefits for Rhode Island gas customers through National Grid’s in-house management of such assets. With a movement to broader use of third-party gas asset management the NGPMP would need to be eliminated.

Third-party asset management arrangements differ significantly from in-house asset management. The benefits of third-party asset management are typically determined upfront. Through a bidding process third-party managers determine the compensation they would offer Narragansett/PPL for use of Narragansett’s gas assets when they are not needed to satisfy Rhode Island’s gas supply requirements. In the Asset Management Agreement (“AMA”) bidding process, third-party managers determine the share of expected asset management revenues that it will retain for its own benefit, as well as the level of market risk to which it will be exposed. However, most, if not all, of the potential revenue upside that can result from market fluctuations during a year is typically retained by the third-party asset manager, and ratepayers only receive a portion of the safest and most predictable revenue streams. Once a third-party asset manager is selected, both Narragansett’s asset management revenues and ratepayer benefits for the performance period (typically a year) are fixed and there are no further opportunities to incent improved performance.

By contrast, in-house gas asset management provides on-going incentives for the utility to maximize asset management revenues and ratepayer benefits throughout any
identified performance period. Under Narragansett’s current NGPMP incentive structure, in-house management of gas assets by National Grid has proven effective in extracting a greater share of overall asset management revenues for the benefit of ratepayers while also providing Narragansett opportunities for incentive compensation over and above its regulated revenue requirement. Moreover, the NGPMP provides these incentives for increased ratepayer and shareholder benefits without exposing Narragansett to significant market risk. Thus, under in-house management of gas assets the levels of ratepayer and shareholder benefit can be expanded during the period through astute asset management.

Over time, National Grid has found that limited elements of its natural gas assets for narrowly-defined market segments can be more effectively managed by third-parties. In those instances, all revenues from those arrangements are extracted from the NGPMP revenue sharing mechanism and instead flow directly to Narragansett customers. However, there is no evidence that total replacement of the current NGPMP with third-party asset management would produce ratepayer benefits comparable to those achieved under the NGPMP for any year since its establishment.

IV. RESPONSE TO PPL WITNESS BELLAR

Q. HAS WITNESS BELLAR ACCURATELY CHARACTERIZED YOUR CONCERNS REGARDING PPL’S GAS OPERATIONS EXPERIENCE?

A. No. His testimony takes my concerns out of context and misconstrues their focus and intent. When I discussed a “dearth” of experience, I was specifically referencing the
pool of talent currently available within Rhode Island to fill **new or vacated positions** for Narragansett’s gas system. Neither Witness Bellar nor any other rebuttal witness for the Petitioners has provided any evidence of the size of the pool of available gas management, forecasting, and planning expertise that presently resides in Rhode Island that would be available to fill open positions for Narragansett/PPL Rhode Island. Further, as I have discussed in response to National Grid witnesses Kelly and Willey, it is clear that Petitioners have fallen well short of demonstrating the depth of experience and expertise available to Narragansett after the close of the transaction and after the end of the transition period. When focus is placed on current Narragansett employees who are expected to continue their employment with Narragansett and the current National Grid USA Service Company employees who are expected to transfer to Narragansett/PPL Rhode Island, the depth of experience and expertise that would be available to Narragansett after the close of the transaction and after the end of the transition period cannot be reliably assessed.

**Q. WITNESS BELLAR’S REBUTTAL TESTIMONY AT PAGES 16-17 ATTEMPTS TO RESPOND TO YOUR CONCERN REGARDING PPL’S EXPERIENCE WITH FINANCIAL HEDGES. HOW DO YOU RESPOND?**

**A.** Witness Bellar fails to provide a compelling answer to my concerns. He begins his response with a representation that “the Kentucky Public Service Commission does not require the use of financial hedging by local gas distribution
companies in Kentucky. Yet, the absence of a requirement for the use of financial hedges by the Kentucky Public Service Commission does not address the lack of experience on the part of LG&E and PPL with the use of financial hedges in natural gas markets. The Rhode Island Public Utilities Commission also does not require the use of financial hedging in Narragansett’s management of its gas procurement costs. Thus, there is no relevant distinction presented.

Witness Bellar then discusses LG&E use of its on-system storage physical as a “physical” hedge against winter price volatility. However, he does so without addressing either: (1) the fact that Narragansett gas system does not have the geological formations required for on-system underground storage of natural gas; and (2) that Narragansett’s more limited LNG storage facilities are used primarily for service reliability and do not constitute a substantial tool for winter season gas cost hedging. Moreover, Witness Bellar fails to acknowledge the substantial differences in the types of expertise required to engage in financial hedging as opposed to physical hedging. Effective use of financial hedges requires very specific expertise in the use of financial instruments and options trading that represent tools and areas of expertise not required to manage physical hedges through the operation of underground storage facilities. As

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20 Bellar Rebuttal Test. at 16:9-11.

21 The absence of underground storage and physical hedging options for Narragansett is underscored by the Rebuttal Testimony of PPL Witnesses Reed and Dane at page 39, line 5, which states, “[t]here is no underground storage in New England due to ‘**geologic unsuitability**’” (emphasis added). Reed and Dane Rebuttal Test. at 39:5 (quoting Northeast Gas Association, “The Role of LNG in the Northeast Gas (and Energy) Market” (https://www.northeastgas.org/about_lng.php, accessed November 17, 2021)).
the Division has seen in multiple interactions with National Grid personnel over the
last several years (e.g., Stephen McCauley and John Protano), the development and
evaluation of financial hedging strategies for natural gas utilities often requires
complex analytic and modelling capabilities as well as more detailed and refined
understandings of daily and monthly gas use patterns that may be less critical for the
management of physical hedges through underground storage.

Q. **SHOULD THE DIVISION ACCEPT WITNESS BELLAR’S SUGGESTION THAT THERE WOULD BE NO LOSS OF BARGAINING STRENGTH FOR NARRAGANSETT IF IT IS SEPARATED FROM THE NATIONAL GRID PORTFOLIO OF GAS PURCHASING REQUIREMENTS?**

A. No. Witness Bellar’s observations on this matter yield a myopic and highly misleading portrayal of bargaining strength issues for Narragansett. He also overlooks the structure and organization through which National Grid pursues gas supply planning and procurement on behalf of its gas utility subsidiaries. Although separate gas supply, transportation, and storage contracts are signed for each of the individual utilities that are operated as part of the National Grid gas utility portfolio, the contracts entered into by each utility are evaluated and negotiated by a single team of gas procurement and planning professionals within the National Grid USA Service Company. As a result, there are often common elements in the portfolios of the utilities operated by National Grid. Furthermore, at times gas supply arrangements are planned and simultaneously negotiated for two or more National Grid gas utility subsidiaries.
The influence of the size of National Grid’s overall portfolio of gas supply and transportation requirements can be readily observed in several of Narragansett’s gas supply and transportation service arrangements. For example, it appears unlikely that construction of a gas liquefaction facility, such as the Fields Point facility, would have been undertaken solely for Narragansett’s requirements.\footnote{Oliver Direct Test. at 71:5-72:5.} In addition, National Grid’s use of Canadian gas supplies delivered through Dawn was only developed under National Grid as part of its larger gas supply portfolio and the more direct access of National Grid’s Niagara Mohawk subsidiary to the Canadian gas transportation system. Furthermore, it is clear from my involvement in several Narragansett long-term planning and gas cost recovery proceedings that National Grid’s participation in the Algonquin Incremental Market project was negotiated jointly for Narragansett and Boston Gas Company. While each of those utilities may have separate contracts with Algonquin for those services, the contracts for Boston Gas and Narragansett were negotiated simultaneously by the same National Grid Service Company personnel.\footnote{Evidence of National Grid’s coordinated approach to the planning, negotiation, and management of gas supply, transportation, and storage arrangements for the utilities that comprise National Grid’s current gas utility portfolio can be found in the statements of qualifications presented by National Grid witnesses in multiple GCR proceedings. As previously noted, Elizabeth Arangio is responsible for gas supply planning for the resource portfolios of all of National Grid’s gas utility subsidiaries. Ms. Samara Jaffe is responsible for the acquisition of long-term gas supply and pipeline capacity, gas contract management, and gas trading activities for all of National Grid’s gas distribution companies in Massachusetts, Rhode Island, and New York. In addition, Mr. John Protano is responsible for all financial hedging activity for the National Grid regulated natural gas utilities, as well as structuring and optimizing the natural gas assets of National Grid’s gas distribution utilities.} The experience, expertise and leadership found in National Grid’s gas supply and
procurement professionals cannot be easily or cost-effectively replicated by an entity with much smaller gas procurement requirements.

Q. AT PAGE 17, LINES 12-13, OF WITNESS BELLAR’S REBUTTAL TESTIMONY, HE CHARACTERIZES YOUR DIRECT TESTIMONY AS “COMPARING LG&E’S LEAK PERCENTAGES TO THOSE OF NATIONAL GRID.” IS THAT AN ACCURATE PORTRAYAL OF YOUR PRESENTATION ON GAS LEAK ISSUES?

A. No. His portrayal of my testimony on gas leak issues is inaccurate and misleading. First, Witness Bellar fails to acknowledge my focus on hazardous gas leaks. Nowhere in Witness Bellar’s Rebuttal Testimony do we find any reference to hazardous gas leaks. Yet, the annual reports file by gas distribution utilities throughout the US with the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) provide separate reporting of hazardous leaks by cause and total leaks by cause for both gas mains and gas service lines.

Second, Witness Bellar suggests that the “raw data” do not tell the full story. He implies that the greater numbers of gas leak reported for LG&E are a function of the greater numbers of customer that LG&E serves and the greater numbers of service lines installed on the LG&E system when compared with Narragansett’s gas system in

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24 Bellar Rebuttal Test. at 17:14-19. Witness Bellar does not clearly identify the “raw data” to which he refers, but I assume it is the gas leak data that have been included in annual reports to PHMSA for LG&E and Narragansett’s Rhode Island operations.
However, Witness Bellar fails to address the fact that the presentation of hazardous leak data in my direct testimony accounts for differences in the size of the LG&E and Narragansett gas systems by converting the raw PHMSA data to measures of hazardous leaks per 100 miles of gas mains and hazardous leaks per 1,000 services installed. On the basis of those measures, my direct testimony demonstrates that LG&E’s hazardous leak rates are above the industry average while Narragansett’s hazardous leak rates are below the industry average.

Finally, I appreciate Witness Bellar’s observation that the PHMSA data does not include information regarding leaks associated with equipment such as valves, regulators, and control relief equipment. However, Witness Bellar provides no data regarding the frequency of either total leaks or hazardous leak on such equipment for either LG&E or Narragansett. It is impossible to compare leak data for equipment that PHMSA has not required gas distribution utilities to report. I also trust that if PHMSA perceived that leaks on the types of equipment referenced by Witness Bellar were a significant safety concern, PHMSA would revise its reporting requirements to include such information. Again, from a safety perspective there is a need to differentiate total leaks from hazardous leaks.

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25 Witness Bellar cites a somewhat greater difference between the numbers of customers served by LG&E and the numbers of customers served by Narragansett than the data I relied upon in my direct testimony reflect. However, Witness Bellar offers no citations to sources for the data he has relied upon, and I have been unable to verify them. By contrast, my direct testimony provides the sources of data upon which I relied.
Q. WHAT IS YOUR RESPONSE TO WITNESS BELLAR’S REBUTTAL TESTIMONY AS IT RELATES TO LG&E’S CUSTOMER SATISFACTION SURVEY RESULTS?

A. In his direct testimony, Witness Bellar asserted that in 2019 J.D. Power Company rated LG&E the top Midwest gas utility in terms of business customer satisfaction. Witness Bellar’s Rebuttal testimony presents data in his Rebuttal Testimony that verify my observation that LG&E’s 2020 residential Customer Satisfaction Survey results were not in the lower half of gas utilities nationally. He also shows a sharp decline in LG&E’s business customer satisfaction rating between 2019 and 2020. Witness Bellar suggests that the sharp drops observed in LG&E’s business and residential customer satisfaction results between 2019 and 2020 were the product of significant opposition to an LG&E pipeline project from “some landowners.” However, no survey questions or response data are provided to support that claim.

Q. WHAT WEIGHT SHOULD BE GIVEN TO THE LOWER CUSTOMER SATISFACTION RESULTS THAT WITNESS BELLAR SHOWS FOR NATIONAL GRID’S RHODE ISLAND OPERATIONS?

A. Very little. As Witness Bellar observes, there are a number of factors that influence customer satisfaction scores. Key among those factors is typically price. Given Rhode

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26 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 (May 4, 2021), Ex. 3 (Initial Testimony of Lonnie E. Bellar).

Island’s location, essentially at the end of the U.S. interstate gas pipeline system, Rhode Island gas costs are typically among the highest in the U.S. LG&E’s more mid-stream location on the eastern US interstate gas pipeline system, combined with its ability to utilize local underground natural gas storage facilities, provides LG&E greater opportunity to supply gas to its customers at lower cost. But for such inherent price differences I suspect that customer satisfaction ratings in Rhode Island could surpass those for LG&E.

I would also submit, in response to witness Bellar, that customer satisfaction ratings are strongly influenced by customers’ direct interactions with utility personnel, particularly through call center contacts. Some utilities have developed measures of customer satisfaction based on surveys of persons who contact their Call Centers and have direct contact with utility customer service representatives. Thus, the quality of “customer service” and “customer satisfaction” levels tend to be highly correlated.

Q. WITNESS BELLAR INDICATES THAT LG&E WILL PROVIDE GAS LOAD FORECASTING FOR NARRAGANSETT. DO YOU FIND THAT ARRANGEMENT TO BE APPROPRIATE?

A. No. Sound load forecasting requires sensitivity to the local markets in which service is provided. Forecasting methods and algorithms used for the Louisville, Kentucky area are not necessarily the same as those that would be appropriate for Narragansett’s Rhode Island service territory. There are often significant differences in forecasting.

28 Bellar Rebuttal Test. at 19:12-16.
and planning assumptions and relationships modeled for even service territories in relatively close proximity. For example, significant differences are found in the forecasts National Grid has developed for its Rhode Island and Massachusetts gas service territories (i.e., service areas that have much closer geographic proximity than LG&E’s Kentucky operations). There are also differences in government regulations and policies across jurisdictions that must be considered.

Furthermore, the development of appropriate forecasts of gas service requirements typically requires substantial interaction between forecasters and a utility’s marketing and field personnel to understand economic development and gas usage trends within a service territory. Forecasters based in Kentucky would not have as much familiarity with local development patterns and would require substantially greater interface with Narragansett’s Rhode Island service territory to produce forecasts that are sensitive to, and reflective of, development and usage trends in Rhode Island. Gas load forecasts are not simply a numerical process, and well-conceived forecasting efforts generally benefit from greater awareness of local issues, local regulations, and local development patterns.

Q. WITNESS BELLAR REPRESENTS THAT LG&E’S DISTRIBUTION INTEGRITY MANAGEMENT GROUP CONTINUES TO MONITOR LEAKS AND FAILURES. OF WHAT RELEVANCE IS THAT STATEMENT?

A. None. Essentially all gas distribution utilities monitor leaks and failures. Key differences among gas distribution utilities lie in their effectiveness in reducing the
numbers of **hazardous** leaks and timely repairing or replacing mains and services when hazardous leaks are identified. Although LG&E has replaced all of its most leak prone gas mains and reduced its reported main leaks accordingly, its track record with respect to replacing hazardous leaks on services (the portion of the gas system in closest proximity to customers’ dwellings and places of business) leaves considerable room for improvement.

**V. RESPONSE TO PPL WITNESS BONENBERGER**

Q. EXHIBIT B TO WITNESS BONENBERGER’S REBUTTAL TESTIMONY PROVIDES PPL’S TRANSITION COST ESTIMATES FOR SIX CATEGORIES OF TRANSITION COSTS. DO YOU HAVE ANY COMMENTS REGARDING THOSE COST ESTIMATES?

A. Yes, I do. The limited detail provided impedes any effort to assess the impacts of those expenditures on Narragansett’s gas system costs of service and the benefits that gas customers in Rhode Island might expect to derive from the estimated expenditures. Of PPL’s total transition cost estimate, $315.0 million or 77% is associated with the implementation of new Information Technology (“IT”) systems. Although footnote 1 to Exhibit B lists eighteen IT systems for which costs are apparently included in the $315 million estimate, costs for individual systems are not shown.\(^{29}\) Also, importantly, PPL provides no information regarding the estimated portion of those costs that it

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\(^{29}\) Bonenberger Rebuttal Test., Ex. B n.1.
anticipates will be incurred to provide incremental benefits to Narragansett customers and the portion that represents costs for replacing or modifying existing systems without enhancements. Additionally, PPL provides no estimates of the expected value to Narragansett customers of the incremental benefits that are expected to result from the identified IT systems. Thus, no basis exists for assessing the cost-effectiveness or costs and benefits of these substantial IT related expenditures. Without the up-front establishment of PPL’s cost and benefit expectations subsequent efforts to challenge PPL’s recovery of transition costs in rate proceedings before the RIPUC may be characterized as hindsight and rejected on that basis. Since the Commission is provided no opportunity to opine on the merits and appropriateness of PPL’s planned expenditures prior to the Division’s rendering of a decision in this docket, it is incumbent upon the Division to as part of its application of the public interest standard to ensure that expenditures for which PPL indicates it may seek recovery in future rate proceedings are prudent and will not adversely impact the bills of Rhode Island consumers.

Second, footnote 2 to Witness Bonenberger’s Exhibit B, identifies three types of facilities (i.e., Customer Service Center, Training Center, Distribution Control Center) for which PPL expects to incur transition costs. However, only an aggregate cost

30 Rebuttal Testimony of PPL Witness Bonenberger, page 32, lines 7-8, indicates that “PPL will seek recovery of only those costs that generate incremental benefits for customers.” Bonenberger Rebuttal Test. at 32:7-8.

31 Id., Ex. B n.2.
estimate is provided. Moreover, once again, no estimates are provided of either the
value of expected incremental benefits from those facilities or the costs of obtaining
such incremental benefits. I also note that it is unclear whether the facilities cost
estimate provide includes a backup Distribution Control Center as well as a primary
Distribution Control Center.

Third, no reference is made in Witness Bonenberger’s Exhibit B to the costs that PPL
will incur for transition support provided by National Grid under the TSA. As a result,
it is unclear whether any or all TSA costs are included in the transition cost estimates
presented in Exhibit B. There is also no indication of the portions of the cost estimates
in Exhibit B that comprise Operating expenditures and the portions that represent
Capital investments.

Finally, Exhibit B includes $15.4 million for estimated severance costs, but PPL
provides no information regarding the composition of those costs, the numbers of
persons for which it expects to pay severance costs, and the positions vacated or
eliminated through the severance of certain current employees. Likewise, no
information is offered regarding the costs that PPL expects to incur to recruit and train
replacements for persons that are severed. It seems unlikely that PPL would incur
$15.4 million of severance costs without incurring any costs for hiring and training new
employees for either the positions vacated or for newly created positions.

Q. DOES WITNESS BONENBERGER PROVIDE ANY UPDATED
INFORMATION REGARDING WHEN EACH NEW RHODE ISLAND
FACILITY LISTED IN FOOTNOTE 2 TO EXHIBIT B IS EXPECTED TO BE PLACED IN SERVICE?

A. No. He does not. PPL has also still not provided information regarding where each facility will be located and when each is expected to become operational.

Q. WITNESS BONENBERGER STATES, “PPL’S EXPERIENCE THUS FAR HAS NOT INDICATED THAT IT WILL NEED TO PAY A SALARY PREMIUM TO ATTRACT QUALIFIED TALENT TO WORK FOR NARRAGANSETT.”

WHAT WEIGHT SHOULD BE GIVEN TO THAT REPRESENTATION?

A. None. Witness Bonenberger’s assertion is unsupported, and it is unclear what PPL experience he is referencing. Considering that PPL has no prior experience with respect to hiring persons for positions in either RI or New England, the basis for Witness Bonenberger’s assertion must be questioned.

Q. HOW DO YOU ANSWER WITNESS BONENBERGER’S ASSERTION THAT YOU “CHERRY PICK” CERTAIN DATA POINTS FROM ATTACHMENT PPL-DIV 1-54-1?

A. My responsibilities for the Advocacy Section in this proceeding focus on the impacts of the proposed transaction on Narragansett’s gas system operations and costs. In that context, I have highlighted two key elements of PPL’s estimated costs that would adversely impact Narragansett’s gas system customers. Those are Gas Operations and

32 Bonenberger Rebuttal Test. at 31:1-2.
Customer Operations. For those two areas within PPL’s cost estimates, dramatic increases are projected in Salaries and Benefits (i.e., 21% for Gas Operations and 37% Customer Operations). Witness Bonenberger does not deny the accuracy of those percentage increases, nor does he provide a compelling case for why those increases in Salaries and Benefits are necessary and appropriate. His use of the phrase “cherry picks” is simply an attempt to distract from the substance of my presentation. Witness Bonenberger cites to specific increases in staffing (i.e., the numbers of Full Time Equivalent employees that PPL believes Narragansett will require, but he does not document or address wage premiums or added benefits that PPL must incur for its Gas Operations and Customer Operations personnel. Moreover, the projected salary and benefit increases are inconsistent with: (1) witness Bonenberger’s previously discussed representation that PPL’s experience does not suggest a need to pay salary premiums to attract qualified talent to work for Narragansett; and (2) the representations of other Petitioner witnesses that assert PPL can be expected to achieve economies of scale comparable to those presently achieved by National Grid.

Q. Witness Bonenberger’s Rebuttal Testimony Argues the Merits of PPL’s “Hybrid [Management] Model” That Blends Shared Services with Greater Local Control.\(^{33}\) Is There Merit in the Hybrid Model That PPL Proposes to Utilize?

\(^{33}\) Id. at 35:11-36:14.
A. Essentially every utility holding company engages in some version of a hybrid management model. Although in concept local presence and control appears to offer some benefit to Rhode Island, how much decision-making authority will actually be delegated to Rhode Island based management personnel is unclear. In addition, there is nothing in PPL’s commitments in this proceeding that ensures that the touted “local control” will not be diluted over time. Furthermore, the record in this docket lacks a systematic assessment of the costs and benefits of increased local presence and increased local control. Narragansett must respond to the requirements and directives of the RIPUC regardless of where its decision makers are physically located.

Q. OF WHAT VALUE IS WITNESS BONENBERGER’S REPRESENTATION THAT PPL EXPECTS THAT OPERATING COSTS FOR NARRAGANSETT WILL GO DOWN?\textsuperscript{34}

A. None. Given that PPL has not completed a full business plan and budget for Narragansett’s operation after the transition period, his assessment of Narragansett’s post-transition period costs is purely speculative. Furthermore, PPL’s proposals in this proceeding make no commitment to overall lower costs for Narragansett at any point in the future. If PPL was confident that Narragansett’s costs will go down, I would have expected PPL’s presentation in this case to be laced with claims of synergy savings as I have been presented in numerous other utility merger and acquisition

\textsuperscript{34} \textit{Id.} at 36:17.
proceedings. Yet, no explicit claims of synergy savings are presented by the
Petitioners, and no proposals for sharing synergy savings with Narragansett customers
have been outlined.

Q. WHAT IS YOUR ASSESSMENT OF WITNESS BONENBERGER’S
ASSERTION THAT “PPL COULD OPERATE A PURE SHARED SERVICES
MODEL THAT IS SUBSTANTIALLY SIMILAR TO NATIONAL GRID USA’S
CURRENT MODEL WITH CENTRALIZED OPERATIONS FOR ALL ITS
UTILITIES FROM PENNSYLVANIA?”

A. I accept that PPL could attempt to implement a pure shared services model with
centralized operations in Pennsylvania. I do not accept that such a model could achieve
results for Narragansett’s gas operations that would be “substantially similar” to those
that presently flow to Narragansett’s gas system from National Grid’s shared services
model. I also find no substantive basis for Witness Bonenberger’s claim that:

“Rhode Island-based operations with support from centralized
services in Pennsylvania and Kentucky will be as efficient and
effective as current operations – and could bring incremental
benefits to Narragansett customers.”

As previously explained, from a gas system perspective, the more remote location of
LG&E, Narragansett’s end-of-the-pipeline location, its absence of on-system

35 Id. at 38:11-13.
36 Id. at 38:2-6.
underground storage, and the smaller combined size of Narragansett and LG&E when compared with the portfolio of gas utilities presently operated by National Grid, are all inconsistent with the notion that PPL can provide gas system benefits comparable to those presently derived through National Grid’s management.

Any suggestion that a local management team (in whatever form ultimately implemented) will be sufficient to offset the economies of scale associated with a much larger portfolio of gas utility operations is at best speculative and not supported by any quantitative analysis. Under National Grid, most of Narragansett’s leadership and support is presently based in Waltham, MA. Admittedly that is not in Rhode Island, but it is much more representative of a local presence than PPL’s proposed reliance on leadership and support in Pennsylvania and/or Kentucky.

VI. RESPONSE TO PPL WITNESSES REED AND DANE

Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE REBUTTAL TESTIMONY SUBMITTED BY PPL WITNESSES REED AND DANE?

A. The Reed and Dane Rebuttal Testimony is laced with numerous representations that are not supported by record evidence. In the absence of appropriate support, such representations should not be relied upon as a basis for approving the proposed transaction. Moreover, certain of the positions taken by Reed and Dane are directly contradicted by other witnesses for PPL and/or National Grid.
Q. DOES PPL HAVE A TRACK RECORD OF SUCCESSFULLY ACQUIRING GAS BUSINESSES AS REED AND DANE ASSERT IN THEIR REBUTTAL TESTIMONY?

A. No. PPL’s track record is quite limited. As discussed in my direct testimony, PPL’s only foray into the gas distribution business prior to its acquisition of LG&E’s combined gas and electric operations was short-lived. After acquiring two small gas distribution utilities in Pennsylvania in the 1990’s, PPL soon resold those businesses to UGI Corporation under the rationale that gas distribution was not part of PPL’s “core business.”

Q. WITNESSES REED AND DANE ARGUE THAT THE ADVOCACY SECTION EXPANDS THE PUBLIC INTEREST STANDARD TO INCLUDE CONSIDERATION OF ISSUES TYPICALLY RESERVED FOR CASES BEFORE THE RIPUC. IS THAT ACCURATE?

A. No. The RIPUC would face a dilemma if subsequent to the approval of the transaction it is found that PPL cannot provide safe and reliable utility services to Rhode Island gas customers at reasonable cost when compared to the costs that Narragansett currently incurs. In that event, the RIPUC might have to choose between either: (1) excluding substantial costs and jeopardizing the financial health of Narragansett’s gas utility operations; or (2) allowing cost increases to the financial detriment of Rhode

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37 See Oliver Direct Test. at 17:14-18:3.

38 Reed and Dane Rebuttal Test. at 14:3-6.
Island consumers. This trade-off is precisely why the Division must consider the expected longer-term impacts of the transaction on Narragansett’s costs and service reliability as part of its evaluation of the merits of the proposed transaction. The Reed and Dane approach to considering the public interest impacts of the proposed transaction would inappropriately shift risk from PPL (i.e., the acquiring entity) to Rhode Island ratepayers.

Q. DO YOU AGREE WITH WITNESSES REED AND DANE REGARDING THE COMPARATIVE FOOTPRINTS OF NATIONAL GRID AND PPL?

A. No. The efforts of witnesses Reed and Dane to characterize PPL’s footprint as wider than National Grid’s footprint have no merit as they relate to the current gas operations of those two holding companies. With the acquisition of Narragansett, PPL’s gas service would be more aptly described as two footprints separated by about 800 miles. Combined under PPL, LG&E and Narragansett would serve a little over 600,000 gas customers. By contrast, National Grid presently serves about 3.4 million gas customers in New York, Massachusetts, and Rhode Island. All of National Grid’s 3.4 million gas customers are located within roughly a 150 mile radius. Thus, National Grid is more appropriately viewed as having a wider single geographic footprint than PPL.

Although LG&E is clearly more geographically distant from Rhode Island that National Grid’s other gas utilities, that geographic distance does not constitute a broader footprint. Rather, the Narragansett RI operations are sufficiently distant from
LG&E to constitute a separate footprint. By contrast, the footprint of National Grid’s
gas operations in Rhode Island, Massachusetts and New York is much wider than the
gas system footprint PPL would offer.

Q. AT PAGE 20 OF THE REED AND DANE REBUTTAL TESTIMONY, THEY
SUGGEST THAT PPL’S KENTUCKY OPERATIONS ALREADY HAVE THE
NEEDED IN-HOUSE EXPERTISE TO MANAGE NARRAGANSETT’S GAS
PORTFOLIO. DO YOU AGREE?

A. No, I do not. Witness Bellar makes a similar representation, but he also recognizes
important operational differences between the Narragansett and LG&E gas systems and
admits that PPL will need to “build upon its internal capabilities and gain expertise in
managing the Narragansett portfolio in a manner consistent with past practices of
National Grid.”39 PPL witness Bellar further testifies that PPL has taken steps to build
its knowledge and skill in gas procurement in the New England market by retaining a
third-party consultant.40 If in fact PPL already possesses the needed in-house expertise
to manage Narragansett’s gas portfolio, then the measures described by Witness Bellar
to augment PPL’s knowledge and skill with respect to gas procurement in the New
England market would be unnecessary.

Q. REED AND DANE ASSERT THAT RHODE ISLAND OPERATIONS WILL
BENEFIT FROM PPL’S EXPERIENCE IN KENTUCKY, WHERE PPL

39 Bellar Rebuttal Test. at 16:3-6.
40 Id. at 13:2-10.
OPERATES UNDER RULES AND REQUIREMENTS TO ENCOURAGE THE
PROVISION OF LOW-COST GAS SUPPLIES AND REDUCE PRICE
VOLATILITY. \(^{41}\) DO YOU AGREE?

A. No, I do not. Apparently Reed and Dane were unaware of the incentive structures under which Narragansett operates in Rhode Island and overlooked the section of my direct testimony which demonstrates that the Rhode Island incentive structure has produced greater benefits for customers than the rules and requirements in Kentucky have produced for LG&E customers. \(^{42}\) LG&E’s gas procurement practices in Kentucky offer no incremental benefits for Narragansett’s gas system. To the contrary, LG&E might learn some lessons from Narragansett’s gas procurement practices and gas cost incentive structures.

Q. WITNESSES REED AND DANE TOUT THE SUCCESS OFUTILITY
OWNERSHIP TRANSFERS BETWEEN UTILITY HOLDING COMPANIES,
citing transactions in New Hampshire. \(^{43}\) SHOULD THOSE EXAMPLES HAVE A BEARING ON THE DIVISION’S DETERMINATION REGARDING THE TRANSACTION PROPOSED IN THIS PROCEEDING?

A. No. The referenced transfers of ownership are labeled as successful without any discussion of the criteria used to assess “success” for each transaction. Apparently,

\(^{41}\) Reed and Dane Rebuttal Test. at 20:6-9.

\(^{42}\) Oliver Direct Test. at 74:1-79:3 & Figs. 3, 4.

\(^{43}\) Reed and Dane Rebuttal Test. at 39:14.
Reed and Dane consider a transfer a success when the acquiring party assumes full responsibility for the transferred utility without further assistance from the seller (i.e., when the transition period ends). That may be a sufficient criterion from a utility holding company perspective, but it does not consider post-closing or post-transition period impacts on the costs, quality, and/or reliability of service that the utility’s customers may experience.

Q. WITNESSES REED AND DANE SUGGEST THAT THE DECISION OF THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION TO APPROVE THE TRANSFER OF ENERGY NORTH TO LIBERTY ENERGY SHOULD PROVIDE THE DIVISION COMFORT THAT PRIOR EXPERIENCE IN GAS UTILITY MANAGEMENT AND OPERATIONS SHOULD NOT BE A MAJOR CONCERN. DO YOU AGREE?

A. No. The New Hampshire case is distinguishable from the situation here for several reasons. First, National Grid’s transfer of ownership of Granite State Electric Company and Energy North Natural Gas, Inc. to Liberty Utilities was resolved through a negotiated settlement and the number and substance of the provisions of the settlement accepted by the New Hampshire Public Utilities Commission ("NHPUC") in that proceeding far exceed the commitments offered by the Petitioners in this docket. Additionally, in New Hampshire the regulatory body responsible for approving the merger is the same regulatory body responsible for the approval of rates. Further, as noted earlier in this testimony, the he settlement of the referenced New Hampshire
proceeding included requirements for National Grid’s provision of $28.5 million in escrow funds. Given the comparatively small size of Granite State and Energy North, that requirement (which was made in 2012) could equate to over $100 million in this proceeding when adjusted for inflation and the larger size of Narragansett’s gas and electric operations. The referenced New Hampshire settlement also included the establishment of multiple performance metrics, numerous reporting requirements, and substantial on-going monitoring of the adherence of both National Grid and Liberty Utilities to the terms of their Transition Services Agreement. Furthermore, the NHPUC explicitly observed in its analysis of the Settlement Agreement that the commitments contained therein provided “certain rate impact protections for customers.”\textsuperscript{44}

\textbf{VII. CONCLUSION}

\textbf{Q. DO YOU HAVE ANY CONCLUDING OBSERVATIONS?}

\textbf{A.} I do. The proposed transaction is purely the product of corporate interests. There are no identified synergy savings to be derived from the transaction for Rhode Island or Rhode Island gas utility customers. Although it may be advantageous for National Grid to acquire Western Power Distribution (“WPD”) from PPL to consolidate its hold on power distribution in the United Kingdom, that does not justify the impacts on Rhode Island consumers of National Grid’s decision to transfer ownership of its Rhode Island electric and gas utility operations to PPL. This is particularly true from a gas utility

perspective. Gas distribution is not perceived by PPL as part of its core business, and
extracting Narragansett’s gas operations from the larger and more advantageous
National Grid portfolio of gas utilities for broader corporate purposes will not serve
either the interests of Rhode Island gas consumers or Rhode Island’s overall public
interest.

Q.  DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.