

**PUBLIC**  
**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

**DIRECT TESTIMONY AND SUPPORTING EXHIBITS OF**  
**BRUCE R. OLIVER**

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

**NOVEMBER 3, 2021**

## TABLE OF CONTENTS

		<u>PAGE</u>
1	I. QUALIFICATIONS .....	1
2	II. SUMMARY .....	3
3	A. Overview .....	3
4	III. BACKGROUND .....	13
5	IV. DISCUSSION OF ISSUES .....	21
6	1. <i>Loss of Economies of Scale</i> .....	32
7	2. <i>Gas Billing System Modifications</i> .....	35
8	3. <i>Need for Employment Incentives</i> .....	36
9	4. <i>Redundant Transition Period Costs</i> .....	38
10	A. Gas System Reliability .....	39
11	B. Gas System Safety .....	45
12	C. Transition Uncertainties .....	53
13	1. <i>Pricing of Transition Services</i> .....	53
14	2. <i>Completion of Required Facilities</i> .....	59
15	3. <i>Staffing of Non-Union Positions</i> .....	63
16	D. PPL’s Lack of Experience in Key Elements of RI Gas Operations .....	67
17	1. <i>Design, Construction, Operation, Maintenance of LNG Facilities</i> .....	68
18	2. <i>Appalachian, New England and Canadian Gas Markets</i> .....	70
19	3. <i>Use of Financial Hedges in Natural Gas Markets</i> .....	72
20	E. Gas Procurement Costs and Incentive Plans .....	74
21	H. Customer Satisfaction .....	79
22	V. CONCLUSION .....	80

**PUBLIC**

**LIST OF EXHIBITS AND SCHEDULES**

<b>EXHIBIT A</b>	Resume of Bruce R. Oliver
<b>EXHIBIT B</b>	Schedules
<b>SCHEDULE BRO-1</b>	Schematic of Narragansett's Consolidated Gas Supply Portfolio (Attachment NG-DIV 7-22)
<b>SCHEDULE BRO-2</b>	Schematic of LG&E's Gas Supply Portfolio (Attachment PPL-DIV 7-23)
<b>SCHEDULE BRO-3</b>	Comparative Gas System Data for Narragansett (RI) and LG&E
<b>SCHEDULE BRO-4</b>	Narragansett and LG&E Histories of Hazardous Gas Leaks
<b>SCHEDULE BRO-5</b>	Comparative Total Hazardous Gas Leaks per 100 Miles of Mains for Narragansett (RI) and LG&E
<b>SCHEDULE BRO-6</b>	Allocations of Gas Cost Savings under PBR Mechanisms for Narragansett and LG&E ( <i>2016 – 2020</i> )
<b>EXHIBIT C</b>	Copy of data responses

**PUBLIC**  
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

**DIRECT TESTIMONY OF  
BRUCE R. OLIVER**

**I. QUALIFICATIONS**

1

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

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

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

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

9 **Q. ON WHOSE BEHALF DO YOU APPEAR IN THIS PROCEEDING?**

10 A. My testimony in this proceeding is presented on behalf of the Advocacy Section of the  
11 Division of Public Utilities and Carriers (hereinafter "Advocacy Section").

12 **Q. HAVE YOU PARTICIPATED IN PRIOR REGULATORY PROCEEDINGS**  
13 **RELATED TO GAS UTILITY OPERATIONS IN RHODE ISLAND?**

1 A. Yes. Since the early 1990s I have participated in more than 60 proceedings relating to  
2 Rhode Island's gas utilities before the Rhode Island Public Utilities Commission  
3 ("RIPUC"). (See Exhibit A to this testimony for a copy of my resume which includes a  
4 listing of those cases). I was also a witness in two prior proceedings before the Division  
5 of Public Utilities and Carriers ("Division") relating to: (1) National Grid's acquisition of  
6 New England Gas Company; and (2) the merger of Southern Union, Valley Gas Company,  
7 and Bristol and Warren Gas Company.

8 **Q. HAVE YOU PARTICIPATED IN UTILITY REGULATORY PROCEEDINGS IN**  
9 **OTHER JURISDICTIONS?**

10 A. Yes. I have been a participant and provided expert testimony in over 300 utility gas,  
11 electric, and water utility regulatory proceedings in 25 jurisdictions across the U.S., its  
12 island territories, and Canada. In those proceedings I have addressed a wide range of  
13 ratemaking and regulatory policy issues, including multiple utility merger and acquisition  
14 proposals. I have presented testimony specifically focused on gas utility ratemaking,  
15 planning, safety, and regulatory policy issues in 16 jurisdictions.

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

17 A. This testimony addresses issues relating to the proposed acquisition by PPL Corporation  
18 and PPL Rhode Island Holdings, LLC ("PPL RI") (together, "PPL") from National Grid  
19 USA ("National Grid") (together, the "Petitioners") of Narragansett Electric Company  
20 ("Narragansett") and its gas distribution utility operations in Rhode Island, as well as the  
21 impacts of approval of the proposed Transaction on the safety, reliability, and costs of  
22 natural gas service for Rhode Island consumers. I also address concerns relating to the

1 effect that the proposed Transaction will have on the RIPUC's existing and future  
2 regulatory policies.

3 **II. SUMMARY**

4 **Q. HOW IS THIS SUMMARY OF YOUR TESTIMONY STRUCTURED?**

5 A. This summary of my testimony is presented in three parts. First, I provide an overview of  
6 my assessment of the proposed Transaction and its impacts on gas utility customers in  
7 Rhode Island. Second, I present a summary of key findings of my assessment of the  
8 proposed Transaction on Narragansett's gas system operations, reliability and costs. Third,  
9 I offer recommendations with respect to approval of the proposed transfer of ownership of  
10 Rhode Island's gas distribution utility operations to PPL. My primary recommendation is  
11 that the Division should reject the proposed transaction as inconsistent with the public  
12 interest.

13 **Q. WHAT IS THE LEGAL STANDARD AGAINST WHICH YOU HAVE**  
14 **EVALUATED THE PROPOSED TRANSACTION?**

15 A. As provided under Section 39-3-25 of the Rhode Island General Laws, the Transaction  
16 cannot be approved unless the Petitioners are able to demonstrate: (a) that the proposed  
17 merger will not diminish facilities for furnishing service to the public, and (b) that the terms  
18 of the merger are consistent with the public interest.

19 **A. Overview**

20 **Q. WHAT IS YOUR OVERALL ASSESSMENT OF PPL'S PROPOSED ACQUISI-**  
21 **TION OF NARRAGANSETT GAS UTILITY OPERATIONS?**

1 A. PPL's acquisition of Narragansett's gas utility operations offers no incremental value to  
2 Rhode Island and the state's gas utility customers. Rather, if approved, the Transaction  
3 should be expected to result in a loss of economies of scale, an erosion of gas purchasing  
4 efficiency and effectiveness, redundant transition period costs, and increases in the overall  
5 costs of Narragansett's natural gas service to Rhode Island customers. I have not identified  
6 any improvements in service reliability or service quality that would result from the  
7 Transaction.

8 National Grid's current organizational structure provides most of the management and  
9 administrative services for Narragansett's gas operations through its National Grid USA  
10 Service Company (hereinafter the "Service Company"). Many of the management,  
11 planning, purchasing, financial, and regulatory services provided by National Grid's  
12 Service Company are performed jointly for Narragansett and National Grid's gas utility  
13 affiliates in Massachusetts and New York. Rhode Island's gas service constitutes only a  
14 small portion of National Grid's overall gas utility operations, and many of the personnel  
15 who support the management and operations of the Narragansett Gas Division devote only  
16 a limited portion of their time to Rhode Island activities. Most of the management  
17 employees supporting Narragansett's gas operations are based in other jurisdictions (i.e.,  
18 New York and Massachusetts). As a result, there is a dearth of experience in gas utility  
19 management, forecasting, and planning personnel resident in Rhode Island. There are also  
20 indications that PPL will incur increased costs to attract and retain experienced  
21 management and engineering personnel for Rhode Island's comparatively small  
22 operations.

1 Currently, PPL’s only gas utility operations are part of its Louisville Gas and Electric  
2 Company (“LG&E”) subsidiary. LG&E’s service territory is approximately 800 miles  
3 from Providence, RI, and there are at best limited opportunities to share employees between  
4 LG&E and Narragansett’s gas utility operations. Further, there are important differences  
5 between the Narragansett and LG&E gas operations. Perhaps most importantly, Rhode  
6 Island operates in a capacity constrained gas market which is essentially at the end of the  
7 interstate pipeline system, and it is heavily dependent upon Liquefied Natural Gas (“LNG”)  
8 to meet design peak day and design peak hour service requirements. By contrast, LG&E  
9 is located midstream with access to two major interstate gas pipelines (i.e., Texas Gas  
10 Transmission and Tennessee Gas Pipeline), and uses underground storage, as opposed to  
11 more expensive LNG alternatives, to meet its peak demand requirements.

12 Despite some suggestions to the contrary, the proposed Transaction involves more than  
13 just a “Share Purchase Agreement.”<sup>1</sup> Narragansett’s gas utility operations are heavily  
14 integrated with the operations of other National Grid gas utility subsidiaries, and  
15 Narragansett is dependent on support from the National Grid Service Company and its  
16 other gas utility affiliates. As a result, Narragansett’s gas utility operations **do not**  
17 **presently constitute “stand-alone” operations.** A simple “Share Purchase Agreement”  
18 does not typically require the establishment and/or relocation of facilities necessary for  
19 continued utility operations. Nor do such transactions typically necessitate the

---

1 See PPL’s response to Advocacy Section DIV 7-46; see also 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 ¶ 11, Division Docket No. D-21-09 (May 4, 2021) (“Petition”).

1 development and staffing of a new management structure. Yet, approval of the proposed  
2 Transaction would require the development of both new facilities and a new team to plan,  
3 manage, and operate Rhode Island's gas utility system.

4 As currently managed, Narragansett's gas utility operations heavily rely on National Grid  
5 Service Company personnel who manage and plan Narragansett's Rhode Island gas  
6 operations as part of a much larger gas utility portfolio that includes, Boston Gas, Colonial  
7 Gas, Keyspan-Long Island, Keyspan-NYC (Brooklyn Union), and Niagara Mohawk. As  
8 a result of National Grid's joint operation of its portfolio of gas utilities through a shared  
9 services model, comparatively few National Grid Service Company personnel are  
10 presently dedicated 100 percent to the support of Narragansett's gas operations. PPL's  
11 only other gas utility operations are comparatively distant from Rhode Island. The  
12 separation of Narragansett's gas operations from National Grid's gas utility portfolio  
13 portends a substantial loss of economies of scale, and that, in turn, generally suggests  
14 increased costs for Rhode Island gas users. Neither the proposed Transaction nor the  
15 Petitioners' transition plans provide necessary and appropriate assurance of continued safe  
16 and reliable gas utility services at reasonable cost.

17 A particular concern is PPL's lack of experience and expertise with respect to the design,  
18 construction and operation LNG facilities. Although Narragansett's gas system reliability  
19 is dependent on four LNG facilities located within its RI service territory, PPL has not  
20 demonstrated that it has the in-house personnel to safely and cost-effectively manage and  
21 operate those facilities. In addition, considerations regarding: (1) the replacement of the  
22 Cumberland LNG tank; and (2) the lack of a long-term solution for peaking supply on

1 Aquidneck Island are central to the maintenance of gas supply reliability within Rhode  
2 Island. Yet, with the transition to PPL ownership, there is no assurance of continuity in  
3 the planning, design, and construction of those important service reliability-related  
4 projects. Moreover, Narragansett’s largest LNG storage asset, the Providence LNG Tank,  
5 and the liquefaction facility that has been designed to provide LNG supply for that facility,  
6 are not part of the proposed Transaction. Those facilities will continue to be owned and  
7 operated by National Grid’s subsidiary, National Grid LNG, LLC (“NGLNG”). In  
8 addition, PPL has no experience in New England natural gas markets and little or no  
9 experience in the planning, construction, operation or maintenance of LNG facilities that  
10 are critical to the reliability of service provided to Rhode Island gas customers.

11 If PPL’s acquisition of Narragansett Electric Company is approved, Narragansett’s gas  
12 customers in Rhode Island will be exposed to increased costs and the risk of degraded gas  
13 service safety and reliability – all of which can be directly associated with the change in  
14 ownership. Nothing in the Petition and testimony of the Petitioners to date provides Rhode  
15 Island gas customers with adequate assurances of, or protections from, such adverse  
16 impacts.

17 Some may attribute greater importance to Narragansett’s electric operations, and focus  
18 their attentions, primarily, if not exclusively, on the potential impacts of the Transaction  
19 on those operations. However, doing so would be a mistake. Rhode Island’s gas  
20 distribution utility operations must not be the Transaction’s “step-child.” PPL’s failure to  
21 demonstrate its ability to safely, reliably, and cost-effectively operate **both** Narragansett’s

1 gas and electric utility systems in Rhode Island means the Transaction cannot be approved  
2 as presented.

3 **B. Findings**

4 **Q. PLEASE SUMMARIZE THE KEY FINDINGS WITH RESPECT TO PPL'S**  
5 **ACQUISTION OF NARRAGANSETT'S GAS UTILITY OPERATIONS IN**  
6 **RHODE ISLAND FROM NATIONAL GRID.**

7 A. Key findings presented in this testimony include:<sup>2</sup>

- 8 • Large uncertainties remain regarding the impacts of the proposed Transaction on costs  
9 and operations of Narragansett's gas system in Rhode Island make it impossible to  
10 conclude that proposed Transaction is consistent with the public interest.
- 11 • Narragansett's gas operations are a comparatively small component of National Grid's  
12 highly integrated management of the operations of its gas utility subsidiaries in  
13 Massachusetts and New York, and few National Grid Service Company personnel are  
14 dedicated 100 percent to the planning, operation, and/or management of Narragansett's  
15 gas system.
- 16 • PPL's acquisition of Narragansett's gas operations implies a substantial loss of scale  
17 economies in the planning, administration, operation, and maintenance of the Rhode  
18 Island gas system. PPL's more remotely located LG&E gas operations cannot be  
19 expected to replicate the scale economies currently associated with National Grid's  
20 operation of Narragansett's gas system, and PPL offers no assurance that

---

<sup>2</sup> The absence of any finding offered in the body of this testimony from this summary is not intended to diminish its importance.

- 1 Narragansett's gas customers will be protected from adverse effects of such losses of  
2 scale economies. The loss of such economies of scale and support from neighboring  
3 utility operations is not consistent with Rhode Island's public interest.
- 4 • PPL does not demonstrate the necessary experience and expertise to operate the  
5 Narragansett gas system without assistance from National Grid.
  - 6 • The proposed Transaction requires a substantial unbundling of Narragansett's gas  
7 operations and planning from National Grid, and the consequences of that unbundling  
8 are integral to any assessment of Narragansett's continued ability to provide safe and  
9 reliable gas service at reasonable cost after the Transaction is completed. Thus, focus  
10 on the Transaction as solely a Share Purchase Agreement cannot yield an appropriate  
11 assessment of the impacts of the Transaction on Rhode Island's public interest.
  - 12 • PPL cannot assume full responsibility for Narragansett's gas operations in Rhode  
13 Island absent the development of new Rhode Island-based facilities. Yet, the costs for  
14 establishing those new facilities are currently not known, and the likely timetable for  
15 completion of those facilities appears to extend well beyond the proposed two-year  
16 transition period.
  - 17 • The design, construction, operation and maintenance of LNG facilities are essential  
18 elements of providing continued reliability of gas service in Rhode Island, and further  
19 delays in the planning and construction of new LNG facilities, particularly in  
20 Cumberland and Aquidneck Island may have adverse implications for gas service  
21 reliability.

- 1           • Due to the extensive sharing of National Grid’s resources and personnel by its gas  
2           utility subsidiaries, staffing of a stand-alone Rhode Island gas utility cannot be expected  
3           to reflect a one-to-one substitution of PPL or new Narragansett gas management,  
4           planning, and operating personnel for existing National Grid personnel.
- 5           • Except at the very highest levels, staffing of management, planning, and engineering  
6           positions for Narragansett’s gas utility operations remains unclear as are the costs of  
7           filling such positions.
- 8           • If the Transaction is approved, then Rhode Island ratepayers will need to be protected  
9           from redundant costs incurred during the period in which PPL personnel are introduced  
10          to, and attempt to gain knowledge of, key elements of Narragansett’s gas system  
11          operations and planning.
- 12          • LG&E’s gas utility operations in Kentucky have reported significantly higher  
13          frequencies of **hazardous** gas leaks over the last five years than have been reported for  
14          Narragansett’s gas system in Rhode Island. In particular LG&E’s hazardous leaks on  
15          service lines (the elements of the system closest to customers) have been substantially  
16          above those for Narragansett. Such higher leak rate experience must not be allowed  
17          to degrade the safety and quality of service for Rhode Island’s gas operations.
- 18          • LG&E’s track record does not support a finding that PPL can be expected to provide  
19          improved customer service in Rhode Island.

20          C. **Recommendations**

1 Q. WHAT ARE YOUR RECOMMENDATIONS FOR THE DIVISION WITH  
2 RESPECT TO THE PROPOSED ACQUISITION OF NARRAGANSETT'S GAS  
3 UTILITY OPERATIONS IN RHODE ISLAND?

4 A. Based on the information presented by the Petitioners, I make the following  
5 recommendations:

- 6 1. The Division should reject the proposed Transaction as inconsistent with the public  
7 interest. The Division should find that the proposed Transaction does not ensure  
8 that Rhode Island ratepayers will be protected against added costs for natural gas  
9 service that are directly related to the proffered change in ownership.
- 10 2. The Division should find that the proposed plans for unbundling the Narragansett  
11 gas system from National Grid do not provide reasonable and adequate assurance  
12 of PPL's ability to continue to provide safe and reliable service to Narragansett's  
13 gas customers at reasonable cost.
- 14 3. The Division should find that for the proposed Transaction to be consistent with  
15 the public interest, the new facilities to be developed in Rhode Island to support  
16 Narragansett's gas operations are necessary to effect an unbundling of  
17 Narragansett's gas operations from those of National Grid and its other gas utility  
18 affiliates, and therefore, constitute costs necessitated by the Transaction that must  
19 be borne by PPL (i.e., the acquiring entity) – not Rhode Island ratepayers.
- 20 4. The Division should find that PPL has failed to demonstrate that the Transaction is  
21 in the public interest because the proposals of the Petitioners lack sufficient  
22 assurances that Rhode Island gas customers will not be asked to pay for redundant

1 costs incurred by National Grid and PP during the transition period (i.e., as PPL  
2 and the new management of Narragansett's gas operations endeavor to learn RI's  
3 gas system and the elements of those operations that are not found in PPL's LG&E  
4 gas system operations.

- 5 5. The Division should conclude that PPL has not demonstrated sufficient staffing and  
6 expertise in key elements of Narragansett's gas operations (e.g., LNG facilities  
7 design, construction, and operations, as well as gas procurement in New England  
8 and Canadian gas markets) to assume responsibility for those activities. While it  
9 may be presumed that PPL can gain the required knowledge and expertise overtime,  
10 it is unclear how long acquisition of the requisite knowledge will take and what the  
11 impacts on gas system costs and reliability will be experienced in the interim.
- 12 6. The Division should find that the Transaction will result in a substantial loss of  
13 economies of scale in the management and operation of Narragansett's gas utility  
14 operations must be anticipated, and that PPL's LG&E gas utility operations are too  
15 remote from Rhode Island to provide significant opportunities for mutual support  
16 and sharing of scale economies.
- 17 7. The Division should determine that PPL's estimates of its costs of operating  
18 Narragansett's gas system in Rhode Island are unreliable and provide little insight  
19 regarding PPL's actual costs of operating Narragansett's gas system without  
20 support from National Grid.

1 **III. BACKGROUND**

2 **A. The Transaction**

3 **Q. WHAT IS THE NATURE OF THE TRANSACTION THAT HAS BEEN PRO-**  
4 **POSED IN THIS PROCEEDING?**

5 A. PPL’s response to Advocacy Section Data Request DIV 7-46 refers to the Transaction as  
6 a “Share Purchase Agreement.”<sup>3</sup> However, the Transaction involves far more than just a  
7 transfer of ownership. The Transaction requires a substantial unbundling of Narragansett’s  
8 gas and electric operations from National Grid and the development of a new management  
9 organization. PPL has named persons who will assume senior leadership positions for a  
10 new Rhode Island-based organization (“PPL RI”), but many management and engineering  
11 positions remain unfilled. In addition, the Petitioners propose to enter into a **Transition**  
12 **Services Agreement** (“TSA”) under which National Grid would continue to provide  
13 services to Narragansett for a period of up to two years after the close of the Transaction.<sup>4</sup>  
14 PPL will not assume sole responsibility for Narragansett’s operations until after the end of  
15 the transition period. Further, for PPL to assume full control of Narragansett’s gas  
16 operations without support from National Grid or the Service Company, PPL will be  
17 required to develop:

- 18 1. A Rhode Island-based control center for gas operations and dispatch,  
19 2. A Rhode Island-based customer call center, and

---

<sup>3</sup> PPL’s response to Advocacy Section Data Request DIV 7-46. A copy of all data responses cited in this testimony are contained in Exhibit C to this testimony.

<sup>4</sup> Petition ¶ 20. It should be noted, however, that there may be requirements for important elements of the TSA to be continued beyond the proposed two-year period.

1           3. Rhode Island-based dispatch facilities.

2           The continuity of service, the maintenance of safe and reliable service, and the  
3           reasonableness of costs for the services provided, are more directly impacted by the  
4           Transition Services Agreement than the Share Purchase Agreement. Unfortunately, many  
5           necessary details of the proposed TSA are yet to be developed. There are also indications  
6           that elements of the proposed transition services may need to be continued beyond 24-  
7           month transition period.

8           **B. Narragansett's Gas System Operations**

9           **Q. WHAT ARE THE PRIMARY ATTRIBUTES OF NARRAGANSETT'S GAS**  
10           **SYSTEM IN RHODE ISLAND?**

11          A. The gas system operated by Narragansett in Rhode Island is a product of the consolidation  
12          of three former gas utilities: Providence Gas Company, Valley Gas Company, and Bristol  
13          and Warren Gas Company. The consolidation of those utilities was completed under  
14          Southern Union ownership in the mid-1990s, and the consolidated entity was subsequently  
15          acquired by National Grid in 2006. The Narragansett gas system is operated by the  
16          National Grid Service Company, and many of its services are managed jointly with those  
17          of other National Grid gas distribution utility subsidiaries in Massachusetts (i.e., Boston  
18          Gas and Colonial Gas) and New York (Keyspan–NYC, Keyspan–Long Island, and Niagara  
19          Mohawk). Narragansett's Rhode Island gas utility operations constitute only a small  
20          percentage of National Grid's total gas utility operations.<sup>5</sup>

---

<sup>5</sup> In terms of current Rate Base investment, Narragansett's gas utility represents only about one-tenth of National Grid's total gas utility rate base investment and is less than one-third the size of National Grid's Massachusetts gas utility operation (i.e., Boston Gas and Colonial Gas) and less than one-third the size of either Keyspan-Long Island or

1 Narragansett’s gas system presently serves approximately 280,000 meters through roughly  
2 193,000 service lines and 3,200 miles of gas distribution mains.<sup>6</sup> Residential customers  
3 comprise over 90% of Narragansett’s total gas customers. Approximately 93% of  
4 Narragansett’s residential customers use natural gas for space heating purposes.<sup>7</sup> The vast  
5 majority (i.e., about 87%) of Narragansett’s non-residential customers are categorized as  
6 Commercial and Industrial (“C&I”) Sales Service customers, and most of those customers  
7 also use natural gas for heating purposes. The remainder of Narragansett’s C&I customers  
8 (i.e. about 2,500 customers) represents customers who are served under Narragansett’s  
9 Firm Transportation service (FT-1 and FT-2) rate schedules.<sup>8</sup> Those customers acquire  
10 their gas supplies from Competitive Service Providers (“CSPs”) and rely on Narragansett  
11 to deliver gas purchased from such third-party suppliers to their service locations in Rhode  
12 Island. FT-1 and FT-2 customers account for approximately 32% of the Narragansett gas  
13 system’s normal weather annual throughput volumes.<sup>9</sup>

---

Keyspan-NYC. Based on miles of mains installed and numbers of service lines operated, Narragansett accounts for only 7% to 9% of National Grid’s total gas utility operations.

<sup>6</sup> Narragansett’s number of gas meters is based on the data for PY2022, 2021 Gas Recovery, Attachment GLF-2 RIPUC Docket No. 5180 (Sept. 1, 2021). The number of service lines and miles of mains are based on annual report filed with PHMSA for 2020 for Narragansett’s RI service territory. The fact that Narragansett has roughly 80,000 more gas meters than gas service lines installed indicates that a rather large percentage of Narragansett’s gas customers in Rhode Island receive their gas distribution service through shared service lines. This is indicative of the age of Narragansett’s gas system. Older gas utilities serving urban areas in eastern states tend to have greater use of shared service lines.

<sup>7</sup> Narragansett’s Residential Non-Heating class has been declining in numbers of customers for more than a decade. With a continued movement of Residential Non-Heating customers have to gas heating service, the number of Residential Non-Heating customers has fallen in the last ten years from over 26,500 in 2011 to a forecasted level of about 16,300 for 2021, i.e., a decline of nearly 40%.

<sup>8</sup> Testimony of Gas Load Forecasting (“GLF”) Witnesses, Attachment GLF-2, at 1, RIPUC Docket No. 5180 (Sept. 1, 2021).

<sup>9</sup> Testimony of Gas Load Forecasting (“GLF”) Witnesses, Attachment RMS-1, at 12, RIPUC Docket No. 5180 (Sept. 1, 2021).

1 Due to the percentage of customers on Narragansett's gas system that use natural gas for  
2 space heating purposes, much of the gas use on the Narragansett system is sensitive to the  
3 number of heating degree days experienced on an annual basis. For planning purposes,  
4 Narragansett currently uses 5,422 heating degree days to represent its normal weather  
5 expectations. Narragansett's design day peak gas volumes exceed normal weather  
6 average daily gas volumes on an annual basis by approximately 140%. These attributes,  
7 combined with the location of Narragansett's gas system essentially at the end of the  
8 interstate pipeline system, make Rhode Island highly dependent upon local gas peaking  
9 supply resources to ensure the reliability of service during peak winter periods. As there  
10 are no underground natural gas storage facilities in Rhode Island or in New England,  
11 Narragansett's local gas peaking supplies are derived exclusively from LNG that is stored  
12 in above ground facilities (i.e., LNG Tanks) for re-gasification during periods of peak  
13 requirements. However, liquefaction of natural gas is a comparatively capital intensive  
14 and expensive process that can cause costs for incremental supplies of vaporized LNG  
15 during peak winter demand periods to rise well above natural gas costs during off-peak  
16 periods.

17 Also, due in large part to Rhode Island's location near the end of the interstate gas pipeline  
18 system, Narragansett operates a comparatively complex portfolio of pipeline supply and  
19 storage service contracts in combination with local LNG storage and vaporization facilities.

20 The complexity of Narragansett's gas system is depicted in **Schedule BRO-1** to this  
21 testimony which provides an updated schematic of Rhode Island's consolidated gas supply  
22 portfolio. Furthermore, Narragansett operates a comparatively old system. Nearly 25% of

1 Narragansett's gas mains were listed as either installed prior to 1950 or as mains for which  
2 installation dates are unknown.<sup>10</sup> As of 2020, leak-prone cast iron, bare steel, and  
3 unprotected steel mains accounted for nearly **one-third** of Narragansett's total mileage of  
4 distribution mains. Narragansett also had over 42,000 services in leak prone categories  
5 (i.e., bare steel, unprotected coated steel, cast iron, and copper) as of 2020. These  
6 substantial amounts of comparatively risky, leak-prone pipe will necessitate large amounts  
7 on-going pipe replacement activity by the Company.

8 **C. PPL's LG&E Gas Utility Operations**

9 **Q. DOES PPL CURRENTLY OWN ANY GAS DISTRIBUTION UTILITY OPERA-**  
10 **TIONS?**

11 A. Yes. PPL acquired LG&E in Kentucky in late 2010,<sup>11</sup> and it has owned and operated  
12 LG&E's gas and electric systems since that time. LG&E is PPL's only gas distribution  
13 utility.<sup>12</sup>

14 **Q. IS THE PROVISION OF GAS DISTRIBUTION UTILITY SERVICES PART OF**  
15 **PPL'S "CORE BUSINESS"?**

---

<sup>10</sup> Given advancements in electronic record keeping and computer mapping, facilities with unknown installation dates tend to be comparatively older facilities.

<sup>11</sup> Petition, ex. 2, at 4:12-13, testimony of Lonnie Bellar ("Bellar test.").

<sup>12</sup> PPL previously owned and operated two gas distribution utilities in Pennsylvania. Those two utilities (PFG Gas, Inc. and North Penn Gas Company) were acquired by PPL in 1998 and sold to UGI Corporation in 2008. *See* PPL's response to Advocacy Section Data Request DIV 3-11.

1 A. It does not appear that it is. In 2007, PPL sold its PPL Gas operations in Pennsylvania “to  
2 focus on emerging . . . opportunities in [PPL’s] **core business** of electricity generation,  
3 marketing and delivery.”<sup>13</sup>

4 **Q. WHAT ARE THE ATTRIBUTES OF THE LG&E GAS DISTRIBUTION SYSTEM**  
5 **IN KENTUCKY?**

6 A. LG&E’s gas system serves approximately 300,000 customers through about 4,400 miles  
7 of gas distribution mains and roughly 300,000 service lines. It receives gas from two major  
8 interstate pipeline systems (the Texas Gas Transmission system and the Tennessee Gas  
9 Pipeline system) and it maintains comparatively large on-system underground natural gas  
10 storage facilities in addition to contracting for underground gas storage on the Texas Gas  
11 Transmission system.<sup>14</sup> LG&E has only about 85 firm transportation service customers,  
12 but those customers account for more than 30% of LG&E’s total annual throughput.  
13 Although most of LG&E’s customers use natural gas for space heating purposes,  
14 Louisville, KY normal weather comprises less than 4,000 annual heating degree days.

15 **Q. HOW DO THE ATTRIBUTES OF LG&E’S GAS UTILITY OPERATIONS IN**  
16 **KENTUCKY COMPARE WITH NARRAGANSETT’S RHODE ISLAND GAS**  
17 **OPERATIONS?**

---

<sup>13</sup> PPL’s response to Attorney General Data Request AG 1-37 (emphasis added).

<sup>14</sup> See PPL’s response to Advocacy Section Data Request DIV 3-23(b) for greater detail on LG&E gas supply operations and use of on-system underground storage facilities.

1 A. In terms of the numbers of customers served, LG&E's and Narragansett's gas system are  
2 reasonably comparable in size. LG&E serves approximately 300,000 gas customers,<sup>15</sup>  
3 while Narragansett currently serves about 280,000 gas customers.<sup>16</sup> Narragansett's gas  
4 system in Rhode Island delivers about 40 million Dekatherms ("Dth") of natural gas on an  
5 annual basis under normal weather conditions, while LG&E's normal weather gas system  
6 delivers are about 43 million Dth annually. See Schedule BRO-3 for further comparative  
7 data for Narragansett's Rhode Island gas system and LG&E's gas system in Kentucky.  
8 The LG&E gas system is also a comparatively younger than the gas system operated by  
9 Narragansett. According to LG&E's annual report to the Pipeline and Hazardous Materials  
10 Safety Administration ("PHMSA") for 2020, LG&E operates about 4,400 miles of gas  
11 distribution mains compared to 3,200 miles for Narragansett's RI gas system. Thus, in  
12 2020 LG&E had approximate 37% more miles of gas distribution mains and 55% more gas  
13 service lines than Narragansett. Moreover, none of LG&E's distribution mains are  
14 identified as having been installed prior to 1950, and only 4% are listed as having  
15 unknown installation dates. Over the last decade, LG&E completed its replacement of old  
16 leak-prone cast iron and bare steel distribution mains and over 300 miles of bare and  
17 unprotected steel mains. Narragansett has been replacing mains at a significant pace.  
18 However, due to the age of its system, Narragansett still has nearly 1,000 miles of Cast

---

<sup>15</sup> Attachment PPL-DIV 7-23-1, a copy of which is provided as Schedule BRO-2, indicates LG&E has approximately 244,000 customers served from the Texas Gas Transmission system and about 55,000 customers served from the Tennessee Gas Pipeline system. In addition, LG&E has approximately 85 Firm Transportation customers who purchase their gas supply requirements through competitive service providers.

<sup>16</sup> Docket No. 5180, Testimony of Gas Load Forecasting ("GLF") Witnesses, Attachment GLF-2, page 1 of 2, National Grid RI Meter Count Forecast for Planning Year 2022.

1 Iron, Bare Steel and Unprotected Steel mains. In addition, LG&E has removed all Bare  
2 and Unprotected Steel services from its system. However, as of 2020, Narragansett still  
3 operated more than 42,000 Bare and Unprotected Steel services.<sup>17</sup>

4 From a gas operations perspective, Narragansett's annual normal weather heating degree  
5 days are nearly 38% greater than LG&E's annual normal weather degree days. Unlike  
6 Narragansett, LG&E manages seasonal and daily fluctuations in gas delivery requirements  
7 through the use of on-system underground storage with no reliance on LNG to supplement  
8 interstate pipeline deliveries of natural gas to meet its customer's peak period gas supply  
9 requirements. LG&E's gas transportation service customers are comparatively large  
10 volume customers with average annual volumes per customer (in Dth) more than 30 times  
11 greater than those for Narragansett's average firm transportation service customer.

12 LG&E's gas distribution utility operations are physically remote from Narragansett's gas  
13 service territory in Rhode Island. In a direct line, Louisville, Kentucky is roughly 800  
14 miles from Providence, Rhode Island. By interstate highway, the drive from Louisville to  
15 Providence is more than 14 hours. By contrast, most of Boston Gas' service gas service  
16 territory in Massachusetts is within 50-60 miles of Narragansett's gas service territory, and  
17 nearly all of National Grid's gas service territory in New York is within 250 miles of  
18 Narragansett's gas service territory. Furthermore, the combined National Grid service  
19 territories in New York, Massachusetts, and Rhode Island comprise over 35,000 miles of  
20 gas distribution mains and over 2.6 million services, while the combination of Narragansett

---

<sup>17</sup> See the 2020 Annual Report to PHMSA for Narragansett's Rhode Island gas system (which is filed under the name of **Niagara Mohawk Power Corp.** (i.e., a National Grid affiliate in New York)).

1 and LG&E would represent about 7,600 miles of gas distribution mains and less than 0.5  
2 million services. Thus, the opportunities for cost savings through economies of scale in  
3 gas operations, shared services, and mutual support under PPL ownership would be, at  
4 best, limited.

5 **IV. DISCUSSION OF ISSUES**

6 **Q. HOW IS YOUR DISCUSSION OF GAS SYSTEM ISSUES RELATED TO THE**  
7 **PROPOSED TRANSACTION ORGANIZED?**

8 A. I present my assessment of the gas system issues associated with the proposed Transaction  
9 in eight sections. Section A highlights key attributes of the proposed TSA. Section B  
10 addresses uncertainties associated with the Transition Services Agreement and the  
11 potential impacts of those uncertainties on Rhode Island gas users. Section C examines  
12 the impact of the Transaction and the associated Transition on gas system costs, including,  
13 but not, limited to the potential loss of substantial economies of scale. Section D presents  
14 concerns regarding the impact of the change in ownership on gas system reliability.  
15 Section E focuses on gas system safety considerations. Section F raises concerns regarding  
16 PPL's lack of experience with respect to key elements of Narragansett's gas operations,  
17 with particular focus on LNG facilities and operations and gas procurement in New  
18 England, Canadian and Appalachian gas markets. Section G discusses the expected impact  
19 of the Transaction on gas customer satisfaction. Section H identifies issues regarding  
20 PPL's ability to ensure efficient and cost-effective management of Narragansett's gas  
21 procurement and gas supply portfolio management activities.

1       **A. The Transition Services Agreement**

2       **Q.     WHAT IS THE STATED PURPOSE OF THE TRANSITION SERVICES**  
3       **AGREEMENT?**

4       A.     Article I, Section 1.1 of the TSA states:<sup>18</sup>

5                     “. . . the services provided hereunder are transitional in nature and are  
6                     furnished by Service Provider **solely for the purpose of facilitating the**  
7                     **transactions contemplated by the Share Purchase Agreement . . .**”

8       **Q.     BASED ON THE FOREGOING STATEMENT IS THERE ANY DOUBT THAT**  
9       **THE TRANSITION SERVICES AGREEMENT IS A NECESSARY ELEMENT OF**  
10       **THE PROPOSED SHARE PURCHASE TRANSACTION?**

11       A.     No. Narragansett’s operations are sufficiently intertwined with those of National Grid, its  
12       Service Company, and National Grid’s other utility subsidiaries in Massachusetts and New  
13       York that a change in ownership and control of Narragansett’s utility operations cannot be  
14       achieved without a full unbundling of Narragansett’s operations.

15       **Q.     DOES PPL PROPOSE TO TREAT THE COSTS IT INCURS FOR TRANSITION**  
16       **SERVICES IN THE SAME MANNER THAT IT WOULD TREAT OTHER**  
17       **TRANSACTION COSTS?**

18       A.     No, it does not. PPL indicates it will not seek recovery through rates of items that it  
19       classifies as Transaction costs.<sup>19</sup> However, PPL reserves the right to seek recovery in  
20       future rate proceedings of costs associated with the transition to PPL control of

---

<sup>18</sup> See PPL’s response to Advocacy Section Data Request 1-15, Attachment PPL-DIV 1-15-2 at 4.

<sup>19</sup> PPL’s response to Advocacy Section Data Request DIV 1-50 and DIV 7-46. The response to 1-50 states in part: “PPL and PPL RI do not plan to seek recovery of either acquisition premiums or transaction costs in customer rates.” There is no mention of “transition” costs.

1 Narragansett's operations.<sup>20</sup> In addition, PPL leaves open the possibility that it would  
2 recover merger-related costs, including any acquisition premium, to the extent that those  
3 costs would not result in an increase in Narragansett's rates.<sup>21</sup>

4 **Q. HAS THE FEDERAL ENERGY REGULATORY COMMISSION ("FERC")**  
5 **ISSUED A POLICY STATEMENT THAT ADDRESSES THE RATE**  
6 **TREATMENT OF TRANSACTION AND TRANSITION COSTS?**

7 A. Yes. As noted by PPL, FERC issued a Policy Statement on May 19, 2016 ("Policy  
8 Statement")<sup>22</sup> addressing the rate treatment of costs associated with utility mergers and  
9 acquisitions. FERC defined "*transaction costs*" to include, not be limited to, the following  
10 costs incurred to explore, agree to, and consummate a transaction:<sup>23</sup>

- 11 • the costs of securing an appraisal, formal written evaluation, or fairness  
12 opinions related to the transaction;
- 13 • the costs of structuring the transaction, negotiating the structure of the  
14 transaction, and obtaining tax advice on the structure of the transaction;
- 15 • the costs of preparing and reviewing the documents effectuating the  
16 transaction (e.g., the costs to transfer legal title of an asset, building permits,

---

<sup>20</sup> PPL's response to Advocacy Section Data Request DIV 1-30.

<sup>21</sup> PPL's response to Advocacy Section Data Request DIV 1-33. However, enforcement of this limitation may prove challenging given the possibility that PPL could seek to include acquisition-related transition costs in rates if a decline in Narragansett's overall base rate costs was experienced due to factors such as changes in governmental policies (e.g., reduced tax rates) or a change in the costs long-term debt or equity, as oppose to the achievement by PPL of acquisition-related cost savings.

<sup>22</sup> *Policy Statement on Hold Harmless Commitments*, 155 FERC ¶ 61,189 (2016).

<sup>23</sup> *Id.*

1 valuation fees, the merger agreement or purchase agreement and any related  
2 financing documents);

- 3 • the internal labor costs of employees and the costs of external, third-party,  
4 consultants and advisors to evaluate potential merger transactions, and once  
5 a merger candidate has been identified, to negotiate merger terms, to  
6 execute financing and legal contracts, and to secure regulatory approvals;
- 7 • the costs of obtaining shareholder approval (e.g., the costs of proxy  
8 solicitation and special meetings of shareholders);
- 9 • professional service fees incurred in the transaction (e.g., fees for  
10 accountants, surveyors, engineers, and legal consultants); and
- 11 • installation, integration, testing, and set up costs related to ensuring the  
12 operability of facilities subject to the transaction.

13 The FERC Policy Statement also described “*transition costs*” as a second category of costs  
14 related to such transactions. According to FERC, “*transition costs*” are incurred after the  
15 transaction is consummated. The Policy Statement (P 23) also recognizes that “*transition*  
16 *costs*” may be incurred over a period of years and may include:<sup>24</sup>

- 17 ➤ “both the internal costs of employees spending time working on transition  
18 issues, and external costs paid to consultants and advisors to reorganize and  
19 consolidate functions . . . to achieve merger synergies”;
- 20 ➤ “capital items (e.g., a new computer system or software or costs incurred to  
21 carry out mitigation commitments accepted by the Commission)”; and

---

<sup>24</sup> *Id.*



1 and its Service Company. The simple execution of a Share Purchase Agreement cannot  
2 and will not achieve the requisite unbundling of Narragansett's operations from National  
3 Grid. Rather, the services to be obtained through the proposed TSA and the establishment  
4 of certain Rhode Island based facilities are necessary to enable Narragansett to operate in  
5 a manner that is fully independent of National Grid. Therefore, any costs (including capital  
6 investments and operating expenses) incurred in excess of those that Narragansett would  
7 expect to incur under National Grid ownership must be considered elements of the overall  
8 costs necessary to fully implement the Transaction, and such costs should not be the  
9 responsibility of Narragansett's Rhode Island ratepayers.

10 **Q. DOES PPL OFFER ASSURANCE THAT RHODE ISLAND GAS CUSTOMERS**  
11 **WILL NOT BE ASKED TO PAY RATES THAT INCLUDE COSTS INCURRED**  
12 **TO AFFECT THE TRANSITION TO PPL'S FULL CONTROL OF NARRA-**  
13 **GANSET'S OPERATIONS?**

14 A. No. PPL represents that it reserves the right to seek recovery of transition costs in a future  
15 Narragansett base rate proceeding.<sup>26</sup>

16 **Q. DOES PPL PROVIDE REASONABLE AND NECESSARY PROTECTIONS TO**  
17 **RHODE ISLAND GAS USERS FROM TRANSACTION-RELATED INCREASES**  
18 **IN THE COSTS OF NATURAL GAS SERVICE?**

19 A. No, it does not.

---

<sup>26</sup> PPL's response to Advocacy Section Data Request DIV 7-46.

1 **Q. WOULD PPL’S RECOVERY OF TRANSITION COSTS NOT ASSOCIATED**  
2 **WITH DEMONSTRATED INCREMENTAL NET BENEFITS BE IN THE**  
3 **INTEREST OF RHODE ISLANDS GAS CUSTOMERS?**

4 A. No. Any costs incurred under the TSA and/or any costs charged to Narragansett by PPL  
5 during the transition period that would contribute to Narragansett’s need for additional gas  
6 base rate revenue should be considered costs incurred to affect the Transaction, and as  
7 such, they should be the sole responsibility of the acquiring party (i.e., PPL). PPL has  
8 indicated that it is “not making any hold harmless commitments at this time with respect  
9 to PP’s recovery of capital costs necessary to allow PPL to establish the infrastructure  
10 required to operate Narragansett independently.”<sup>27</sup> Yet, No such costs should be  
11 recoverable from Rhode Island ratepayers unless PPL demonstrates benefits that have a  
12 value to those customers in excess of the costs for which recovery through rates is  
13 requested.

14 **Q. HOW IS PPL’S PLAN FOR OPERATION OF NARRAGANSETT’S GAS**  
15 **DISTRIBUTION BUSINESS STRUCTURED?**

16 A. As explained in the Direct Testimony of PPL Witness Bellar, PPL and Narragansett have  
17 identified more than 20 gas operations functions for which specific transition plans are  
18 being crafted. Further the overall transition plan includes “dozens of other categories of

---

<sup>27</sup> PPL’s response to Advocacy Section Data Request DIV 9-95.

1 operation that will support the gas distribution operation starting on Day 1.”<sup>28</sup> The outlined  
2 transition plan for each function considers three categories of services. Those are:<sup>29</sup>

3 (1) services that National Grid’s Service Company will perform on a temporary  
4 basis under the TSA while PPL and its affiliates work to migrate and  
5 integrate them into its existing operations;

6 (2) services provided entirely by current Narragansett or Service Company  
7 employees who will either remain Narragansett employees or become  
8 employees of PPL or one of its affiliates after closing and will continue to  
9 perform the services on an ongoing basis without interruption; and

10 (3) services that PPL and its affiliates will be ready to absorb into its operations  
11 starting on Day 1.

12 Although the details of the Transition Plan are yet to be developed, Witness Bellar testifies  
13 that PPL and National Grid will have a firm plan in place for how each gas business  
14 function “well in advance of closing.”<sup>30</sup> However, based on the schedule of this  
15 proceeding, we are now closer to the conclusion of the proceeding than the initial filing.  
16 Yet, substantial issues regarding the details of Transition Plan and its costs remain.

17 **Q. HAS PPL IDENTIFIED ANY SYNERGIES THAT IT WOULD EXPECT TO**  
18 **ACHIEVE FOR THE BENEFIT OF RHODE ISLAND GAS CUSTOMERS**  
19 **THROUGH THE INTEGRATION OF NARRAGANSETT’S GAS OPERATIONS**  
20 **INTO ITS PORTFOLIO OF UTILITY OPERATIONS THAT THOSE**

---

<sup>28</sup> Bellar test. at 7:6-9.

<sup>29</sup> *Id.* at 7:10-18.

<sup>30</sup> *Id.* at 8:1-2.

1           **CUSTOMERS DO NOT CURRENTLY EXPERIENCE UNDER NATIONAL GRID**  
2           **OWNERSHIP?**

3    A.    No. it has not. As will be discussed further in the next section of this Discussion of Issues,  
4           the critical questions appear to relate to whether PPL’s ownership of Narragansett will be  
5           able to approximate the synergies (e.g., economies of scale) currently achieved by National  
6           Grid.

7    **Q.    WHAT TRANSITION SERVICES WOULD NATIONAL GRID PROVIDE TO**  
8           **NARRAGANSETT AFTER THE CLOSE OF THE TRANSACTION?**

9    A.    PPL Witness Bellar testifies PPL and Narragansett have identified more than 20 gas  
10           operations functions for which specific transition plans are being crafted. Those gas  
11           operations functions were included among the 146 services by functional area addressed  
12           by the draft Transition Service Agreement presented in the attachments to PPL’s response  
13           to Advocacy Section Data Request DIV 1-28. However, the attachments to that response  
14           constitute little more than an outline of activities with no commitment that any of the  
15           specific functions outlined will necessarily be included in a final TSA between National  
16           Grid and PPL. As stated in the referenced PPL response, “the TSA services to be provided  
17           by National Grid are not yet fully identified and defined and **at this time, PPL has not**  
18           **identified any TSA services National Grid will provide Narragansett.**”<sup>31</sup> Rather, the  
19           functions outlined in the attachments to PPL’s response to Advocacy Section Data Request  
20           DIV 1-28 represent only “**a listing of potential TSA services under consideration.**”<sup>32</sup>

---

<sup>31</sup> PPL’s response to Advocacy Section Data Request DIV 1-28 (emphasis added).

<sup>32</sup> *Id.* (emphasis added).

1 Also, importantly, nothing in the attachments to PPL's response to Advocacy Section Data  
2 Request DIV 1-28 provide any information regarding the pricing of services or the data  
3 and methods that would be used to determine the pricing of services for identified  
4 functional activities. In addition, the services outlined by functional area are sufficiently  
5 broad in scope to essentially allow for a continuation of full operation and management of  
6 Narragansett's gas system operations by National Grid.

7 **Q. OVER WHAT PERIOD OF TIME WILL TRANSITION SERVICES BE**  
8 **PROVIDED TO NARRAGANSETT AND/OR PPL UNDER THE PROPOSED**  
9 **TRANSITION SERVICES AGREEMENT TO SUPPORT RHODE ISLAND GAS**  
10 **UTILITY OPERATIONS?**

11 A. At a very high level, the answer to that question appears to be 24 months. However, the  
12 actual time period over which transition services will be provided is expected to vary by  
13 function. Again, at a very high level, the transition periods for specific functions are  
14 categorized as enduring for varying numbers of months (e.g., 12-18 months or 12-24  
15 months for Gas Operations TSAs).<sup>33</sup> Yet, the Petitions also indicate that:

16 (a) The TSA will cease to apply to functions as they are fully transferred to  
17 Narragansett and PPL post-closing; and

18 (b) Section 2.1 of the TSA will provide for an extension of the 24-month period  
19 if: Narragansett requests that any transition services continue beyond the  
20 end of the 24-month period.

---

<sup>33</sup> National Grid's response to Advocacy Section Data Request DIV 1-29 Attachment NG-DIV 1-29-1 at 24-69.

1 In the context of these representations it appears that the applicable time periods identified  
2 for the provision of transition services by function<sup>34</sup> offer little more than general guidance.  
3 The actual periods of performance for specific functions may not adhere to the time periods  
4 identified. Further, for many functions the required activities may not be distributed evenly  
5 over the days, weeks, and months of the performance period. Nothing in the Transition  
6 Services Agreement provided with the Applicants' Petition specifically addresses the  
7 manner in which personnel time will be billed to Narragansett and/or PPL for transition  
8 services (i.e., the extent to which billings will reflect actual time worked on each function  
9 supported by the TSA), charges for use of facilities, systems, and equipment will be tied to  
10 periods of actual use, and/or overhead expenses will be associated with services actually  
11 provided.

12 **B. Impact of Transaction on Gas System Costs**

13 **Q. WHAT ELEMENTS OF NARRAGANSETT'S GAS SYSTEM COSTS WILL BE**  
14 **IMPACTED BY THE PROPOSED CHANGE THE OWNERSHIP AND CONTROL**  
15 **OF NARRAGANSETT'S OPERATIONS?**

16 A. The discussion that follows focuses on four elements of Narragansett's costs that are  
17 expected to be affected in an adverse manner by the proposed ownership change.<sup>35</sup> Those  
18 are:

- 19 1. Loss of economies of scale;
- 20 2. Costs for billing system modifications;

---

<sup>34</sup> National Grid's Response to Advocacy Section Data Request DIV 7-36, Attachment NG-DIV-7-36-1.

<sup>35</sup> The cost elements discussed in this section are intended to serve as examples and are not intended to suggest that other elements of Narragansett's gas system costs will be unaffected by the proposed change in ownership.

1           3. Costs to attract and retain qualified personnel; and

2           4. Redundant transition period costs.

3           1. Loss of Economies of Scale

4 **Q.   WHAT IS THE BASIS FOR YOUR CONCERNS REGARDING THE LOSS OF**  
5 **ECONOMIES OF SCALE?**

6 A.   As previously noted, PPL operates only one other gas distribution utility that is  
7       comparatively remote from Narragansett's gas distribution utility operations in RI. On the  
8       other hand, National Grid currently has much more extensive gas distribution utility  
9       operations that are all within roughly 250 miles of Rhode Island. Since acquiring Rhode  
10      Island gas operations from Southern Union in 2006, National Grid (primarily through its  
11      Service Company) has planned and operated its gas utility systems on an increasingly  
12      integrated basis. Large numbers of National Grid's Service Company personnel share time  
13      among multiple utility subsidiaries as part of their performance of such tasks as: Gas  
14      Procurement, Facilities Planning, Gas Load Forecasting, IT services, regulatory filings,  
15      and multiple administrative tasks.

16      Under National Grid, Narragansett's gas operations are part of a network of companies that  
17      operates over 35,000 miles of gas distribution mains and over 2.6 million distribution  
18      service lines in three physically adjacent states (New York, Massachusetts, and Rhode  
19      Island). If Narragansett becomes a subsidiary of PPL Corporation, PPL's total gas  
20      operations would operate only about 7,600 miles of gas distribution mains and less than  
21      0.5 million services. In other words, the combined Narragansett and LG&E operations  
22      would equate to only about 20-25% of the current National Grid gas utility portfolio.

1 Moreover, any value potentially derived from the combination of Narragansett and LG&E  
2 would be diminished by the more remote location of the LG&E's system. Thus, the  
3 opportunities for cost savings through economies of scale in gas operations, shared  
4 services, and mutual support under PPL ownership would be, at best, limited. In addition,  
5 the size and geographic proximity of National Grid's combined gas utility operations also  
6 provides National Grid greater bargaining power in the negotiation of contracts,  
7 particularly in gas procurement activities.

8 **Q. SHOULD THE DIVISION ACCEPT PPL'S REPRESENTATIONS THAT IT**  
9 **WOULD BE ABLE TO REPLICATE THE ECONOMIES OF SCALE PRESENTLY**  
10 **ACHIEVED FOR NARRAGANSETT'S GAS OPERATIONS BY NATIONAL**  
11 **GRID?**

12 A. No. Those representations constitute little more than speculation and conjecture. PPL  
13 offers no substantive support for its claims and no detail regarding how it would achieve  
14 economies of scale comparable to those provided by National Grid. PPL's Figure 6 on  
15 page 20 of Attachment PPL-DIV 1-54-1 provides a graphic comparing its estimates of Gas  
16 Operations costs with National Grid's current gas operations costs showing Salaries and  
17 Benefits costs and Non-Labor costs separately. Although the Non-Labor costs are basically  
18 unchanged, PPL's estimate of annualized Salary and Benefits costs for Gas Operations  
19 increase reflect a significant \$7.9 million or **21% increase**.<sup>36</sup> Similarly, PPL's estimates  
20 of Salary and Benefits costs for Customer Operations reflect \$4.3 million or nearly **37%**

---

<sup>36</sup> Supplement to PPL's response to Advocacy Section Data Request DIV 1-54, Attachment PPL-DIV 1-54-1 at 20 fig.6.

1        **increase.**<sup>37</sup> These data do not support PPL’s assertion that it will be able to achieve scale  
2        economies consistent with those achieved by National Grid for Narragansett’s gas service  
3        customers.

4        **Q. DOES PPL EXPLAIN THE FACTORS THAT CONTRIBUTE TO THESE**  
5        **INCREASES IN ESTIMATES COSTS FOR SALES AND BENEFITS?**

6        A. Not directly. PPL’s discussion of its Gas Operations cost estimates references the  
7        Division’s report on the January 2019 gas service interruption on Aquidneck Island and  
8        the recommendation in that report for establishment of more local, direct control of gas  
9        operations. Yet, PPL offers no assessment of the extent to which the increase in its Gas  
10       Operations costs for Salaries and Benefits is a product of “more local, direct control of gas  
11       operations.” In fact, under PPL ownership of Narragansett, more local control of  
12       Narragansett’s gas operations is not a consequence of the need to address Aquidneck Island  
13       service reliability. Rather, it is necessitated by: (1) PPL’s need to unbundle Narragansett’s  
14       gas operations from National Grid; and (2) the remote location of the gas operations of  
15       PPL’s LG&E subsidiary.

16       Likewise, PPL’s presentation implies that the increases in its cost estimates for Customer  
17       Operations stem from the development of Rhode Island-based customer operations. As  
18       stated in PPL’s Supplemental response to Advocacy Section Data Request 1-54: “PPL is  
19       planning to invest in a Rhode Island-based customer care center and back-office operations  
20       and program support, resulting in a dedicated presence to support these functions, **whereas**

---

<sup>37</sup> *Id.* at 21 fig.7.

1 **National Grid’s back-office and program support is provided on a shared basis.**<sup>38</sup>

2 PPL has offered no substantive support for determination that its need to reconfigure  
3 Narragansett’s operations as the result of a flaw in National Grid’s current organizational  
4 structure. Once again, the additional investment and expense is a direct consequence of:  
5 (1) PPL’s need to unbundle Narragansett’s gas operations from National Grid; and (2) the  
6 remote location of the gas operations of PPL’s LG&E subsidiary, it does not appear that  
7 PPL has other realistic options. PPL’s proposals are being driven by these circumstances  
8 and the absence of any other realistic options — and not identified defects in National  
9 Grid’s current organizational structure.

10 2. Gas Billing System Modifications

11 **Q. WILL MODIFICATIONS TO NARRAGANSETT’S CURRENT GAS BILLING**  
12 **SYSTEM BE REQUIRED AS PART OF THE TRANSITION TO PPL**  
13 **OWNERSHIP?**

14 A. PPL indicates that it is in the process of evaluating the system modifications that will be  
15 necessary to transfer Narragansett’s gas billing functions from National Grid to PPL.  
16 However, PPL has identified a list of five areas which it will need to address as part of  
17 those evaluations. Those areas include:<sup>39</sup>

- 18 ➤ tariffs and billing,
- 19 ➤ customer service (including, but not limited to, call center, inter-  
20 active voice recognition systems, and field services),

---

<sup>38</sup> Supplement to PPL’s response to Advocacy Section Data Request DIV 1-54, Attachment DIV 1-54-1 at 20-21 (emphasis added).

<sup>39</sup> PPL’s response to Advocacy Section Data Request DIV 3-18.

- 1                   ➤ collections (including, but not limited to, assistance programs and  
2                   payment arrangements),  
3                   ➤ backend interfaces (e.g., Experian and supplier interfaces), and  
4                   ➤ financial reporting.

5                   This process includes assessment of how to integrate various Narragansett functions into  
6                   PPL’s existing systems and will need to accommodate PPL operations in multiple  
7                   jurisdictions.<sup>40</sup>

8                   **Q. HAS PPL OFFERED AN ESTIMATE OF THE COSTS IT EXPECTS TO INCUR  
9                   FOR BILLING SYSTEM MODIFICATIONS?**

10                  A. No. PPL states: “Estimates for the costs to transfer the gas billing function from National  
11                  Grid to PPL and PPL RI have not yet been prepared. PPL and PPL RI will update this  
12                  response once these estimates are developed.”<sup>41</sup> As of mid-October 2021, no supplemental  
13                  response has been received.

14                   3. *Need for Employment Incentives*

15                  **Q. IS IT LIKELY THAT PPL WILL BE ABLE TO SIMPLY TRANSFER ALL OF  
16                  THE MANAGEMENT AND PROFESSIONAL TALENT IT REQUIRES FOR  
17                  NARRAGANSETT’S GAS OPERATIONS FROM THE NATIONAL GRID  
18                  SERVICE COMPANY OR ITS LG&E AFFILIATE WITHOUT PAYING RELO-  
19                  CATION AND EMPLOYMENT INCENTIVES?**

---

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

1 A. No. Few of the National Grid Service Company personnel that currently provide services  
2 for Narragansett are based in Rhode Island. Many are based in Massachusetts, and some  
3 are based in New York. As Narragansett has the only gas utility operations in Rhode Island,  
4 there is not a large pool of persons with gas utility management and engineering experience  
5 from which PPL can draw without attracting people from outside the state. Historically,  
6 firms have had to pay incentives and/or higher salaries to entice prospective employees to  
7 relocate. The need for such relocation incentives is likely even greater for LG&E  
8 employees who are asked to move from Kentucky to Rhode Island.  
9 Moreover, during this post-pandemic era many workers have demonstrated a preference to  
10 continue working from home. It is possible that PPL could avoid paying relocation  
11 incentives by creating as many positions as possible for which work could be performed  
12 from remote locations. However, the concept of reliance on remotely located workers  
13 appears inconsistent with PPL's focus on establishing Rhode Island-based operations for  
14 gas control center, customer call center, and dispatch operations and developing a "local  
15 presence" for employees performing such critical functions.<sup>42</sup>

16 **Q. HAS PPL OFFERED ANY ESTIMATES OF THE COSTS OF EMPLOYMENT**  
17 **INCENTIVES IT WILL NEED TO OFFER TO ACQUIRE QUALIFIED UTILITY**  
18 **MANAGEMENT AND PROFESSIONAL TALENT FOR NARRAGANSETT'S**  
19 **GAS OPERATIONS?**

20 A. No. PPL has not provided estimates of the costs of employment incentives it will need to  
21 offer to acquire qualified utility management and professional talent for Narragansett's gas

---

<sup>42</sup> PPL's response to Advocacy Section Data Request DIV 2-1.

1 operations. However, as discussed previously, PPL provides estimates of the anticipated  
2 costs that would be incurred by PPL to operate Narragansett independently, and those  
3 estimates reflect significant increases in costs for Salaries and Benefits for both  
4 Narragansett's Gas Operations and its Customer Operations.<sup>43</sup>

5 **Q. IS THERE ANY EVIDENCE THAT THERE IS A SIGNIFICANT POOL OF GAS**  
6 **UTILITY MANAGEMENT AND PROFESSIONAL TALENT WITHIN RHODE**  
7 **ISLAND THAT PPL CAN DRAW UPON TO FILL POSITIONS AT NARRA-**  
8 **GANSETT?**

9 A. No. The primary candidates for such positions are employees of the National Grid Service  
10 Company, and most of those employees presently are located in Massachusetts or New  
11 York. Other potential candidates would likely be drawn from non-affiliated gas utilities  
12 and/or utility contractors in New England, but there are no non-affiliated gas utilities in  
13 Rhode Island.

14 *4. Redundant Transition Period Costs*

15 **Q. SHOULD IT BE EXPECTED THAT THERE WILL BE SOME REDUNDANCY IN**  
16 **GAS SYSTEM MANAGEMENT AND PLANNING COSTS THAT WILL BE**  
17 **INCURRED DURING THE TRANSITION PERIOD?**

18 A. Yes. There are many aspects of Narragansett's gas operations that differ from those of  
19 PPL's LG&E affiliate. PPL/Narragansett will need to incur added costs during the period  
20 in which efforts are made to transfer institutional knowledge and associated histories of

---

<sup>43</sup> Supplement to PPL's response to Advocacy Section Data Request DIV 1-54, Attachment PPL-DIV 1-54-1 at 20-21.

1 current practices and procedures, as well as the regulatory and other state and local  
2 governmental policies that influence the manner in which various activities must be  
3 performed by Narragansett.

4 **Q. SHOULD RHODE ISLAND GAS CUSTOMERS BE REQUIRED TO PAY COSTS**  
5 **ASSOCIATED WITH PPL’S EFFORTS TO LEARN THE SPECIFIC**  
6 **CHARACTERISTICS OF NARRAGANSETT’S GAS OPERATIONS?**

7 A. No. Costs incurred as part of PPL’s efforts to learn the history and details of Narragansett  
8 gas operations should be viewed as costs of completing the Transaction and should be  
9 borne by PPL, not Narragansett ratepayers.

10 **C. Gas System Reliability**

11 **Q. THE PETITION IN THIS PROCEEDING STATES:**

12 *“PPL ALSO EXPECTS THAT IT WILL HAVE SIGNIFICANT*  
13 *OPPORTUNITIES TO INVEST IN NARRAGANSETT’S ELECTRIC*  
14 *AND GAS INFRASTRUCTURE TO ENHANCE SAFETY,*  
15 *RELIABILITY, AND CUSTOMER SATISFACTION FOR RHODE*  
16 *ISLAND CUSTOMERS.”*  
17  
18

19 **HAS PPL IDENTIFIED SPECIFIC ELEMENTS OF NARRAGANSETT’S GAS**  
20 **SYSTEM IN WHICH IT WOULD INVEST TO ENHANCE SAFETY,**  
21 **RELIABILITY, AND CUSTOMER SATISFACTION FOR RHODE ISLAND**  
22 **CUSTOMERS?**

23 A. No. PPL’s June 8, 2021 response to Advocacy Section Data Request 1-35 states: “At this  
24 time PPL and PPL RI have not specifically identified areas in which to invest in The  
25 Narragansett Electric Company’s electric and gas infrastructure to enhance safety,

1 reliability, and customers for Rhode Island customers.” There has been no subsequent  
2 update or supplement to that response.

3 **Q. IS THERE ANY BASIS FOR CONCERN REGARDING PPL’S ABILITY TO**  
4 **MAINTAIN THE RELIABILITY OF NARRAGANSETT’S RHODE ISLAND GAS**  
5 **SYSTEM AT REASONABLE COST?**

6 A. Yes. The reliability of service on Narragansett’s gas distribution system is heavily  
7 dependent upon the storage and vaporization during periods of peak demand of LNG.<sup>44</sup> To  
8 meet design day peak demand requirements, Narragansett plans to operate LNG facilities  
9 at **four** locations in its Rhode Island service territory: Providence, Cumberland, Exeter, and  
10 Aquidneck Island. However, PPL’s response to Advocacy Section Data Request 3-5 states:  
11 “PPL and its affiliated entities do not have organizational experience in the operation of  
12 LNG facilities.” Moreover, only one employee of LG&E is identified as having first-hand  
13 LNG experience.<sup>45</sup> PPL’s response to Advocacy Section Data Request 3-6 further  
14 indicates that: “PPL does not currently have employees with experience in the design and  
15 construction of LNG facilities.” PPL’s response to that request also states:<sup>46</sup>

16 “...the LNG workstream currently is planned to convey to PPL RI’s control  
17 on Day 1 and the Narragansett employees responsible for performing LNG  
18 operations including design and construction as needed, will continue to

---

<sup>44</sup> LNG is natural gas that converted from a gaseous state to a liquid state through is cryogenically cooling procedures. Through cryogenically cooling (i.e., liquefaction) the density of natural gas is dramatically increased allowing comparatively large amounts of natural gas to be stored in greatly reduced physical space. The density of LNG is about 600 times greater than natural gas in its gaseous state. However, to be kept in a liquid state, natural gas must be maintained at a temperature of about -260° Fahrenheit.

<sup>45</sup> A resume for the one identified PPL employee with LNG experience, Joseph Ryan, is provided in Attachment PPL-DIV 5-1-1. That resume appears to indicate that Mr. Ryan’s only direct responsibility for LNG plant activities was between 1992 and 1996 (i.e., 25 years ago).

<sup>46</sup>PPL’s response to Advocacy Section Data Request DIV 3-6 (emphasis added.)

1 perform those functions. **As such, PPL RI will immediately have the**  
2 **personnel with experience in the design and construction of LNG**  
3 **facilities.”**

4 However, National Grid states in response to a separate Advocacy Section data request:  
5 “No current direct employees of The Narragansett Electric Company (‘Narragansett’) have  
6 experience in the planning, design and construction of liquefied natural gas (‘LNG’)  
7 facilities.”<sup>47</sup>

8 **Q. WHY IS EXPERIENCE IN THE PLANNING, DESIGN AND CONSTRUCTION**  
9 **OF LNG FACILITIES IMPORTANT?**

10 A. At present Narragansett is utilizing temporary portable LNG vaporization facilities to meet  
11 peak gas supply requirements both at Aquidneck Island and in Cumberland. For each of  
12 those locations permanent facilities are being considered. However, in the absence of  
13 experience in the design and construction of LNG facilities, consideration of permanent  
14 facilities could be delayed or curtailed, leaving Narragansett reliant upon comparatively  
15 expensive portable LNG vaporization alternatives.

16 I also note that in a recent hearing of the RI Energy Facilities Siting Board (“EFSB”) a  
17 member of the board expressed concern regarding the lack of progress toward a permanent  
18 solution for gas supply reliability on Aquidneck Island. The proposed transfer of  
19 Narragansett to PPL will not accelerate that process and may significantly impede its  
20 progress. Given PPL’s lack of experience with LNG facilities, as well as its lack of prior  
21 knowledge of Aquidneck requirements and issues, there is no basis to conclude that

---

<sup>47</sup> National Grid’s response to Advocacy Section Data Request DIV 5-3(a) (emphasis added).

1 approval of the Transaction will expedite a long-term solution to Aquidneck Island service  
2 reliability issues.

3 Further, Narragansett's current Gas ISR budget includes approximately \$2.0 million for  
4 the planning and design of a proposed LNG Tank replacement project in Cumberland.

5 Since the failure of Narragansett's permanent LNG tank in Cumberland in 2016,<sup>48</sup> peaking  
6 supplies for the Cumberland area have been forced to utilize temporary portable LNG

7 vaporization that has comparatively high operating costs.<sup>49</sup> The timely completion of  
8 activities associated with the planning and design of a replacement LNG tank are important

9 from both a reliability and cost perspective. Yet, as discussed in greater detail in Section  
10 F.1 in this Discussion of Issues, PPL lacks experience with both portable and permanent

11 LNG operations, as well as the use of, and reliance upon, trucked LNG.

12 **Q. DOES PPL HAVE A PLAN TO ENSURE THE PROVISION OF SAFE AND**  
13 **RELIABLE SERVICE TO NARRAGANSETT GAS CUSTOMERS ON AQUID-**  
14 **NECK ISLAND?**

15 A. No. Although PPL asserts that "PPL and PPL RI plan to provide safe and reliable gas  
16 distribution service to its gas customers on Aquidneck Island,"<sup>50</sup> the fact is PPL has no

---

<sup>48</sup> Supplemental 2017 Gas Cost Recovery, Supplemental Direct Testimony of Stephen P Greco at 3:14-19, RIPUC Docket No. 4719 (Sept. 29, 2017).

<sup>49</sup> A key difference between reliance on temporary vaporization facilities and the construction of a new LNG tank is the avoidance of LNG trucking requirements during peak winter periods when premium rates may be billed for trucked LNG cargos. When a permanent LNG tank is in place, the tank can be refill during off-peak months when the availability of trucks is greater and the costs for truck deliveries are less. Also, development of a permanent LNG tank increases the certainty that gas volumes will be available for peaking sendout when required, regardless of traffic, weather, and other factors that might delay trucked deliveries.

<sup>50</sup> PPL's response to Attorney General Data Request AG 1-22.

1 “plan.” Rather, PPL’s “plan” is to “continue National Grid’s proposed solution after the  
2 Transaction closes” even though:<sup>51</sup>

3 PPL and PPL RI **do not know what the status of National Grid’s**  
4 **proposed solution will be when the Transaction closes**, and PPL and PPL  
5 RI currently expect that they will continue with National Grid’s proposed  
6 solution after the Transaction closes.

7 However, PPL also indicates that after the Transaction closes it will determine whether to  
8 make any changes or additions to National Grid’s plan for ensuring the reliability of its  
9 service to Aquidneck Island.<sup>52</sup>

10 **Q. ARE THERE OTHER IMPORTANT MATTERS THAT RELATE TO**  
11 **NARRAGANSETT’S LNG OPERATIONS AND ITS GAS SYSTEM RELIABILITY**  
12 **THAT PPL WOULD NEED TO ADDRESS IN A TIMELY MANNER?**

13 A. Yes. In the coming years the NGLNG Fields Point liquefaction facility in Rhode Island  
14 and the Northeast Energy Center are expected to become the primary sources of LNG for  
15 Narragansett’s gas operations. However, both of those facilities have experienced  
16 significant delays in their respective in-service dates.

17 National Grid now appears confident that Fields Point LNG facility (operated by its  
18 affiliate, NGLNG will be place in-service on or before October 17, 2022<sup>53</sup> (i.e., in time for  
19 next winter’s heating season). The roughly one-year delay in the completion of that facility  
20 has been attributed to pandemic-related issues. However, if that plant does not begin to  
21 liquefy natural gas until mid-October of next year, both the volumes of liquefied natural

---

<sup>51</sup> *Id.* (emphasis added).

<sup>52</sup> *Id.*

<sup>53</sup> National Grid’s response to Advocacy Section Data Request DIV 5-7.

1 gas that it can be expected to produce for the winter of 2022-2023 and the costs of the LNG  
2 it would produce for that winter must be questioned.

3 For the liquefaction of natural gas to provide a reasonably economic source of peaking gas  
4 supplies, it is generally understood that gas must be purchased and liquefied during off-  
5 peak months when prices for pipeline gas tend to be lower and interstate pipeline capacity  
6 is readily available at reasonable cost. As we move closer to the peak of the winter season,  
7 both gas costs and charges for available pipeline capacity tend to increase noticeably, and  
8 that can make the liquefaction of natural gas during fall and winter months particularly  
9 expensive. As we can observe this fall, natural gas storage levels are below the most recent  
10 five-year average<sup>54</sup> and futures prices for natural gas for the months of December 2021,  
11 January 2022, and February 2022 are now in excess of \$5.50 per Dth (i.e. roughly \$2.00  
12 per Dth higher than comparable costs at this time last year).

13 Further, National Grid observes that the Northeast Energy Center (Narragansett's other  
14 planned source of LNG supplies) continues to await the issuance of a permit by the  
15 Massachusetts Energy Facilities Siting Board. At this point, it appears the earliest the  
16 Northeast Energy Center could be expected to be placed in-service is April 1, 2023. Any  
17 further delay in the completion of the Northeast Energy Center may create LNG supply  
18 problems for Narragansett that PPL appears ill-equipped to address.

19 **Q. THE DIRECT TESTIMONY OF WITNESS BELLAR ASSERTS THAT PPL IS**  
20 **WELL-POSITIONED TO OPERATE AND STRENGTHEN NARRAGANSETT'S**

---

<sup>54</sup> See Weekly Natural Gas Storage Report, U.S. Energy Information Administration, <https://ir.eia.gov/ngs/ngs.html> (last visited Nov. 2, 2021).

1           **GAS DISTRIBUTION SERVICE. WHAT COMMITMENTS HAS PPL MADE**  
2           **WITH RESPECT TO STRENGTHENING NARRAGANSETT’S GAS DISTRI-**  
3           **BUTION SERVICE?**

4    A.    None. Rather, PPL’s response to Advocacy Section Data Request DIV 3-22 states: ”At  
5           this time PPL is **still evaluating any and all potential commitments** to strengthen  
6           Narragansett’s gas distribution service while meeting or exceeding service quality metrics  
7           and improving pipeline safety through the replacement of leak prone pipe.” (emphasis  
8           added).

9           **D. Gas System Safety**

10   **Q.    PPL WITNESS BELLAR DIRECT TESTIMONY AT PAGE 11, LINE 19,**  
11           **THROUGH PAGE 12, LINE 2, ASSERTS THAT “PPL HAS A TRACK RECORD**  
12           **OF MAKING ... CAPITAL INVESTMENTS IN GAS INFRASTRUCTURE TO**  
13           **IMPROVE SAFETY AND RELIABILITY WHILE MAINTAINING LOWER-**  
14           **THAN-AVERAGE RATES.” WHAT IS THE RELEVANCE OF THAT**  
15           **ASSERTION?**

16    A.    It has no relevance to this proceeding. As stated in PPL’s response to Advocacy Section  
17           Data Request DIV 3-21(b): “The reference in Mr. Bellar’s testimony to ‘lower-than-  
18           average rates’ is based on Kentucky and is not specifically relevant to Rhode Island. PPL  
19           and PPL RI have not yet identified the measure of average rates they will use to assess  
20           performance in Rhode Island.”

21   **Q.    THE PETITION TOUTS PPL’S SUCCESSFUL MANAGEMENT OF LG&E’S**  
22           **GAS DISTRIBUTION SYSTEM IN KENTUCKY AND ASSERTS THAT LG&E IS**

1           **“SIGNIFICANTLY AHEAD OF WHERE MOST OF THE GAS INDUSTRY IS WITH**  
2           **[ITS] REPLACEMENT PROGRAMS.”<sup>55</sup> DO YOU AGREE?**

3    A.    No. I do not. When PPL acquired LG&E in 2010, LG&E’s gas system had comparatively  
4           small mileage of Cast Iron and Bare Steel mains. Annual reports filed with the PHMSA  
5           by U.S. gas distribution utilities indicate that the vast majority of gas distribution utilities  
6           have removed all or essentially all of their old Cast Iron and Bare Steel distribution mains.  
7           The only utilities that continue to have significant mileage of leak prone Cast Iron and Bare  
8           Steel mains are generally utilities in eastern and mid-western urban areas that operate old  
9           systems.<sup>56</sup> For 2020, PHMSA annual reports were filed by more than 1,400 U.S. gas  
10          distribution utilities. Roughly 900 were systems with less than 100 miles of distribution  
11          mains. Of the remaining 529 gas systems (i.e., systems with more than 100 miles of  
12          distribution mains), **only 83 systems** reported **any** remaining mileage of Cast Iron mains.  
13          Moreover, just **30 systems** accounted for **94%** of the total (19,800 miles of remaining Cast  
14          Iron gas mains in the U.S.<sup>57</sup>

15   **Q.    HOW DO LG&E’S PIPE REPLACEMENT ACCOMPLISHMENTS COMPARE**  
16   **WITH THOSE ACHIEVED BY NARRAGANSETT’S GAS SYSTEM?**

---

<sup>55</sup> Petition ¶ 31.

<sup>56</sup> The vast majority of U.S. gas distribution utilities with significant amounts of remaining cast iron gas mains are located in New England and the Mid-Atlantic states and large mid-western urban centers, such as Chicago, Detroit, and St. Louis.

<sup>57</sup> As of 2020 Narragansett’s RI distribution system ranked ninth highest in terms of the number of miles of Cast Iron mains on its system, and it ranked sixth in terms of the percent of the total mileage of distribution mains on its system that were Cast Iron.

1 A. LG&E essentially completed the replacement of all remaining Cast Iron and Bare Steel gas  
2 mains on its system by 2017,<sup>58</sup> and in doing so it has reduced the annual numbers of  
3 hazardous leaks reported on its gas distribution mains in Kentucky. By contrast, as of 2020  
4 Narragansett's gas system in Rhode Island still had 668 miles of Cast Iron gas mains, 174  
5 miles of Unprotected Bare Steel gas mains, and 17 miles of Ductile Iron gas mains.  
6 However, to place these observations in perspective, it must be recognized that in 2010,  
7 LG&E had only 69 miles of Cast Iron mains and 54 miles of Unprotected Bare Steel mains  
8 while in 2010 the Narragansett gas system had 878 miles of Cast Iron mains and 391 miles  
9 of **Bare and/or Unprotected Steel** mains.<sup>59</sup> Thus, over the period between 2010 and 2020,  
10 LG&E replaced a total of roughly 120 miles of Cast Iron and Bare Steel gas mains while  
11 Narragansett's gas system replaced over 420 miles of Cast Iron and Bare Steel gas mains.<sup>60</sup>  
12 Still, the Narragansett gas system has over 840 miles of Cast Iron and Base Steel mains  
13 remaining to be replaced. That is nearly **seven times** the size of the main replacement task  
14 faced by LG&E in 2010.  
15 Similarly, LG&E has replaced all of the Base Steel and Cast Iron **service lines** that  
16 remained on its system when the system was acquired in 2010, but as of 2020, Narragansett

---

<sup>58</sup> LG&E's annual reports to the PHMSA in the U.S. Department of Transportation indicate that since 2017, LG&E has zero miles of Cast Iron gas mains and less than one mile of Bare Steel mains remaining on its system.

<sup>59</sup> It should be noted that PPL acquired LG&E in 2010 and essentially inherited a system with a comparatively small number (i.e., 120 miles) of Cast Iron and Bare Steel gas mains where in 2010 Narragansett had nearly 1,100 miles of Cast Iron, Bare Steel, and Ductile Iron mains in need of replacement.

<sup>60</sup> Over the last decade Narragansett averaged about 42 miles of main replacement per year while LGE averaged only about 20 miles per year between 2010 and when it completed its replacement of cast iron and bare steel mains in 2016. Narragansett's current ISR budget, Report and Order, RIPUC Docket No. 5099 (May 6, 2021), targets the replacement of more than 60 miles of distribution mains for FY 2022 and the Division has encouraged Narragansett to target 70 miles per year for pipe replacements. In other words, Narragansett is replacing roughly as many miles of mains in a single year as LG&E replaced in the entire period from 2010 to 2016.

1 still had over 36,700 Bare Steel service lines, about 5,500 Unprotected Coated Steel service  
2 lines, and more than roughly 100 Cast Iron and Copper service lines. Those types of service  
3 lines comprise about 22% of the total services presently installed on Narragansett's system.  
4 Thus, it appears that Rhode Island's remaining service line replacement task is substantial.

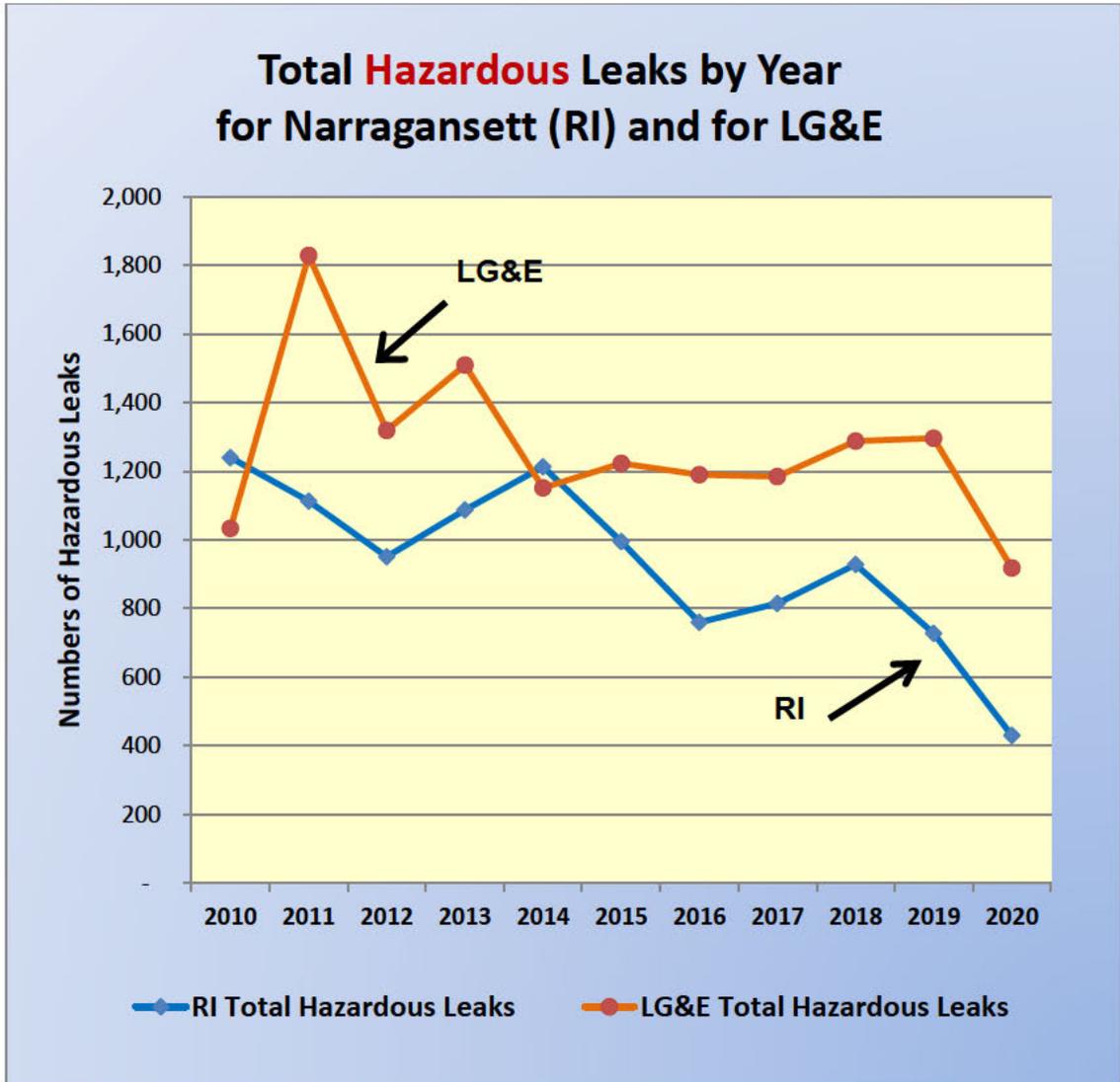
5 **Q. HOW DO LG&E AND NARRAGANSETT COMPARE IN TERMS OF THEIR**  
6 **DISTRIBUTION SYSTEM'S HAZARDOUS LEAK RATES?**

7 A. Despite the comparatively large amount of pipe replacement work remaining for the  
8 Narragansett system, Narragansett has achieved lower total numbers of reported  
9 **hazardous** leaks per 100 miles of distribution mains in each of the last five years than  
10 LG&E. (See Table 1). Thus, PPL's representation that LG&E is "significantly ahead of  
11 where most of the gas industry is with [its] replacement programs" is not particularly  
12 meaningful from a gas system safety perspective. Figure 1 graphically depicts that total  
13 numbers of hazardous leaks reported for Narragansett's gas system and for LG&E for each  
14 year from 2010 to 2020. Figure 2 shows the breakdown of those reported leaks between  
15 hazardous leaks on Mains and hazardous leaks on Services.

16

1  
2

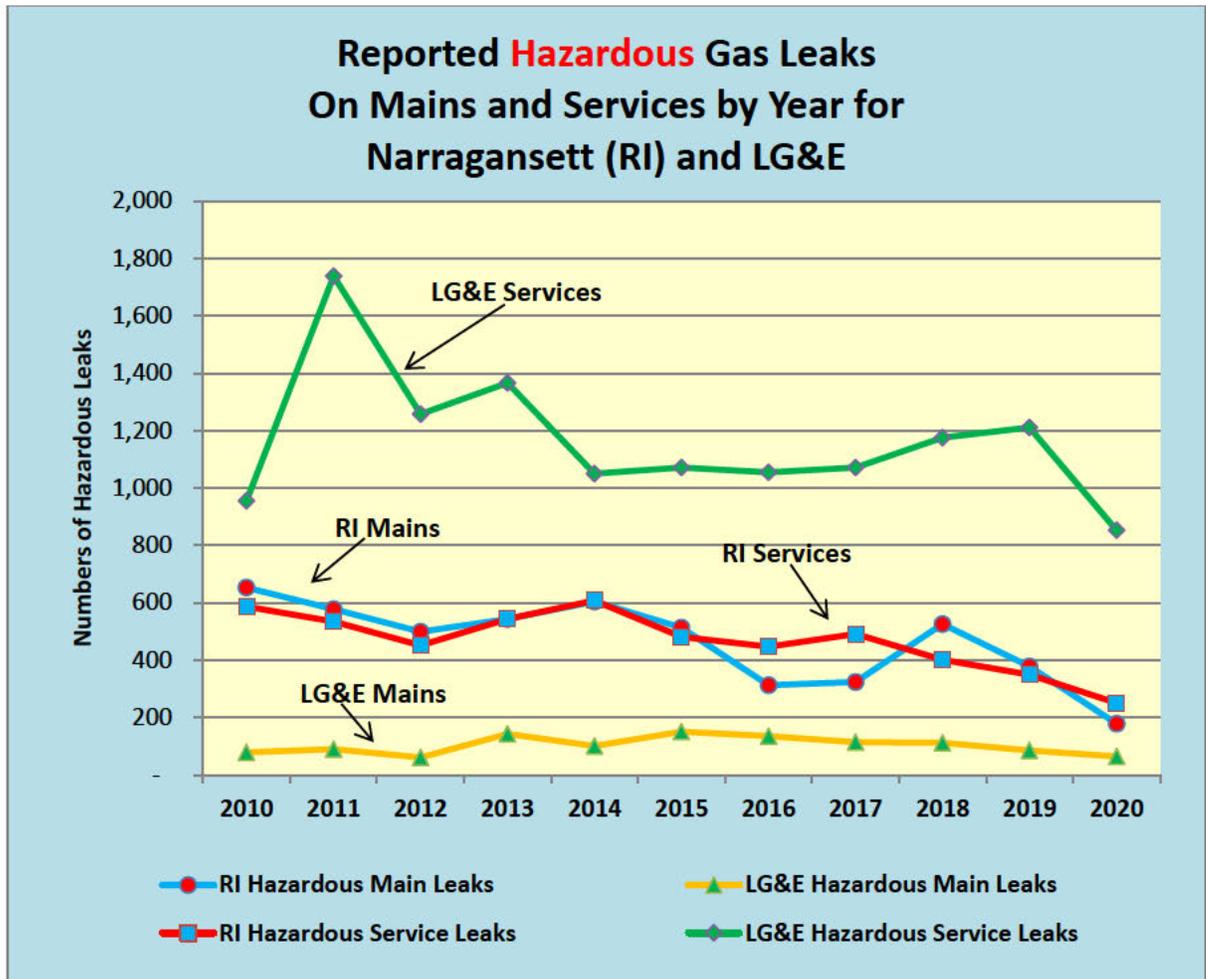
FIGURE 1



3

1  
2

FIGURE 2



3

4

As can be seen from these graphics, LG&E’s overall performance is attributable to its much high numbers of Hazardous Leaks on Services.

5

6

More indicative measures of the comparative safety of Narragansett’s RI gas system and

7

LG&E’s gas system are presented in Table 1. Table 1 compares the total reported

8

hazardous leaks on main and services per 100 miles of mains and per 100 service lines for

9

RI and LG&E. That comparison shows Narragansett’s leak performance is better than the

10

industry average on both measures, while LG&E is worse than the industry average on

1 both measures. These data raise questions regarding the comparative safety of PPL’s gas  
 2 operations, and suggest that Rhode Island gas system safety might be eroded and the public  
 3 interest harmed if PPL’s gas system management practices lead to increased numbers of  
 4 hazardous gas leaks in Rhode Island.

5  
6 **TABLE 1**

7 **Comparative Measures of the Frequency of**  
8 **Hazardous Gas Leaks<sup>61</sup>**

	Hazardous Leaks Per 100 Miles of Mains	Hazardous Leaks Per 1,000 Services
<b>Narragansett (RI)</b>	<b>13.4</b>	<b>2.22</b>
<i>Industry Average</i>	<i>15.0</i>	<i>2.81</i>
<b>LG&amp;E</b>	<b>20.9</b>	<b>3.06</b>

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22 **Q. DOES PPL INTEND TO CONTINUE PPL’S GAS BUSINESS ENABLEMENT**  
23 **PROGRAMS?**

24 A. The extent to which the current Gas Business Enablement Program would be continued  
25 under PPL ownership is unclear. PPL suggests that:

26 . . . [it is] in the process of negotiating the services that will be provided  
27 pursuant to the Transition Services Agreement (the ‘TSA’). Currently, PPL  
28 and PPL RI anticipate that National Grid USA Service Company, Inc. will  
29 provide **at least a portion** of the Gas Business Enablement Program

---

<sup>61</sup> Based on annual reports filed with PHMSA for 2020 for gas distribution systems having at least 100 miles of mains installed.

1 ('GBE') under the TSA starting on day one after closing of PPL RI's  
2 purchase of The Narragansett Electric Company, and, initially, PPL and  
3 PPL RI will use some of the GBE functionality.<sup>62</sup>  
4

5 PPL further indicates that:

6 *... continues to evaluate whether it will continue to use, in whole or in part,*  
7 *GBE after the expiration of the TSA, or if PPL will transfer this*  
8 *functionality to its own systems. PPL and PPL RI will base their decision*  
9 *whether to continue to use GBE components on whether PPL and PPL RI*  
10 *can feasibly, effectively, and efficiently maintain and integrate each such*  
11 *component into PPL and PPL RI's systems and operations at a reasonable*  
12 *cost and without impacting the provision of safe and reliable service to*  
13 *Narragansett ratepayers.*<sup>63</sup>

14 Thus, at this point the specific components of Narragansett's current GBE that will be  
15 continued remains unclear.

16 **Q. IS CONTINUED PURSUIT OF NARRAGANSETT'S GAS BUSINESS ENABLE-**  
17 **MENT PROGRAM OF VALUE TO RHODE ISLAND AND NARRAGANSETT'S**  
18 **GAS CUSTOMERS?**

19 A. Yes. In a memorandum the Division filed with the RIPUC in Docket No. 5099, the  
20 Division observed that:

21 ". . . [with] [t]he implementation of the [Gas Business Enablement] system  
22 . . . Company [will be able to] truly 'know' its system and more accurately  
23 identify the riskiest mains and services" that require replacement which will  
24 reduce leaks on and increase safety and reliability of the distribution  
25 system.<sup>64</sup>

---

<sup>62</sup> PPL's response to Advocacy Section Data Request DIV 1-41.

<sup>63</sup> *Id.*

<sup>64</sup> Memorandum from Alberico Mancini, Chief Regulatory Analyst, DPUC to Rhode Island Public Utilities Commission, Docket No. 5099 - National Grid's FY2022 Gas ISR Plan (Feb. 19, 2021).

1 As the fate of the Gas Business Enablement program remains unclear, the impact of that  
2 program in the maintenance of the safety and reliability of Narragansett's gas system under  
3 PPL ownership and control cannot be assessed at this time.

4 **E. Transition Uncertainties**

5 **Q. WHAT ARE THE PRIMARY UNCERTAINTIES THAT REMAIN WITH**  
6 **REGARDING THE TRANSITION FROM NATIONAL GRID OWNERSHIP OF**  
7 **NARRAGANSETT'S GAS OPERATIONS TO PPL OWNERSHIP OF THOSE**  
8 **OPERATIONS?**

9 A. The primary uncertainties associated with the proposed Transaction can be addressed in  
10 three categories. Those categories include:

- 11 (1) Pricing of transition services  
12  
13 (2) Timing of completion for required new facilities  
14  
15 (3) Staffing and costs of filling non-union positions.

16 *1. Pricing of Transition Services*

17 **Q. HAVE THE PETITIONERS SUBSEQUENTLY PROVIDED GREATER DETAIL**  
18 **REGARDING THE COSTS OF NEGOTIATED TRANSITION SERVICES?**

19 A. No. As of the filing of this testimony, the costs of proposed transition services and the  
20 impacts of the transition on Narragansett's non-gas costs remain unknown.

21 **Q. SHOULD RHODE ISLAND RATEPAYERS BE HELD RESPONSIBLE FOR**  
22 **TRANSITION COSTS THAT CAUSE NARRAGANSETT'S OVERALL COSTS**  
23 **OF OPERATIONS TO EXCEED THOSE PRESENT LEVELS?**

1 A. No. Rhode Island gas customers should not be required to bare any transition-related  
2 increase in Narragansett's costs for operating its gas system. Narragansett's O&M costs  
3 during the proposed transition period can be expected to include:

- 4 (1) Costs directly incurred by Narragansett;
- 5 (2) Costs for transition services provided by National Grid under the TSA; and
- 6 (3) Costs incurred by PPL and/or PPL RI as part of its efforts to effect a  
7 transition to full PPL control or to learn Narragansett's system, as well as  
8 the practices, and procedures it presently employs.

9 If the Transaction is permitted to close, all of the categories of costs identified above should  
10 only be recoverable to the extent that they are prudently incurred and do not necessitate an  
11 increase in Narragansett's overall gas service revenue requirement. Given the extent of  
12 management realignment that would be required to effect the transition to PPL ownership,  
13 increases in Narragansett's revenue requirements attributable to any of the above categories  
14 must be viewed cautiously. There is no evidence that National Grid would be unable to  
15 continue to own and operate Narragansett's gas operations in a manner consistent with the  
16 Company's current cost structure absent the Transaction. Unless proven otherwise, any  
17 increase in Narragansett's revenue requirement that would necessitate a request for a  
18 revenue increase should, therefore, be considered a product of the change in ownership and  
19 related management realignment. In that context, any resulting cost increases are  
20 appropriately found to be the responsibility of the party requesting approval of the  
21 Transaction.

1 **Q. IS THERE A CLEAR COMMITMENT ON THE PART OF PPL THAT THE**  
2 **CHARGES PPL WILL PAY NATIONAL GRID FOR GAS SYSTEM TRANSITION**  
3 **SERVICES WILL NOT UNREASONABLY INCREASE THE BILLS OF**  
4 **NARRAGANSETT’S GAS SYSTEM CUSTOMERS DURING OR AFTER THE**  
5 **TRANSITION PERIOD?**

6 A. No, there is not. PPL states that it “will not seek costs related to the Transaction for  
7 negotiating the Share Purchase Agreement with National Grid USA and obtaining the  
8 necessary approvals, including the costs associated with this proceeding.”<sup>65</sup> However, it  
9 does not make the same representation regarding transition costs. Rather, with respect to  
10 Transition Costs PPL’s position is that “PPL will evaluate on a case-by-case basis what  
11 transition costs will be included in the revenue requirement of a future rate case.”<sup>66</sup>

12 **Q. HOW DO REGULATORS GENERALLY ASSESS THE REASONABLENESS OF**  
13 **CHARGES BILLED TO A UTILITY BY A THIRD PARTY?**

14 A. Regulators generally rely on two methods to assess the reasonableness of pricing for goods  
15 and services procured by utilities. For services provided by a third party, regulators  
16 generally look for evidence that the pricing of services was either determined through a  
17 competitive bidding process or evidence that such pricing is reflective of competitive  
18 market considerations. For services provided by an affiliated entity (such as a service  
19 company) that are not competitively bid, reliance is often placed upon cost allocation

---

<sup>65</sup> PPL’s response to Advocacy Section Data Request DIV 7-46.

<sup>66</sup> *Id.*

1 procedures set forth in a Cost Allocation Manual that has been filed with, and accepted by,  
2 FERC.

3 Unfortunately, neither of those verification methods is supported by the verification  
4 information relating to the Transition Services Agreement that has been presented in this  
5 proceeding. No support has been provided for either a finding that the **negotiated** pricing  
6 for transition services will be either be reflective of competitive market pricing or  
7 consistent with the allocation methods specified in an applicable FERC-approved Cost  
8 Allocation Manual (“CAM”).

9 The Division must question the appropriateness of a negotiated pricing arrangement for  
10 TSA services where ratepayers and not either party responsible for negotiating pricing for  
11 the TSA would ultimately be responsible for those paying the resulting charges. For that  
12 reason alone, the Division must find that the proposed TSA is inconsistent with the public  
13 interest.

14 **Q. HAVE THE PETITIONERS PROVIDED ESTIMATES OF THE COSTS THAT**  
15 **PPL/NARRAGANSETT WILL INCUR DURING THE TRANSITION PERIOD?**

16 A. Yes and no. **CONFIDENTIAL** Attachment NG-DIV 1-29-1 includes TSA cost estimates,  
17 but the estimates provided offer little insight regarding how charges for services provided  
18 under the TSA will be computed and billed. Both PPL and National Grid recognize  
19 significant remaining uncertainties regarding: (1) the time periods over which specific TSA  
20 services will be provided; (2) the individuals who will provide each specific service; and  
21 (3) their qualifications to perform the specific activities for which they will be responsible.  
22 The time periods for which a significant number of services will be provided involve ranges

1 of months (e.g., 6-12 months, 12-18 months, or 12-24 months). That appears to leave broad  
2 discretion to determine when TSA services are completed or no longer necessary and when  
3 charges for TSA services will terminate. Yet, nothing in the information provided defines  
4 the manner in which time will be tracked and billed. Likewise, no information is provided  
5 regarding the differentiation of charges for work performed by persons with differing levels  
6 of experience and qualification for the tasks performed. There is also no discussion of  
7 how costs for employee benefits will be identified and charged. Historic allocations  
8 relationships may not be appropriate where the mix of personnel utilized and the mix of  
9 services provided under the TSA differ from those currently provided by National Grid.

10 **[BEGIN CONFIDENTIAL MATERIAL]** [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

---

<sup>67</sup> PPL's response to AG Data Request AG 1-15 (emphasis added).

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED] **[END CONFIDENTIAL**

**MATERIAL]**

2. Completion of Required Facilities

**Q. WILL ANY NEW FACILITIES BE REQUIRED TO SUPPORT THE UNBUNDLING OF NARRAGANSETT’S GAS OPERATIONS FROM NATIONAL GRID?**

**A.** Yes. PPL has identified at least three sets of new facilities that will need to be established in Rhode Island to support Narragansett’s gas operations once Narragansett is full separated from National Grid. Those facilities include:

- A new Gas Control Center and a back-up control center;
- Customer Call Center; and
- Dispatch operations.

<sup>68</sup> National Grid’s response to AG Data Request 1-15 Set 1 (emphasis added).

1 **Q. DOES PPL HAVE A CLEAR TIME SCHEDULE FOR THE COMPLETION OF**  
2 **THE IDENTIFIED FACILITIES?**

3 A. PPL has represented that its current estimate is that a Rhode Island dedicated Gas Control  
4 Center will be established no later than two years after the closing of the Transaction.  
5 However, PPL also indicates that it is continuing to develop schedules to establish the  
6 Rhode Island dedicated Gas Control Center.<sup>69</sup> Similarly, PPL plans to create a physical  
7 customer service contact center for Narragansett in Rhode Island. At this point, PPL  
8 estimates that the customer contact center will utilize about 115 employees, but the location  
9 of that center in Rhode Island is yet to be determined, and it is unclear what services will  
10 be provided at that center when it is established.<sup>70</sup>

11 **Q. HAS A SITE BEEN IDENTIFIED FOR THE RHODE ISLAND DEDICATED GAS**  
12 **CONTROL CENTER?**

13 A. No. To date PPL has not identified sites for either its primary or back-up gas control  
14 centers. PPL has indicated that “the detailed project planning process [for its Gas Control  
15 Center facilities] has not taken place yet” and that as of October 22, 2021, cost estimates  
16 for those facilities remained unavailable.<sup>71</sup>

17 **Q. HAVE THE TRANSACTING ENTITIES IDENTIFIED THE CHARGES NARRA-**  
18 **GANSETT WOULD HAVE TO PAY TO NATIONAL GRID FOR CONTINUED**

---

<sup>69</sup> PPL’s response to Advocacy Section Data Request DIV 1-42.

<sup>70</sup> PPL’s response to AG Data Request AG 1-15.

<sup>71</sup> PPL’s response to Advocacy Section Data Request DIV 9-97 and the cover letter that transmitted part (1) of PPL’s response to Advocacy Section Data Request DIV Set 9 which indicates the data of the transmittal. *See also* PPL’s response Advocacy Section Data Request to DIV 9-13 which indicates that a schedule for completion of the primary and backup control room and associated SCADA systems for the gas system has not yet been developed.

1           **USE OF AND RELIANCE UPON NATIONAL GRID’S GAS CONTROL CENTER,**  
2           **CALL CENTER, DISPATCH OPERATION AFTER PPL ASSUMES OWNERSHIP**  
3           **OF NARRAGANSETT?**

4    A.    No, they have not. It is presumed that those costs are included in the charges Narragansett  
5           and PPL will pay for transition services, but charges for those facilities and their use are  
6           not separately identified.

7    **Q.    CAN IT BE EXPECTED THAT ALL OF THE REQUIRED FACILITIES WILL BE**  
8           **COMPLETED WITHIN A 24-MONTH TRANSITION PERIOD?**

9    A.    The completion of all of those facilities within the transition period appears unlikely. For  
10           example, once a site is selected for each facility, the facility must be designed to  
11           accommodate operating personnel, data systems, communications equipment, and  
12           informational displays. Following the design phase, the facility must be constructed and  
13           properly equipped. In that process, considerable attention to detail will be required to  
14           ensure the provision of a workspace and systems that will be fully functional under a range  
15           of operating conditions. It can also be anticipated that, new or substantial amended  
16           operating manuals will need to be developed. Moreover, that task may be further  
17           complicated by the introduction of new equipment and/or new or updated software  
18           systems. Before the facility becomes operational, a myriad of systems will need to be  
19           tested, and both existing and new personnel will need training with respect to the specifics  
20           of the facility and its systems.

1 Q. IS THERE ANY COMMITMENT ON THE PART OF PPL THAT RHODE  
2 ISLAND GAS SYSTEM CUSTOMERS WILL NOT HAVE TO BARE COSTS FOR  
3 ESTABLISHING NECESSARY RHODE ISLAND-BASED FACILITIES?

4 A. No. PPL has indicated the contrary circumstance is more likely. Advocacy Section Data  
5 Request DIV 1-42 requested information regarding the expected timing and costs for PPL's  
6 establishment of a Rhode Island dedicated Gas Control Center ("GCC"), as well as PPL's  
7 plans for recovery of such costs. In that response, PPL states:<sup>72</sup>

8 PPL and PPL RI do not plan to seek recovery from ratepayers for the costs  
9 associated with the GCC **that do not relate to new or improved**  
10 **technology capabilities** to Narragansett, or for costs related to capital  
11 investments that would not have been made in the normal course of business  
12 for reasons including but not limited to obsolescence (emphasis added).

13 Further PPL's response to part c. of the same data request indicates that PPL and PPL RI  
14 do not currently have cost estimates for the GCC. These answers are highly problematic.  
15 At this point we know neither the costs of a Rhode Island dedicated GCC nor the criteria  
16 upon which PPL would rely to measure GCC technology improvements and the value of  
17 such improvements to Rhode Island ratepayers. But the implication is clear: PPL perceives  
18 that there may be circumstances in which Rhode Island ratepayers will be asked to fund all  
19 or part of the cost of new Gas Control Center facilities. This position is reiterated in PPL's  
20 responses to Advocacy Section Data Requests 9-95 and 9-96. PPL specifically states that  
21 it plans to seek recovery of its investments in the Gas Control Center "... pursuant to the

---

<sup>72</sup> PPL's response to Advocacy Section Data Request DIV 1-42.

1 appropriate cost recovery mechanisms Narragansett already has in place with the Rhode  
2 Island Public Utilities Commission, under existing statutes, rules, and tariffs.”<sup>73</sup>

3 *3. Staffing of Non-Union Positions*

4 **Q. WHAT IS THE NATURE OF YOUR CONCERNS REGARDING THE STAFFING**  
5 **OF FUNCTIONS TO BE PERFORMED BY OR FOR NARRAGANSETT DURING**  
6 **OR AFTER THE TRANSITION PERIOD?**

7 A. My concerns are twofold. The first concern relates to the qualification of the persons who  
8 will actually provide services for Narragansett during and after the transition period. The  
9 second concern relates to the costs of attracting and maintaining qualified personnel to  
10 support Narragansett’s gas utility operations.

11 **Q. DO THE TRANSACTING ENTITIES (I.E., PPL AND NATIONAL GRID) SHARE**  
12 **YOUR CONCERNS REGARDING THE QUALIFICATIONS OF PERSONS WHO**  
13 **WILL BE CALLED UPON TO STAFF NARRAGANSETT’S GAS UTILITY**  
14 **OPERATIONS DURING AND AFTER THE TRANSITION PERIOD?**

15 A. No. As stated in response to an Advocacy Section Data Request:<sup>74</sup>

16 Many of the current of National Grid employees (both directly employed  
17 by Narragansett and indirectly employed by National Grid USA Service  
18 Company, Inc. (“Service Company”), who currently deliver a high level of  
19 electric and gas distribution services in Rhode Island and have significant  
20 institutional knowledge of Rhode Island gas and electric operations, will  
21 continue to serve Narragansett’s Rhode Island customers as employees  
22 under PPL RI ownership on Day 1.

23 **Q. DO YOU DISPUTE THE ABOVE REPRESENTATION?**

---

<sup>73</sup> PPL’s response to Advocacy Section Data Request DIV 9-96.

<sup>74</sup> PPL’s response to Division Advocacy Section Data Request DIV 7-31.

1 A. No. However, that representation of is of little importance. There is no assurance that the  
2 persons who will be assigned to assist Narragansett and PPL during the transition period  
3 or will be employed by PPL to perform key functions after the end of the transition period  
4 will be highly qualified individuals who possess “significant institutional knowledge” of  
5 Rhode Island’s gas operations. Not all National Grid Service Company employees have  
6 equal level of experience and extensive institutional knowledge of Narragansett’s gas  
7 utility operations in Rhode Island. Some National Grid Service Company personnel have  
8 had more direct and extensive involvement in Rhode Island gas utility matters than others.  
9 Yet, nothing in the Transition Service Agreement ensures a continuation of substantial  
10 involvement by those individuals that have been most intimately involved in Rhode Island  
11 gas issues in the past. Moreover, it must be considered that the importance and priority  
12 attributed to transition activities by National Grid and its Service Company may not be the  
13 same after an approval of the Transaction by the Division. With continuing responsibilities  
14 for multiple larger gas utility systems in Massachusetts and New York, it would not be  
15 surprising for those non-Rhode Island systems to be given greater priority in allocations of  
16 time for more experienced Service Company personnel.

17 Representations such as those include in the text quoted above, may be adequate when  
18 Narragansett is operated as part of National Grid’s current utility portfolio, but they leave  
19 much to be desired in the context of the separation of Narragansett from that portfolio.

20 **Q. ARE THERE IMPORTANT PERSONNEL-RELATED CONCERNS THAT THE**  
21 **TRANSACTIONING ENTITIES HAVE NOT ADDRESSED?**

22 A. Yes. Those concerns include, but may not be limited to, questions regarding:

- 1 (1) Which specific National Grid Service Company personnel will be assigned to  
2 Narragansett during the transition period;
- 3 (2) Which National Grid Service Company personnel will be hired by PPL and  
4 retained after the transition period; and
- 5 (3) The hours (or percentage of time) each current National Grid Service  
6 Company employee will be expected to dedicate to Narragansett during the  
7 transition period, as well as how those time commitments are expected to vary  
8 over the months of the transition period.

9 **Q. CONSIDERING THAT SIGNIFICANT NUMBERS OF NATIONAL GRID PER-**  
10 **SONNEL SHARE THEIR TIME WITH OTHER NATIONAL GRID AFFILIATED**  
11 **UTILITIES, DOES PPL DOCUMENT AND EXPLAIN HOW IT DETERMINED**  
12 **THE NUMBER OF FULL TIME EQUIVALENT EMPLOYEES (“FTEs”) IT WILL**  
13 **REQUIRE TO SUPPORT NARRAGANSETT’S GAS OPERATIONS?**

14 A. No. It does not. Nor does PPL offer any insight regarding which of the positions serving  
15 its restructured Narragansett operations will be expected to perform multiple functions.

16 **Q. HAS PPL PRESENTED ANY DETAILS REGARDING THE COSTS IT EXPECTS**  
17 **TO INCUR TO ATTRACT AND RETAIN KNOWLEDGABLE AND**  
18 **EXPERIENCED PROFESSIONALS TO SUPPORT NARRAGANSETT’S GAS**  
19 **OPERATIONS?**

20 A. No, it has not. Rather, PPL indicates that it does not agree that either higher salaries or  
21 improved benefits will be required to attract and retain any employees of National Grid

1 USA or its affiliates, including the National Grid USA Service Company that are currently  
2 engaged in the provision of services to Narragansett.<sup>75</sup>

3 **Q. IS THERE REASON TO QUESTION PPL'S REPRESENTATION REGARDING**  
4 **THE NEED FOR EMPLOYMENT INCENTIVES?**

5 A. Yes, there is.

6 First, PPL's estimates of labor costs are premised on average salaries paid by those  
7 functions by LG&E in Kentucky.<sup>76</sup> PPL did not use salary data for National Grid, the  
8 Service Company, or Narragansett even though PPL indicates that it "intend[s] to offer  
9 current National Grid Service Company employees substantially similar salaries and  
10 benefits as to what those employees are receiving today from National Grid."<sup>77</sup> PPL also  
11 offers no evidence of any attempt to account for differences in costs of living and salaries  
12 between Kentucky and Rhode Island.

13 Second, PPL's labor cost estimates do not separately identify those costs which would be  
14 incurred under the TSA. As a result, there is no ability to identify the elements of PPL's  
15 cost estimates, if any, that reflect anticipated transition costs. However, as noted in Section  
16 B of this Discussion of Issues, PPL's estimates of its costs of operating Narragansett's gas  
17 system reflect significant increases in salaries and benefits. Further, PPL has itself left  
18 open the possibility that it might agree "... to pay any increased salaries or to offer benefits

---

<sup>75</sup> PPL's response to Advocacy Section Data Request DIV 1-49.

<sup>76</sup> PPL's response to Advocacy Section Data Request DIV 9-86, Attachment PPL-DIV 9-86-1 at 14 ("PPL's analysis used PPL's current average salaries by function, based on Pennsylvania for electric and Kentucky for gas.").

<sup>77</sup> PPL's response to Advocacy Section Data Request DIV 9-67(b).

1 that exceed those currently provided to any of the Potential Retained Employees.”<sup>78</sup>

2 Whether PPL would absorb costs for such increased salaries and/or benefits is, at best,  
3 unclear. Rather, PPL indicates that it “. . . will evaluate on a case-by-case basis: (1) the  
4 reason for the increased salary or benefit costs, (2) the overall impact on the labor and  
5 benefit costs to be incurred by The Narragansett Electric Company (‘Narragansett’), and  
6 (3) whether PPL RI’s purchase of Narragansett was the cause of such costs, and, on the  
7 basis of these and any other relevant factors, PPL and PPL RI will determine whether it  
8 will seek to recover such costs in customer rates . . . ”<sup>79</sup>

9 **F. PPL’s Lack of Experience in Key Elements of RI Gas Operations**

10 **Q. ARE THERE SPECIFIC AREAS IN WHICH PPL’S LACK OF EXPERIENCE IS**  
11 **VIEWED AS AN IMPEDIMENT TO SAFE, RELIABLE, AND COST-EFFECTIVE**  
12 **OPERATION OF NARRAGANSETT’S GAS SYSTEM?**

13 A. Yes. Concern is expressed with respect to PPL’s experience in three areas:

- 14 • The design, construction, operation, and maintenance of LNG Facilities;
- 15 • Navigation of New England and Canadian Gas Markets; and
- 16 • The use of financial hedges to limit increases in gas purchase costs.

17 **Q. DOES PPL PLAN TO HAVE PERSONNEL 100% DEDICATED TO GAINING**  
18 **EXPERIENCE IN THE NEW ENGLAND GAS MARKET DURING THE**  
19 **TRANSITION PERIOD?**

20 A. No, it does not. *See* PPL’s response to Advocacy Section Data Request DIV 5-9.

---

<sup>78</sup> PPL’s response to Advocacy Section Data Request DIV 1-49.

<sup>79</sup> *Id.*

1 Q. DOES PPL HAVE EXPERIENCE WITH PORTABLE OR PERMANENT LNG  
2 VAPORIZATION OPERATIONS?

3 A. No. PPL's response to Advocacy Section Data Request DIV 3-24(a) states: "PPL and its  
4 affiliates do not have experience with portable or permanent LNG vaporization  
5 operations." Additionally, part b of the same data request response indicates: "PPL and  
6 its affiliates do not have experience with trucked liquid LNG."

7 *1. Design, Construction, Operation, Maintenance of LNG Facilities*

8 Q. WHAT IS THE EXTENT OF PPL'S EXPERIENCE AND EXPERTISE WITH  
9 RESPECT TO THE OPERATION OF LNG FACILITIES?

10 A. PPL'S response to Advocacy Section Data Request DIV 3-5 indicates "PPL and its  
11 affiliated entities **do not have organizational experience in the operation of LNG**  
12 **facilities.**" (emphasis added). The same response identifies only one LG&E employee  
13 (Joseph R. Ryan) with prior LNG experience. However, PPL's response to Advocacy  
14 Section Data Request DIV 5-1(a), Attachment PPL-DIV 5-1-1 provides a resume for the  
15 referenced employee in which the only LNG experience cited is associated with a position  
16 held more than 25 years ago (i.e., between 1992 and 1996) as an employee of the Long  
17 Island Lighting Company.

18 Q. AT WHAT POINT IN THE TRANSITION PROCESS WILL CONTROL OF THE  
19 LNG WORKSTREAM CONVEY TO PPL?

1 A. PPL indicates the “LNG workstream” is among the functions for which PPL will assume  
2 responsibility and control as of Day 1 of PPL’s ownership of Narragansett.<sup>80</sup>

3 **Q. HOW WOULD PPL’S LNG OPERATIONS BE STAFFED AS OF DAY 1 OF PPL**  
4 **CONTROL OF NARRAGANSETT?**

5 A. National Grid’s response to Advocacy Section Data Request 5-1 lists 25 direct employees  
6 of Narragansett who have responsibilities for performing LNG operations.<sup>81</sup> Of the persons  
7 listed most are technicians or crew leaders. Only two are identified as Senior Supervisors.  
8 Moreover, one of those Senior Supervisors has only been with Narragansett since June  
9 2021, and the other started work with Narragansett in July 2020. In other words, combined,  
10 those two Senior Supervisors have less than the equivalent of two full years of experience  
11 with the operation of Narragansett’s LNG facilities.

12 **Q. WHAT IS THE EXTENT OF PPL’S EXPERIENCE AND EXPERTISE WITH**  
13 **RESPECT TO THE DESIGN AND CONSTRUCTION OF LNG FACILITIES?**

14 A. PPL’s response to Advocacy Section Data Request DIV 3-6 states: “PPL does not currently  
15 have employees with experience in the design and construction of LNG facilities.” That  
16 response also suggests that while control of the LNG work stream would convey to PPL  
17 on Day 1, Narragansett employees currently responsible for performing LNG operations,  
18 including design and construction, will continue to perform those functions. Thus, with

---

<sup>80</sup> PPL’s response to Advocacy Section Data Request DIV 3-6; National Grid’s response to Advocacy Section Data Request DIV 5-1 Attachment NG-DIV 5-1-1. (To avoid confusion it should be noted that both National Grid and PPL have provided attachments numbered 5-1-1 to Advocacy Section Data Request DIV 5-1. National Grids attachment is labeled NG-DIV 5-1-1. PPL’s attachment is labeled PPL-DIV 5-1-1).

<sup>81</sup> PPL’s response to Advocacy Section Data Request DIV 5-1 Attachment **PPL-DIV 5-1-1**.

1 National Grid's support through the TSA, PPL asserts that it will immediately have  
2 personnel with experience in the design and construction of LNG facilities.

3 **Q. DOES PPL OFFER SUBSTANTIAL EXPERIENCE WITH PORTABLE OR**  
4 **PERMANENT LNG VAPORIZATION OPERATIONS OR WITH THE**  
5 **TRUCKING OF LIQUID LNG?**

6 A. No, it does not. Neither PPL nor its LG&E affiliate has experience with portable or  
7 permanent LNG vaporization operations and neither has experience with trucked LNG  
8 liquid.<sup>82</sup>

9 **Q. WHAT WEIGHT SHOULD BE GIVEN TO PPL'S REPRESENTATIONS**  
10 **REGARDING ITS ABILITY TO RELY ON THE LNG DESIGN AND CON-**  
11 **STRUCTION EXPERIENCE OF THE PERSONS WHO WILL BE RESPONSIBLE**  
12 **FOR THOSE ACTIVITIES AS OF DAY 1?**

13 A. Very little. Narragansett's response to Advocacy Section Data Request DIV 5-3, part a  
14 states: "No current direct employees of The Narragansett Electric Company  
15 ('Narragansett') have experience in the planning, design and construction of liquefied  
16 natural gas ('LNG') facilities."

17 *2. Appalachian, New England and Canadian Gas Markets*

18 **Q. DOES PPL'S LG&E SUBSIDIARY CURRENT PURCHASE GAS IN**  
19 **APPALACHIAN, NEW ENGLAND OR CANADIAN GAS MARKETS?**

20 A. No. Although substantial portions of Narragansett's gas supplies are now obtained in  
21 Appalachian, New England, and Canadian gas markets, PPL's LG&E subsidiary has little,

---

<sup>82</sup> PPL's response to Advocacy Section Data Request DIV 3-24.

1 if any, current involvement in those markets. The Texas Gas Transmission and Tennessee  
2 Gas Pipelines that current serve LG&E primarily source gas primarily out of Texas,  
3 Louisiana, and the Gulf of Mexico. As a result, LG&E has no requirement to purchase gas  
4 supplies in the markets that are most critical for Narragansett.

5 **Q. DO THE DYNAMICS OF THE APPALACHIAN, NEW ENGLAND, AND**  
6 **CANADIAN GAS MARKETS DIFFER FROM THE MARKETS IN WHICH LG&E**  
7 **PURCHASES GAS SUPPLIES?**

8 A. Although there are some similarities, the overall dynamics of the markets on which  
9 Narragansett must rely for significant portions of its gas purchases are quite different. For  
10 example, the New England market is at the end of the most of the pipelines that serve the  
11 region, and Rhode Island is at the very end of the pipelines from which it obtains gas  
12 deliveries. That location greatly constrains Narragansett's available gas supply options.  
13 Narragansett gas supply requirements, as a stand-alone purchaser of natural gas and gas  
14 delivery services in those markets, are comparatively small. These factors indicate that  
15 Narragansett's removal from the much larger National Grid gas procurement portfolio will  
16 lead to a substantial loss of bargaining strength in those markets should be anticipated.

17 Narragansett's use of Canadian gas supplies has been facilitated by its affiliation  
18 with National Grid. As part of National Grid's much larger gas supply portfolio,  
19 Narragansett has been provided access to markets it most likely would not have sufficient  
20 size to pursue cost-effectively on a stand-alone basis. National Grid has taken several steps  
21 since it acquired its Rhode Island gas business to expand the supply options available to  
22 Narragansett. One example is the Algonquin Incremental Market ("AIM") project which

1 broadened Narragansett's access to key eastern and Appalachian hubs. Another example  
2 is the NGLNG liquefaction facility. Although based in Rhode Island, Narragansett has  
3 only contracted to use up to 12.7% of the capacity of that facility. The remaining 87.3%  
4 has been contracted by Boston Gas. It is questionable whether Narragansett would have  
5 been able justify an investment in such a capital-intensive endeavor on a stand-alone basis.

6 **Q. IS IT LIKELY THAT PPL WILL BE LESS EFFECTIVE THAN NATIONAL GRID**  
7 **IN THE NAVIGATION OF APPALACHIAN, NEW ENGLAND, AND CANADIAN**  
8 **GAS MARKETS FOR NARRAGANSETT?**

9 A. Yes. The requirements of Narragansett, as a stand-alone purchaser of natural gas and gas  
10 delivery services in those markets are small in comparison to the portfolio operated by  
11 National Grid. Even if Narragansett and LG&E requirements were bundled together there  
12 would still be a substantial loss of bargaining strength and a noticeable loss of scale  
13 economies.

14 *3. Use of Financial Hedges in Natural Gas Markets*

15 **Q. IS PPL'S EXPERIENCE WITH RESPECT TO THE USE OF FINANCIAL**  
16 **HEDGES AS PART OF A GAS PURCHASING STRATEGY FOR RHODE ISLAND**  
17 **A MATTER OF CONCERN?**

18 A. Yes. National Grid's use of financial hedges in its management of gas purchases has been  
19 a material element of Narragansett's gas purchasing strategy in recent years. According to  
20 the testimony of Witness John M. Protano in Narragansett's currently pending GCR  
21 proceeding, Docket No. 5180 before the Rhode Island Public Utilities Commission, for the  
22 period November 1, 2021 through October 2022 financial hedges provide a customer

1 benefit of **\$20,680.555**.<sup>83</sup> However, PPL's response to Advocacy Section Data Request  
2 DIV 3-23(c) indicates, "The Kentucky Public Service Commission does not support the  
3 use of financial hedging by local gas distribution companies in Kentucky." Thus, it appears  
4 that although Narragansett/National Grid have derived substantial benefits for Rhode  
5 Island gas customers through the use of financial hedges, PPL's experience in the use of  
6 financial hedges in natural gas markets is, at best, limited.

7 LG&E's maintenance of significant on-system underground gas storage facilities and its  
8 mid-stream location of the Tennessee Gas Pipeline system may limit the value of financial  
9 hedges for LG&E's Kentucky operations. But, neither of those characteristics is applicable  
10 to Narragansett's gas operations in Rhode Island. For this reason, loss of National Grid's  
11 substantial experience with respect to the use of financial hedges in management of gas  
12 procurement costs could represent a significant loss for Rhode Island gas customers.

13 **Q. HAS PPL COMMITTED TO PROVIDING A MECHANISM TO PROTECT**  
14 **NARRAGANSETT'S CUSTOMERS FROM INCREASES IN GAS PROCURE-**  
15 **MENT COSTS DUE TO A LOSS NEGOTIATING STRENGTH IN THE**  
16 **PROCUREMENT OF GAS SUPPLIES, PPL'S LACK OF EXPERIENCE IN**  
17 **RELEVANT GAS MARKETS, AND/OR PPL'S LACK OF PRIOR GAS MARKET**  
18 **HEDGING EXPERIENCE?**

19 A. No, it has not.

---

<sup>83</sup> Direct Testimony of John M. Protano at 6:19-7:2, RIPUC Docket No. 5180 (Sept.1, 2021).

1 **G. Gas Procurement Costs and Incentive Plans**

2 **Q. WHAT INCENTIVE PROGRAMS RELATING TO GAS COSTS ARE PRE-**  
3 **SENTLY EMPLOYED FOR NARRAGANSETT’S GAS DIVISION?**

4 **A.** The Gas Division of Narragansett’s operations in Rhode Island is subject to two gas cost-  
5 related incentive programs. Those are the Gas Procurement Incentive Plan (“GPIP”) and  
6 the Natural Gas Portfolio Management Plan (“NGPMP”).

7 **Q. HOW IS THE GPIP STRUCTURED?**

8 **A.** The GPIP is structured to encourage Narragansett to take advantage of fluctuations in gas  
9 market prices to lower the commodity costs of gas purchased to serve Rhode Island gas  
10 sales customers.

11 **Q. WHAT IS THE BASIS FOR INCENTIVES PROVIDED TO NARRAGANSETT**  
12 **UNDER THE NGPMP?**

13 **A.** The NGPMP provides incentives for Narragansett to lower fixed costs of gas supply  
14 assets that must be borne by its customers by marketing capacity that is not required in  
15 near-term periods to third parties and using the proceeds to reduce the fixed cost recoveries  
16 Narragansett would otherwise require through its Gas Cost Recovery (“GCR”) mechanism.

17 **Q. HAVE THE GPIP AND THE NGPMP BEEN EFFECTIVE IN LOWERING**  
18 **NARRAGANSETT’S GAS PROCUREMENT COSTS?**

19 **A.** Yes. However, in recent years the NGPMP has had significantly greater impact on  
20 Narragansett’s costs of gas than its GPIP. For Narragansett’s five fiscal years 2016 through  
21 2020, total gas cost savings achieved under the NGPMP and GPIP totaled to over \$47.7

1 million.<sup>84</sup> Of that amount nearly \$41.5 million or 86.8% accrued to the benefit of  
2 Narragansett's RI gas customers, while the Company derived incentive payments of \$6.3  
3 million or 13.2% of the total achieved savings. Schedule BRO-6, page 1 of 2, provides  
4 cost savings that Narragansett has achieved through its GPIIP and NGPMP mechanisms by  
5 year over that five-year period, as well as the division of those savings between ratepayer  
6 benefits and incentives provided to Narragansett/National Grid. Schedule BRO-6. Page 2  
7 of 2, offers a similar examination of gas cost savings achieved by LG&E for a similar five-  
8 year period.<sup>85</sup>

9 Figure 3, below, graphically illustrates the customer gas cost savings and the incentives  
10 paid to Narragansett based on its GPIIP and NGPMP performance over that five-year  
11 period.

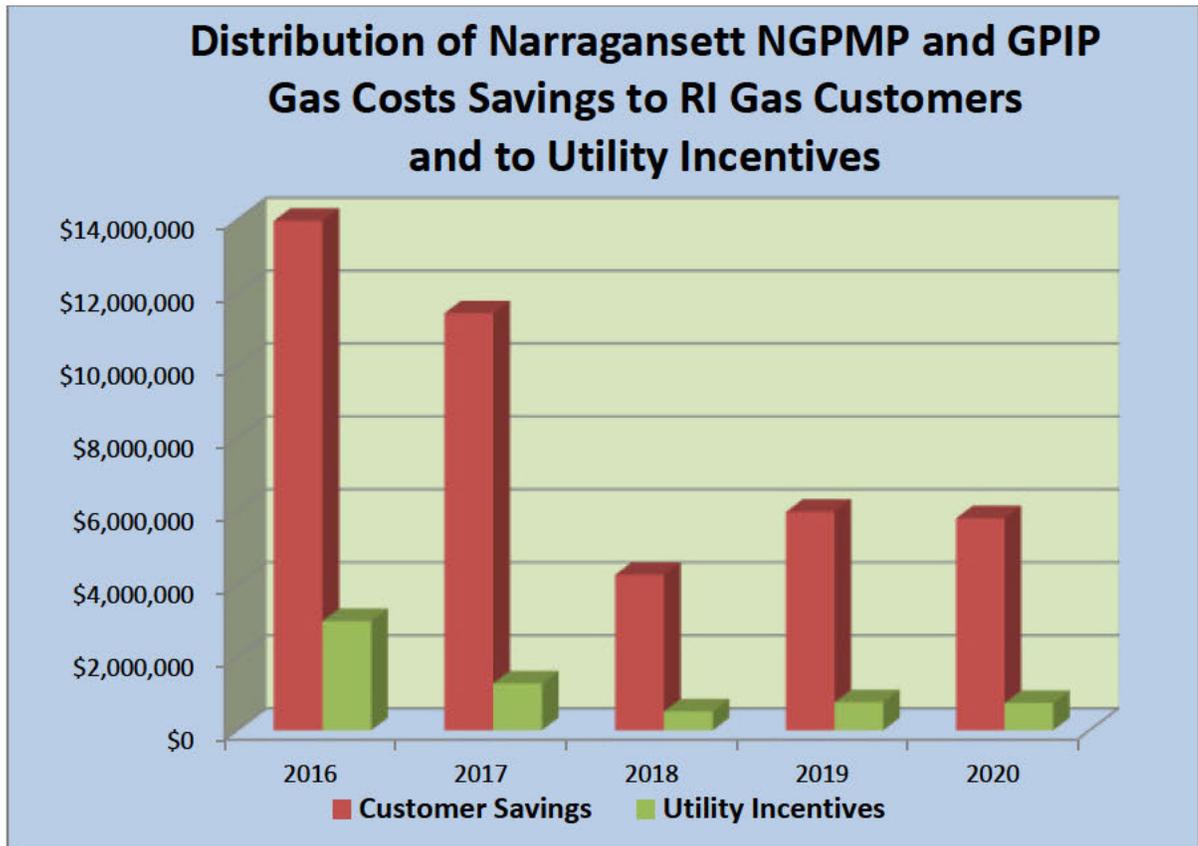
---

<sup>84</sup> The fiscal years for which NGPMP and GPIIP savings are reported are based on twelve month periods ended March of each year.

<sup>85</sup> Gas cost incentives for LG&E are shown for twelve month periods ended October 31. Narragansett's NGPMP and GPIIP incentives are computed based on twelve month periods ended March 31.

1  
2

FIGURE 3



3

4 As can be observed from Figure 3, the cost savings derived through the NGPMP and the  
5 incentives obtained by Narragansett through the NGPMP have far out weighted those  
6 produced by the GPIIP.

7 **Q. HOW WILL THE PROPOSED CHANGE IN THE OWNERSHIP OF NARRAGAN-**  
8 **SETT'S GAS UTILITY OPERATIONS AFFECT IT NARRAGANSETT'S GAS**  
9 **PROCUREMENT AND GAS SUPPLY PORTFOLIO MANAGEMENT**  
10 **ACTIVITIES?**

11 A. In response to Advocacy Section Data Request DIV 3-8, PPL states:

12 *Gas procurement services will be provided under the Transition Service*  
13 *Agreement ("TSA") with National Grid and/or its affiliates for*  
14

1           *approximately two years, during which time National Grid will be involved*  
2           *in the natural gas purchasing activities . . . Further, PPL will work closely*  
3           *with National Grid during the TSA period to build its experience during that*  
4           *time to complement the substantial experience PPL personnel already have*  
5           *with natural gas purchasing for LG&E.*

6  
7           *After the TSA period, PPL and PPL RI will ensure that gas procurement*  
8           *services for Narragansett will be provided in a manner consistent with the*  
9           *provision of such services prior to completion of the Transaction.*

10  
11           PPL’s response to Advocacy Section Data Request DIV 5-10 further indicates:

12           *PPL will review supply plans and procurement activities throughout their*  
13           *preparation and execution to make sure they are consistent with previous*  
14           *supply plans, expected to meet customer requirements in a reliable and*  
15           *least-cost manner, comply with state and federal regulatory requirements,*  
16           *optimize supply assets as encouraged by the Natural Gas Portfolio*  
17           *Management Plan, and mitigate price volatility as required by the Gas*  
18           *Procurement Incentive Plan.*

19  
20           Additionally, PPL’s response to Advocacy Section Data Request DIV 5-4 represents that:

21           “For the first two years after the Transaction closes, National Grid USA and PPL RI **will**  
22           **work together** under a Transition Services Agreement to manage the NGPMP.” (emphasis  
23           added). From these responses, it is clear that both PPL and National Grid expect to have  
24           substantive involvement in Narragansett’s gas procurement activities through at least the  
25           end of the transition period.

26   **Q. DOES PPL BELIEVE THAT IT CAN PRODUCE BETTER GAS PROCUREMENT**  
27   **RESULTS THAN THOSE NARRAGANSETT HAS ACHIEVED IN RECENT**  
28   **YEARS?**

29   **A.** PPL Witness Bellar attempts to highlight LG&E’s gas procurement results relative to those  
30   of other Kentucky utilities as an indication of the performance Rhode Island gas customers

1 can expect of Narragansett after the proposed transfer of ownership.<sup>86</sup> However, as part of  
2 its response to Advocacy Section Data Request DIV 5-10, PPL submits “based on the  
3 information provided to PPL by National Grid, PPL has no reason to believe that National  
4 Grid is not performing gas procurement activities well on behalf of Narragansett.” Yet,  
5 PPL’s assertion regarding National Grid’s performance with respect to gas procurement  
6 for Narragansett rings rather hollow in the context of its representation that:<sup>87</sup>

7 PPL does not have access to National Grid’s non-public gas procurement  
8 plans, financial hedging plans, and related strategy and procedures for  
9 providing gas procurement services to Narragansett. Some of this  
10 information is confidential and is not expected to be shared with PPL until  
11 PPL owns Narragansett.

12 **Q. IS PPL’S LG&E SUBSIDIARY IN KENTUCKY PROVIDED INCENTIVES TO**  
13 **ENCOURAGE ITS CONTROL OF GAS COSTS?**

14 A. Yes, but the structure of the incentives provide to LG&E differs from the structure of the  
15 incentives provided to Narragansett under its GPIIP and NGPMP.

16 **Q. HOW DO THE RESULTS OF THE GAS COST RELATED INCENTIVE**  
17 **MECHANISMS FOR LG&E COMPARE WITH THE RESULTS FOR**  
18 **NARRAGANSETT UNDER ITS NGPMP AND GPIIP?**

19 A. PPL’s indicates that over the five most recent years LG&E’s gas PBR has achieved about  
20 \$5.4 million per year in total gas cost savings.<sup>88</sup> Of that amount less than \$3.5 million or  
21 65% accrued to the benefit of LG&E gas customers. The remaining LG&E retained over

---

<sup>86</sup> Bellar test. at 6:1-3.

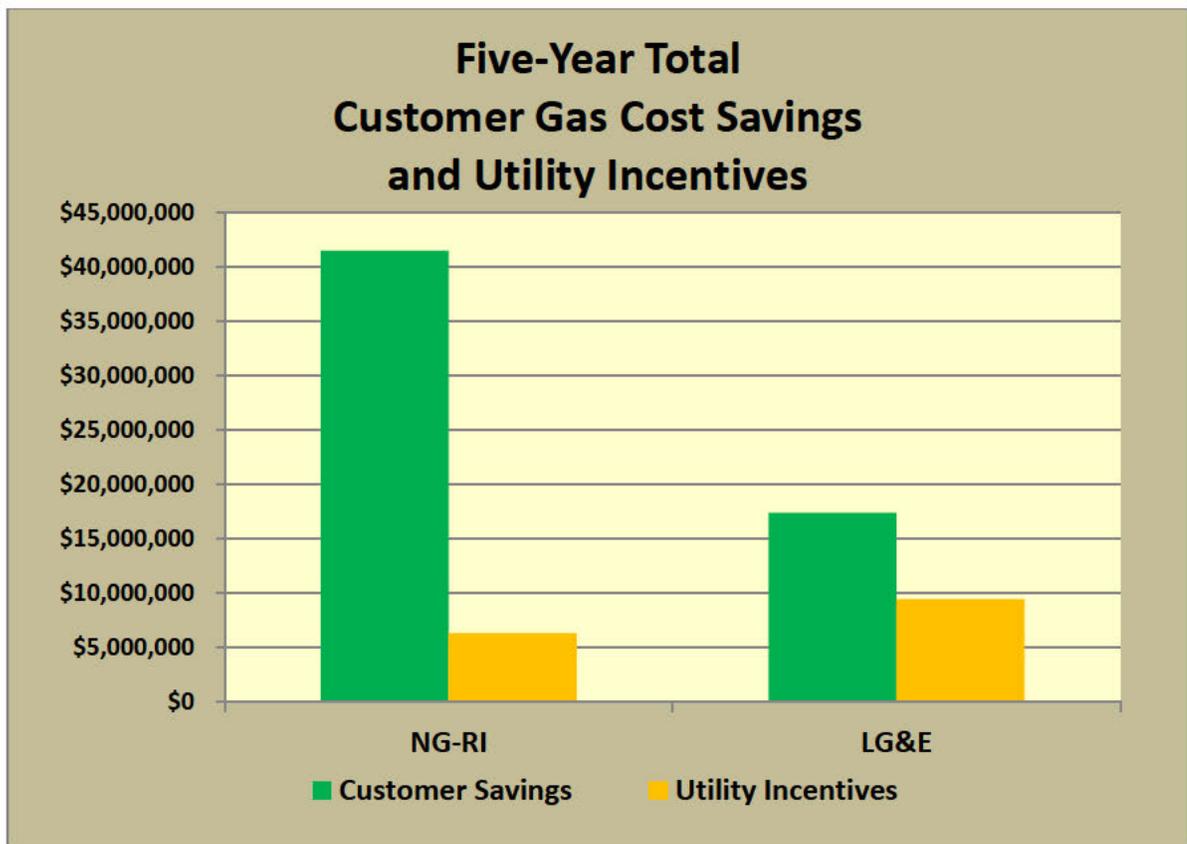
<sup>87</sup> PPL’s response to Advocacy Section Data Request DIV 5-10(b).

<sup>88</sup> PPL’s response to Advocacy Section Data Request DIV 3-23 and Attachment PPL-DIV 3-23-2.

1 35%. Figure 4 graphically depicts the distribution of savings between Customer Benefits  
 2 and Utility Incentives for the most recent five-year periods for Narragansett (NG) and for  
 3 PPL’s LG&E subsidiary.

4  
 5  
 6

FIGURE 4



7

8 **H. Customer Satisfaction**

9 **Q. HAS PPL DEMONSTRATED THAT IT CAN PROVIDE HIGH LEVELS OF**  
 10 **CUSTOMER SATISFACTION FOR NARRAGANSETT’S GAS CUSTOMERS?**

11 **A.** No. The Direct Testimony of PPL’s Bellar at page 6, lines 3-4 touts LG&E’s achievements  
 12 in the area of customer satisfaction noting that in 2019 J.D. Power rated LG&E the top

1 Midwest gas utility in terms of business customer satisfaction. However, in 2020 LG&E  
2 ranked seventh out of 11 Midwest medium-sized gas utilities with respect to **Residential**  
3 customer service and had an overall national rank of 56 out of 83 utilities surveyed.<sup>89</sup> Both  
4 of those results reflect well below average performance with respect to Residential  
5 customer satisfaction. Thus, PPL's ability to consistently provide high levels of customer  
6 satisfaction for all classes of gas customers must be questioned.

7 **V. CONCLUSION**

8 **Q. WHAT ARE YOUR CONCLUDING OBSERVATIONS?**

9 A. The Petitioners are seeking approval of what they portray as a straight-forward Share  
10 Purchase Agreement. However, the Share Purchase Agreement is an insufficient basis for  
11 evaluation and approval of the proposed Transaction. The impacts of the Transaction on  
12 RI gas consumers are more a function of the unbundling of Narragansett from National  
13 Grid that will be required if the Share Purchase Agreement is approved than they are a  
14 product of the terms of the Share Purchase Agreement. No conclusion can be reached  
15 concerning the impacts of the Transaction on the public interest in Rhode Island and the  
16 maintenance of safe, reliable, and affordable service for Rhode Island gas customers absent  
17 a thorough examination of the unbundling of Narragansett's gas service and the details of  
18 the proposed Transition Services Agreement. For the reasons I have presented herein, this  
19 Transaction is not in the public interest and it should not be approved.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes, it does.

---

<sup>89</sup> PPL's response to Advocacy Section Data Request DIV 3-16(b).