
AS 1-1

Request:

Mr. Henninger states on page 8 of his testimony, "In addition, the Company is responsible for paying commitment fees for any unused capacity." Does the unused capacity commitment fee attributable to the Company change based on the initial sublimit of $250 million, the original sublimit cap of $400 million or the requested change to a sublimit cap of $600 million? If so, please explain.

Response:

Yes, the commitment fee is based on the capacity available to the Company. The Company will pay commitment fees for any unused capacity up to the initial sublimit of $250 million. If the sublimit changes, the commitment fees will adjust accordingly.

AS 1-2

Request:

Mr. Henninger states on page 9 of his testimony, "PPL established a maximum sublimit of $600 million to accommodate increased capital expenditures and the ability to navigate uncertain market conditions and market volatility that could limit access to capital." Please state what impacts, if any, the Company anticipates to its credit rating, or other financial metrics, based on the increase in available borrowing from $400 million to $600 million. In addition to any commitment fee impacts, are there other cost considerations to increasing the Company's ability to borrow?

Response:

The Company does not anticipate any impacts to its credit ratings or financial metrics resulting from a borrowing capacity of up to $600 million. In fact, the Company expects the available borrowing capacity of up to $600 million to be viewed positively by the rating agencies' assessment of liquidity. The rating agencies' assessment of liquidity includes the total sources of cash over the next 12 months or more, including the quality and reliability of the alternate liquidity source such as committed credit facilities. Besides the impact of commitment fees, there are no other impacts to the Company's costs as a result of the increased capacity.

AS 1-3

Request:

Referencing page 6, line 6 of Mr. Henninger's testimony, what are the considerations for shifting the benefit limit from $400 million to $600 million?

Response:

The Company's ability to borrow up to $600 million provides flexibility for potential increased capital expenditures and the ability to navigate volatility in the capital markets. The Company would expect to maintain at least one to two years of available liquidity capacity.

AS 1-4

Request:

Referencing page 7, lines 1 to 4 of Mr. Henninger's testimony, why is it no longer feasible to continue relying on cash on hand and borrowing under an affiliate agreement to fund capital expenditures?

Response:

PPL Corporation utilizes revolving credit facilities at its utilities to serve as the primary source of liquidity. This allows the Company to make cash borrowings and issue letters of credit at interest rates commensurate with its own credit ratings. The Revolving Credit Facility also provides the opportunity to evaluate the implementation of a commercial program, which requires credit capacity to be in place as a "backstop." The use of commercial paper historically has provided for a lower cost of borrowing, subject to market conditions, and currently serves as the primary source of short-term financing for PPL Corporation's other utilities.

The residual cash on hand at the date of PPL Rhode Island Holdings, LLC's acquisition of the Company was a result of a significant pre-funding from a long-term debt issuance executed in April 2020 that has been depleted in the ordinary course of business. The affiliate borrowing agreement was established as a source of "Day 1" liquidity until the Company is able to establish a primary source of liquidity on a long-term basis. The Company would expect to maintain that affiliate borrowing arrangement as a secondary source of liquidity and utilize it to provide an efficient use of funds from time to time amongst affiliates on a prospective basis.

AS 1-5

Request:

How does this debt cost rate compare to the current assumptions in base rates and what are the implications on base rates and the anticipated timing of any modification to them?

Response:

As a result of the recent increase in interest rates, the debt cost rates are higher than what was assumed in the Company's base distribution rates. The short-term debt rate included in the Company's base distribution rates was 1.76% based upon one-month LIBOR plus 25 basis points. The current short-term debt rate would be approximately 4.10% based upon one-month LIBOR plus 25 basis points.

Under the Revolving Credit Facility, the Company will pay an interest rate of LIBOR or a comparable transition rate of SOFR (Secured Overnight Financing Rate) plus an applicable margin based on the Company's credit rating as reflected on the pricing grid on Page 9 of the testimony. The Company does not anticipate any modification to the Company's base distribution rates until the Company files a new base distribution rate case with the Rhode Island Public Utilities Commission, which is expected no sooner than three years from the May 25, 2022 closing date on which PPL Rhode Island Holdings, LLC acquired the Company.

Prepared by or under the supervision of: Tadd Henninger