



Attorney General's Agreement in the PPL Purchase of Narragansett Electric from National Grid:

Securing over \$200 million in value,
ensuring adequate storm response,
and advancing climate goals.

A Better Outcome for Rhode Island

Agreement's benefits and protections **significantly exceed DPUC conditions:**

- \$200 million in Value for Rhode Islanders
- Concrete Action on Climate Mandates and Investments
- Adequate Storm Response

This agreement is enforceable in court.



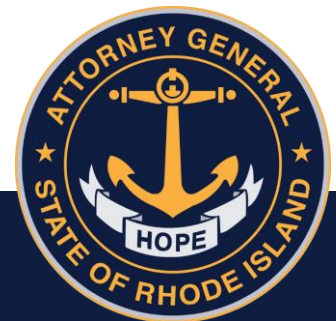
National Grid

- National Grid delivers electricity and gas in New York, Massachusetts and Rhode Island, to over 20 million customers
- National Grid operates in Rhode Island through Narragansett Electric



Narragansett Electric

- Narragansett Electric has **a functional monopoly** over electric and gas operations in Rhode Island
- 486,000 electric customers
- 257,000 natural gas customers



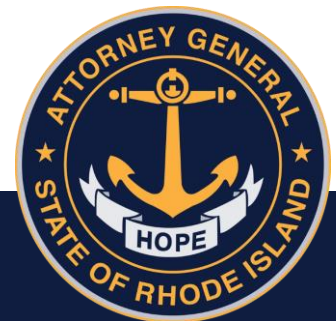
PPL Corporation

- Pennsylvania Power and Light, or PPL Corporation, is an energy company headquartered in Allentown, Pennsylvania
- Delivers electricity to customers in Pennsylvania, Kentucky and Virginia
- Delivers natural gas to customers in Kentucky
- 2.5 million customers



The Proposed Transaction

- In **March of 2021**, PPL announced plans to purchase Narragansett Electric from National Grid, for \$5.3 Billion.
- In **May of 2021**, PPL, National Grid and Narragansett Electric filed a petition **seeking approval** of the transaction from the Rhode Island Division of Public Utilities and Carriers, or **DPUC**.



The DPUC's Legal Standard for Approval

- Under Rhode Island General Laws Section 39-3-25, DPUC is required to find that:
 - “the facilities for furnishing **service to the public will not [] be diminished** [as a result of the sale]”; and
 - The terms of the transaction are **consistent with the public interest**.



Attorney General Intervenes

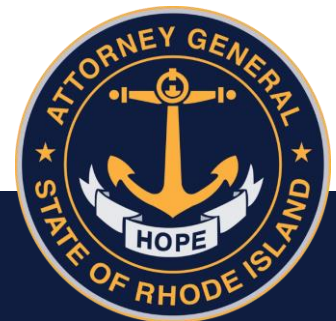
- On **June 24, 2021**, this Office filed a **motion to intervene** in the DPUC proceedings to ensure that the interests of Rhode Islanders were protected.
- The Attorney General, as the designated **Environmental Advocate** and pursuant to the Environmental Rights Act, has the statutory authority and obligation to “**take all possible action**” for “the protection, preservation, and enhancement of air, water, land, and other natural resources located within the state.”

R.I. Gen. Laws § 10-20-1, et seq.



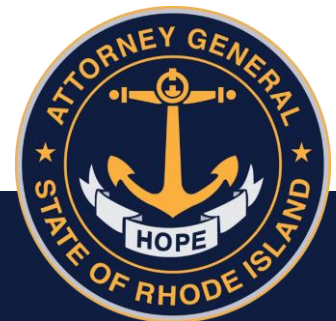
Fellow Intervenors

- Acadia Center
- Conservation Law Foundation
- Green Energy Consumers Alliance
- Office of Energy Resources



Attorney General Intervenes

- It was not until **August 19, 2021**, and only after a hearing, that the DPUC allowed this Office to intervene in the transaction.
- This Office, along with other intervenors and the DPUC's own advocacy section, participated in **four days of hearings** before the DPUC in December of 2021.



The Attorney General Objects

- At the conclusion of those hearings, this Office, the other intervenors, and the DPUC's own advocacy section **asked that the DPUC deny approval** of the proposed transaction.
- Concern that **severing** Narragansett Electric from National Grid's **regional system of shared services** in RI, MA and NY could result in **new costs, or transition costs**, that could be borne by Rhode Island ratepayers.



The Attorney General Objects

- Insufficient evidence in certain areas, such as **storm response**, to show that PPL ownership would not diminish services or substantially increase costs for Rhode Islanders
- Insufficient evidence to show that the **transaction was consistent with** Rhode Island's **Act on Climate**
- The Act on Climate requires all state agencies, including the DPUC, to conduct their business and make decisions with state's climate goals in mind



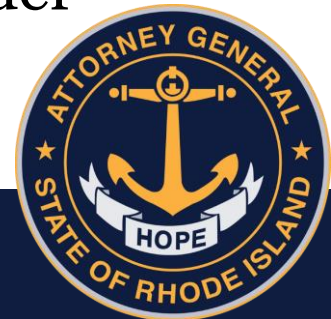
The DPUC Approves the Transaction/AG Appeals

- On February 23, 2022, the **DPUC granted approval** of the transaction over this Office's objection.
- Following the approval, National Grid and PPL **quickly moved to attempt to close** the transaction.
- This Office filed a **motion to stay** the transaction and an **appeal** of the decision in Providence County Superior Court.



Why This Office Appealed

- The DPUC approved the sale under **a new and incorrect, minimal legal standard** that ignored Rhode Island law and its own previous decisions.
- The DPUC declared that its review of the sale **did not “prescribe or justify an evaluation of post-transaction rate impacts.”**
- The DPUC **failed to compare pre- and post-transaction services and rates.**
- The DPUC expressly **ignored the Act on Climate's** command to consider the climate impacts of the transaction.



Judge Stern Grants AG's Motion to Stay

- On April 1, 2022, Superior Court Judge Brian Stern **granted our motion to stay.**
- Judge Stern: this Office had a reasonable likelihood of succeeding on the merits - showing that the Hearing Officer improperly approved the transaction without properly considering whether it was “consistent with the public interest.”
- Judge Stern: the Hearing Officer had “**fail[ed] to meaningfully consider the Transaction’s direct impact on ratepayers.**”

Stern Decision, p. 15.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: the Hearing Officer in granting approval **ignored the same standard he himself had used in a case in 2006 – *Southern Union***.
- Judge Stern: In *Southern Union*, the same Hearing Officer in determining whether the transaction was “consistent with the public interest” “considered [] **the transaction’s impact on low-income ratepayers.**”

Stern Decision, p. 8.



DPUC Failure to Consider Impact on Ratepayers

- In National Grid/PPL, however, the same Hearing Officer stated that determining whether the standard for approval is met “must be based on an evaluation of the **proposed buyer’s ability to provide ... utility services....**”
- Hearing Officer: “**Comparing the utilities’ respective operating costs for providing such utility services is not a valid prerequisite under this approval standard.**”

Stern Decision, p. 8, fn 2.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: “[t]his would seem to suggest that considering the potential for increased costs [] is immaterial to determining whether the transaction in question is consistent with the public interest.”
- Judge Stern: “However ... the Hearing Officer in *Southern Union* considered, in detail, the economic impacts the proposed transaction would have on low-income ratepayers as well as the impact on environmental remediation costs.”

Stern Decision, p. 8, fn 2.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: In National Grid/PPL, Hearing Officer held that “consideration of ratepayers specifically is ‘no longer [] necessary’” because ratepayers are included within the general public.
- “General public’s” interest, according to the Hearing Officer, denotes a “generalized harmonious’ relationship with the public as a whole.”
- Judge Stern: Compared to the *Southern Union* standard, “[t]his is not the same standard nor a clarification **but an entirely new standard.**”

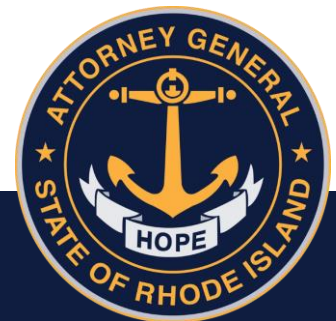
Stern Decision, pp. 9-10; p. 10 fn 4.



DPUC Failure to Consider Impact on Ratepayers

- And what drives that “entirely new standard”? **Convenience for the utility companies.**
- Hearing Officer: “The Division also believes further clarification is needed **to discourage attempts by future parties** to define ‘public interest’ so narrowly and subjectively as to render all Section 39-3-25 reviews **unduly time consuming and expensive to adjudicate, and unduly burdensome to the [Energy Companies]**; all of which the Division finds, paradoxically, to be ‘inconsistent with the public interest.’”

Stern Decision, p. 10.



DPUC Failure to Consider Impact on Ratepayers

- Hearing Officer: To establish generalized harmonized relationship, all that matters is the utility company’s “**fitness, willingness and ability properly to perform the services proposed.**”
- Translated: Are they **in the black**, and do they **know how to deliver energy**?

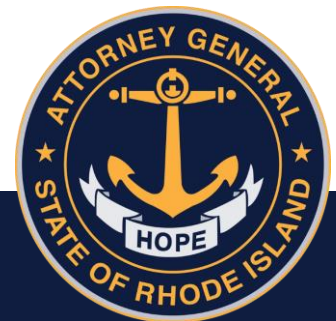
Stern Decision, p. 10.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: “Notably, the Hearing Officer herein makes broad sweeping statements without any citation to statute, case law, or applicable regulations to support these propositions.”

Stern Decision, p. 10 fn. 6.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: “Evidently, the **Hearing Officer desires** that the **approval process be streamlined** because he believes it is **unduly time-consuming and expensive** to adjudicate and places an **undue burden** on the **energy companies.**”

Stern Decision, p. 10 fn. 5.



DPUC Failure to Consider Impact on Ratepayers

Judge Stern:

- “However, the Transaction is one of the largest transactions in this State’s history (at approximately **\$5.3 billion**), impacting a large portion of businesses and residents within the State.”
- “Thus, although this Court agrees that efficiency is an important consideration, **efficiency cannot be prioritized over the level of diligence required** for a transaction of this magnitude.”

Stern Decision, p. 10 fn. 5.



DPUC Failure to Consider Impact on Ratepayers

- **Impact on ratepayers should and does matter** to whether this transaction should be approved by the DPUC.
- **Judge Stern**: “[T]he Hearing Officer [] **failed to make any determination that ratepayers would not be unfavorably impacted** by the transaction.”
- **Judge Stern**: “[T]he Hearing Officer characterized issues related to **ratepayer risks** as inappropriately before the Division, and consequently, **refused to consider such risks.**”

Stern Decision, pp. 13-14.



DPUC Failure to Consider Impact on Ratepayers

- **Hearing Officer was wrong:**
- **Judge Stern:** “[W]hile the [Public Utilities] Commission has the authority to set utility rates, the **Division has the authority to assess the impact of those potential rates** on ratepayers in Rhode Island when considering whether the transaction is **consistent with the public interest.**”
- **Judge Stern:** “Thus, there is clearly a difference between actually setting the utility rates and **considering the effect potential utility rate increases and costs may have on ratepayers.**”

Stern Decision, p 14 fn. 8.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: “[T]he Hearing Officer [was] incorrect. While the Division is not authorized to set specific utility rates, the Division is charged with considering ratepayers in the approval of not only this Transaction but other similar transactions.”

Stern Decision, p 14.



DPUC Failure to Consider Impact on Ratepayers

- Judge Stern: “[The Attorney General] has demonstrated a reasonable likelihood of success on the merits as it relates to the [DPUC] Hearing Officer's **reinterpretation of the statute** and the **failure to meaningfully consider the Transaction’s direct impact on ratepayers.**”

Stern Decision, p. 15.



DPUC Failure to Consider Act on Climate

- Judge Stern: “Additionally, to the extent that the Division **failed to adequately consider the environmental impacts** of the Transaction in accordance with the **2021 Act on Climate** ... this provides [the Attorney General] with an additional ground upon which to challenge the Division’s Order on the merits.”
- Judge Stern: “Section 42-6.2-9 of the Act sets out specific decarbonization goals for the State, including a forty-five percent reduction in greenhouse gas emissions from 1990 levels by 2030.”

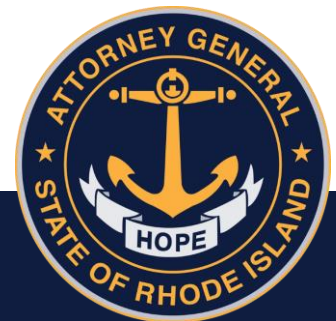
Stern Decision, p. 13 fn. 7.



DPUC Failure to Consider Act on Climate

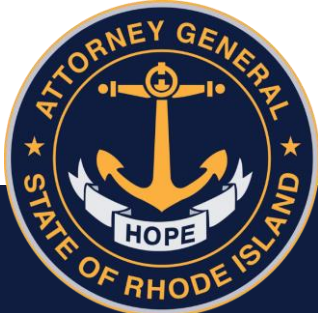
- Judge Stern: “Importantly, § 42-6.2-8 requires all state agencies, including quasi-public agencies, to conduct their regular business with achievement of these goals in mind. Thus, in accordance with the Act, the Division is required to consider the climate impacts of the Transaction, and to the extent the Division failed to do so provides Petitioner with yet another basis to challenge the Order on the merits.”

Stern Decision, p. 13 fn. 7.



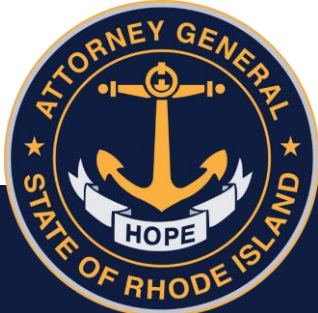
A Better Outcome – Saving Money for Consumers

DPUC Decision	AG Agreement
No distribution rate increase for three years.	No distribution rate increase for three years. \$50 million combined rate credit for gas and electric customers. \$43.5 million discharge of bad debt for customers in hardship that fell over 90 days behind— ratepayers would have eventually paid for these debts. Ensures enhanced services and support for low-income ratepayers.



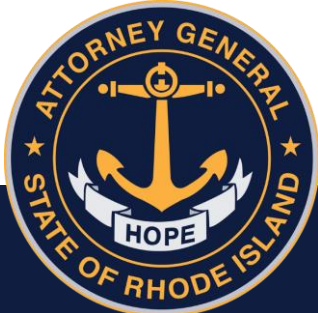
A Better Outcome – Saving Money for Consumers

DPUC Decision	AG Agreement
<p>Allowed cost recovery of up to \$103 million from ratepayers for:</p> <ul style="list-style-type: none">IT systems and a local gas facility that would not be built under National Grid ownership.Prior spending on projects no longer useful to PPL.	<p>No cost recovery from ratepayers for IT systems or the local gas facility—avoiding \$82 million in costs passed on to ratepayers.</p> <p>No cost recovery from ratepayers for prior projects, avoiding \$21 million in costs passed on to ratepayers.</p>



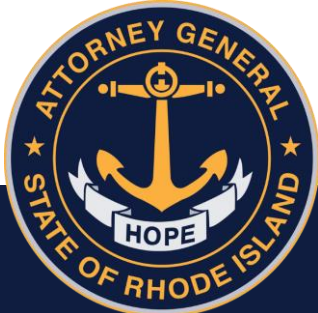
A Better Outcome – Act on Climate

DPUC Decision	AG Agreement
<p>PPL to submit an undefined proposal for how it might meet Act on Climate goals.</p>	<p>Renewable energy—Maintain timelines and costs for getting new renewable energy projects connected to the grid, and make best efforts to improve the process as soon as practicable.</p> <p>Guarantee that costs for new smart meters will not exceed National Grid estimates.</p> <p>\$2.5 million for Renewable Energy Fund.</p>



A Better Outcome – More Act on Climate

DPUC Decision	AG Agreement
<p>PPL to submit an undefined proposal for how it might meet Act on Climate goals.</p>	<p>PPL will submit an impact statement for Act on Climate goals with all future utility filings in RI.</p>



A Better Outcome – More Act on Climate

DPUC Decision	AG Agreement
<p>PPL to submit an undefined proposal for how it might meet Act on Climate goals.</p>	<p>Concrete substantive and procedural requirements for an Act on Climate Report that sets forth a plan for meeting the Act’s goals. PPL will be required to:</p> <ul style="list-style-type: none">• Engage a consultant to author the report• Involve stakeholders in the report development process• Analyze use of energy efficiency programs• Study capacity for solar growth and electric storage



A Better Outcome – Even More Act on Climate

DPUC Decision	AG Agreement
<p>PPL to submit an undefined proposal for how it might meet Act on Climate goals.</p>	<p>PPL will not oppose a PUC docket being opened to consider the future of gas infrastructure.</p> <p>Up to \$2.5 million for RIAG experts to participate in the Act on Climate Report process and a PUC Future of Gas docket.</p>



Future of Gas

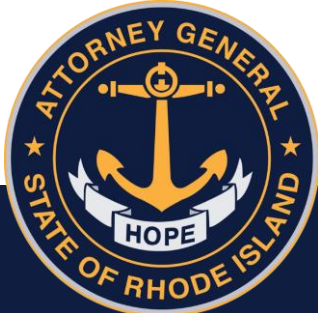
Process, such as a PUC docket, to investigate the best path forward for our State's gas system, given our Act on Climate Goals:

- A **public process**, with participation of PPL, the Attorney General, and other stakeholders.
- Opportunity to elicit information about the current system, as well as how to **maintain efficient and effective service** during the transition, while **ensuring future ratepayers are not saddled with the costs** of transition.
- **Expansive and searching process**, with availability of **experts** to ensure that it is **done right**.



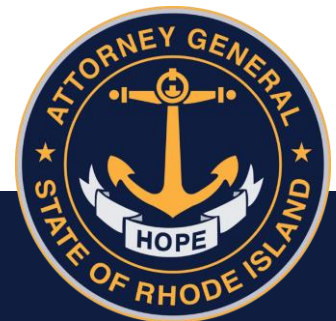
A Better Outcome – Storm Response

DPUC Decision	AG Agreement
No conditions.	Mutual Aid Agreement with National Grid where MA crews will be available to RI before any other state in the event of a storm event requiring additional support.



Next Steps

- The Agreement is binding on PPL and can be enforced in court if necessary.
- As a result of this Agreement, the Attorney General has agreed to withdraw his appeal of DPUC approval.
- The Office's Environmental and Energy Unit will begin engaging experts to participate in the Act on Climate Report Process and a Future of Gas docket.



RIAG PPL Team

- Miriam Weizenbaum, Civil Division Chief
- Sarah Rice, Deputy Chief, Public Protection Bureau
- Alison Hoffman, Chief, Environmental and Energy Unit
- Nicholas M. Vaz, Special Assistant Attorney General
- Tiffany Parenteau, Special Assistant Attorney General
- Ellen Golde, Legal Assistant, Civil Division



Questions?

Full PPL Agreement will be available on riag.ri.gov.

