Raquel W. Webster
Senior Counsel

December 8, 2014

BY HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4483 – In Re: Petition of Wind Energy Development, LLC and ACP Land, LLC Relating to Interconnection
Responses to PUC Data Requests – Set 4

Dear Ms. Massaro:

On behalf of National Grid[1], I have enclosed responses to Rhode Island Public Utilities Commission's fourth set of data requests in the above-referenced matter. Please note that the Company's response to COMM 4-1 is pending.

Thank you for your attention to matter. If you have any questions, please contact me at (781) 907-2121.

Sincerely,

Raquel J. Webster

Enclosures

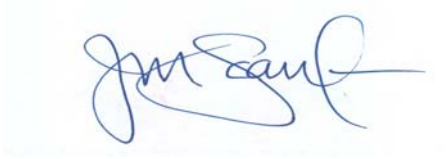
cc: Docket 4483 Service List
Leo Wold, Esq.
Steve Scialabba, Division

[1] The Narragansett Electric Company d/b/a National Grid.

40 Sylvan Road, Waltham, MA02451
T: 781-907-2121 ■ raquel.webster@nationalgrid.com ■ www.nationalgrid.com

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate was electronically transmitted to the individuals listed below. Copies of this filing will be hand delivered to the RI Public Utilities Commission and to the RI Division of Public Utilities and Carriers.



December 8, 2014

Docket No. 4483 – Wind Energy Development LLC & ACP Land, LLC – Petition for Dispute Resolution Relating to Interconnection
Service List updated 7/29/14

Name/Address	E-mail Distribution List	Phone
Seth H. Handy, Esq. HANDY LAW, LLC 42 Weybosset St. Providence, RI 02903	seth@handylawllc.com	401-626-4839
John K. Habib, Esq. Keegan Werlin LLP 265 Franklin St. Boston, MA 02110-3113	jhabib@keeganwerlin.com	617-951-1400
Raquel Webster, Esq. National Grid 280 Melrose St. Providence, RI 02907	Raquel.webster@nationalgrid.com Thomas.teehan@nationalgrid.com Joanne.scanlon@nationalgrid.com Celia.obrien@nationalgrid.com	401-784-7667
Jon Hagopian, Esq. Division of Public Utilities & Carriers	Jhagopian@dpuc.ri.gov Acontente@dpuc.ri.gov Sscialabba@dpuc.ri.gov Jspirito@dpuc.ri.gov	401-784-4775
Original & 9 copies to be filed w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov Amy.dalessandro@puc.ri.gov Todd.Bianco@puc.ri.gov Alan.nault@puc.ri.gov	401-780-2107
Karen Lyons, Esq. Dept. of Attorney General	Klyons@riag.ri.gov jmunoz@riag.ri.gov dmacrae@riag.ri.gov	401-222-2424

COMM 4-2

Request:

The following are excerpts from the redacted version of PLR 201122005:

> "Generator submitted applications to Taxpayer for interconnection of Facility with the transmission and ***distribution*** system belonging to Taxpayer and Corp 2 (collectively the "Grid") at Substation 1." (PLR 201122005, page 1) (Emphasis added.)
>
> "Taxpayer will engineer, design, procure, construct, install, own, operate, and maintain the facilities required to interconnect Facility to Taxpayer's ***distribution system*** (the "Interconnection Facilities"). Taxpayer also will engineer, design, procure construct, install, own, operate and maintain certain upgrades to its ***distribution system ("Distribution Upgrades")***" PLR 201122005, page 1. (Emphasis added.)

a) Given the multiple references to distribution systems in PLR 201122005, explain why the Company believes "it is not possible to determine if the ruling [PLR 201122005], in fact, covers a distribution system interconnection."(Comm 3-3(b))

Response:

The Company intends to cite this PLR to support its position that distribution system interconnections should also be covered the Notices 88-129 and 2001-82 safe harbor. Nonetheless, another Company filed this PLR with the IRS, and given the limited information about the facts in the publicly available ruling, National Grid cannot be certain that the interconnection was sufficiently similar to the Petitioners interconnections. The first quote in this request implies that the project that was the subject of PLR 201122005 also had transmission aspects, and it is possible that the IRS ruled that it was principally a transmission interconnection with ancillary distribution work. Unfortunately, the public information is limited, and the IRS ruled on a specific set of facts.

COMM 4-3

Request:

Is National Grid taking the position in this docket that the classification of an interconnection as either distribution or transmission is dispositive, or at least an important factor, in determining the tax status of the interconnection? If yes, please reconcile the following representations made by National Grid's subsidiary, MECO, in PLR request200403084,

> "*…the classification of the Interconnect as a distribution line or transmission line for utility regulatory purposes should be of no consequence for purposes of analyzing the federal income tax consequences of the Proposed Contribution. The Notices and Private Letter Rulings find the transfer of an intertie to not be a CIAC for the primary reason that the transfer enables the Qualifying Facility to sell power to the utility, and not vice versa. As such, the federal income tax treatment does not depend in any manner on the classification of the intertie as a distribution line or transmission line. Thus, the classification of a line as a transmission line or distribution line for utility regulatory purposes should have no affect on the substance of the transaction which is that the transfer of the Interconnect enables the Facility to sell power to MECO"* (PLR request 200403084, page 9-10) (Emphasis added.)

Response:

When National Grid files a private letter ruling request with the Internal Revenue Service, it will need to argue that while IRS Notices 88-129 and 2001-82 describe transmission interconnections, as a matter of tax policy, there should be no difference in the treatment of transmission and distribution interconnections. While the Company successfully made this argument once, and would do so again with any future private letter rulings, only the Internal Revenue Service has authority to rule on this tax question. Thus, the Company cannot assume that its argument from 2004 will be accepted again now, but the Company is willing to assert it.

COMM 4-4

Request:

No official letterhead appears in the un-redacted June 5, 2003 PLR request. Was this intentionally or inadvertently omitted? If the letterhead was omitted for any reason, please provide a full, un-redacted copy showing the letterhead.

Response:

The Company did not intentionally or inadvertently omit any letterhead from the June 5, 2003 PLR Request. Instead, it appears that this PLR was submitted to the IRS without any letterhead.

COMM 4-5

Request:

COMM 4-5. Identify the title, position and employer of Robert A.N. Cudd.

Response:

Robert A. N. Cudd's information is as follows:

Title: Attorney

Position: Senior Partner

Employer: Polsinelli (Law Firm)

COMM 4-6

Request:

Referring to Comm 3-3(a), please clarify the Company's statement that Petitioners projects "may be eligible QFs." Does the Company believe the Petitioners' projects are QF, yes or no? Support your answer with detailed reasons that are consistent with PURPA's definition of a Qualifying Facility.

Response:

The Federal Energy Regulatory Commission (FERC) grants QF status, and some renewable energy projects may self-certify as a QF. The Company is uncertain whether the Petitioners' projects have received FERC approval as QFs.

COMM 4-7

Request:

COMM 4-7. Referring to Comm 3-3(a), how does a project "self-certify as a qualifying facility?" Have any of Petitioners' projects been self-certified as qualifying facilities?

Response:

A project with a nameplate capacity of equal to or less than 1 MW may self-certify as a qualifying facility (QF). All other projects must submit an application (Form 556) to FERC for QF status.

To respond to this information request, the Company searched the database of electronic filings on FERC's website (www.ferc.gov), which includes 23,101 submissions related to Form 556. It appears that WED applied for QF status for its Coventry One (QF13-568), Coventry Two (QF13-567), and NK Green projects (QF13-286), and that ACP Land applied for QF status for an unnamed project (QF13-476). The Petitioners would be the appropriate party to respond to whether these applications for QF status have been approved or denied.

COMM 4-8

Request:

MECO states in the PLR 200403084 request, "Although the Facility will be connected at a 23 kV voltage level that may be deemed a distribution line for utility regulatory purposes…" On the other hand, National Grid states in COMM 3-3 that PLR 200403084involved a 23kV sub-transmission line.

a) How does National Grid distinguish between a distribution or transmission line?
b) Is it a matter of voltage or other engineering characteristics which ultimately distinguishes between a distribution and transmission line?
c) Are there any government or industry approved standards which guide the determination of whether a particular line is a distribution or transmission line?
d) Is there an entity which has ultimate authority to determine whether a line owned by National Grid is a distribution or transmission line?
e) Explain why the Company previously referred to its 2003 PLR request (200403084) as a PLR that involved a distribution interconnection project (Information Request 1-7. February 18, 2014), but it is now saying that this same PLR request involved a 23 kV sub-transmission line.

Response:

(a) The main factor in determining whether a line is considered transmission or distribution is whether the line serves transmission or distribution customers. Voltage only plays a role because distribution customers typically are served by lower voltage lines between 4 and 15 kV while transmission customers are served typically by higher voltage lines 69 KV or higher. The Company uses the term sub-transmission to refer to the lines between 15 kV and 69 kV; however, a sub-transmission line can be either distribution or transmission depending on whether it is serving distribution customers (i.e. residential, industrial or commercial) or transmission customers (i.e. other utilities and large bulk power generators)

(b) See response to (a) above.

(c) Transmission is regulated by the Federal Energy Regulatory Commission (FERC). FERC uses a seven-factor test to determine whether an electric facility is distribution or transmission. FERC will give deference to state commission determinations, but that is

limited by the expectation that the state follows the seven- factor test, which includes the following requirements:

1. Local distribution facilities are normally in close proximity to retail customers.
2. Local distribution facilities are primarily radial in character.
3. Power flows into local distribution systems; it rarely, if ever, flows out.
4. When power enters a local distribution system, it is not reconsigned or transported onto some other market.
5. Power entering a local distribution system is consumed in a comparatively restricted geographic area.
6. Meters are based at the transmission/local distribution interface to measure flows into the local distribution system.
7. Local distribution systems will be of reduced voltage.

(d) Yes, FERC.

(e) The term sub-transmission is an internal company term used to refer to a certain voltage of line between 15 kV and 69 kV. However, the term sub-transmission does not mean that the line is a transmission line. Rather, as explained in subpart (a), whether or not the "sub-transmission" line is considered to be distribution or transmission depends on the use and not the voltage. Therefore, it is entirely consistent for a sub-transmission line to be called a distribution line and vice versa.

COMM 4-9

Request:

Referring to COMM 3-3(a), why hasn't the Company seen any analysis that describes the energy flow or the amount of on-site load for the Petitioners' wind projects?

a) Isn't this information required as part of the impact study process? If yes, why haven't the Petitioners provided this information?
b) Has the Company requested this information from Petitioners? If so, when?
c) How and when does the Company typically obtain this information from developers?

Response:

a) On-site load information is not requested for stand-alone generators. The incidental load that exists for these types of generators is minimal and, therefore, has no impact on the Company's electrical system. The Company does not require energy flow data for inverter-based generators because the Company has this data from existing models. The Company has only recently requested energy flow data for present studies of synchronous generators and did not request this information from the Petitioner for studying the Coventry One and Coventry Two projects.

b) The Company did not request energy flow or on-site load data from the Petitioner for Coventry One or Coventry Two for the initial combined study. On November 7, 2014, the Company requested energy flow data for the combined study of Coventry One, Coventry Two, Coventry Three, Coventry Four, Coventry Five, and Coventry Six.

c) The Company has only recently started requesting the energy flow data for synchronous generators, and, based on experience, will now request this data prior to beginning impact studies.

COMM 4-10

Request:

PLR 00403084 refers to projects used for wheeling electricity over transmission lines.

a) Can either transmission or distribution lines be used for wheeling?
b) What is the typical size and capacity of a project that will be used for wheeling electricity.
c) Will any of Petitioners projects be used for wheeling electricity?

Response:

a) Wheeling is an arrangement under which a customer pays a fee to use a utility Company's transmission or distribution system to transmit power from one location to another. Therefore, wheeling can occur on both transmission and distribution lines.

b) The Company is unable to respond to this question because it has not had any wheeling arrangements.

c) No, the Petitioners will be selling all the output of their projects directly to the Company whether they are compensated under either a DG Standard Contract or pursuant to the Company's net metering tariff provision.

COMM 4-11

Request:

Petitioners claim that National Grid has not approved Coventry One and Coventry Two for interconnection. (page 2, WED/ACP Objection, page 2. November 26, 2014).

a) Explain as briefly as possible why National Grid has not approved Coventry One and Coventry Two for interconnection.
b) Please confirm that Petitioners have executed DG standard contracts with National Grid for these two projects.
c) How does National Grid approve a project for interconnection, assuming all of the appropriate agreements and studies have been executed and issued, and all appropriate fees have been paid. Is there a formal process for approving interconnection beyond satisfaction of these requirements?

Response:

a) National Grid provided the Impact Study for Renewable DG for Coventry One and Coventry Two to the Petitioner (WED) on April 18, 2014 with instruction that to advance their project, they were required to request an Interconnection Service Agreement from the Company. To date, the Petitioner has not made this request and the application for both Coventry One and Coventry Two have not advanced beyond the original combined study for those applications. Coventry One and Coventry Two are presently part of a combined impact study, which includes four other interconnection applications that Petitioners submitted. Petitioner executed a DG Standard Contract for the Coventry One Project on August 2, 2013.

b) Petitioner did not execute a DG Standard Contract for the Coventry Two Project, because that project has not participated in the DG Standard Contracts Program.

c) Yes, there is a formal process regarding the approval of a project for interconnection. The Company will provide the interconnecting customer with an Authority to Interconnect memo, which will allow them to interconnect and operate in parallel with the Company's electric system once the following requirements are met:

Prepared by or under the supervision of: John Kennedy

- Completion of all interconnection studies;
- Execution of all agreements;
- The Company receives payments for system modifications(if any);
- The Company completes the final design and construction of the Company's system modifications (if any);
- Completion of the interconnecting customer's distributed resource facility; and
- The Company receives complete copies of all required documentation from the interconnecting customer.

COMM 4-12

Request:

Referring to COMM 3-11, explain for the record how resolution of the issue of whether interconnection contributions are tax exempt could reduce the overall cost of distributed generation for Rhode Island customers.

Response:

Distributed generation projects that may qualify for the IRS exemptions must be systems that have been certified as Qualifying Facilities and use less than 5% of the electricity generated by the system for other on-site electricity requirements. For this sub-set of distributed generation projects, if they are found to not be subject to the tax effect adder, it could lower the cost of distributed generation in Rhode Island in two ways. First, in the process of setting ceiling prices and performance-based incentives (PBIs) for the Renewable Energy Growth Program (the Program), as required by R.I. Gen. Law § 39-26.6, the Distributed Generation Board considers interconnection costs as one of the development cost inputs in setting the prices for each class of DG for which it will seek to offer capacity in the Program. If tax effect adder amounts are not charged to some projects, it could lower the average cost of interconnection in future years. If this information results in a lower ceiling price, which is at the discretion of the DG Board to recommend for the PUC's approval, this could lower both the maximum price that the Company would need to pay for DG output in the Program in competitive classes, and could lower the PBIs for small and medium solar PV output. In addition, a lower cost of interconnection would lower one of the development costs for applicants who must provide competitive bids to the Program in order to be considered for enrollment in the Program. The Company believes it is possible that lower overall development costs, such as a reduction in the cost of interconnection CIACs due to tax exempt status on the contributions, could allow for lower bids from applicants than it would receive otherwise. This would, in turn, lower the amount that the Company would pay and then collect from its customers under the Program.

COMM 4-13

Request:

a) Referring to Comm 3-1, if the year in which a pass through tax is paid is not the subject of an audit, how will the Company seek recovery from the IRS of overpaid taxes for that year?

b) Referring to Comm 3-1, in the event of an IRS determination that payments from distribution interconnection customers are not taxable, please confirm that the Company will, as a matter of regular practice, seek recovery of tax reimbursement payments from the IRS before it will seek to recover these payments from ratepayers, regardless of the manner or procedure followed to seek the refund (i.e. by audit or amended return).

Response:

a) National Grid North America, Inc. and its operating subsidiaries (including The Narragansett Electric Company) will file a consolidated federal income tax return. The Company is a large case taxpayer, and, therefore, the IRS audits all of its tax returns. Consequently, the situation that this question presupposes will never occur.

b) The Company can confirm that before it seeks reimbursement from customers for any taxes paid to the IRS for any distributed generation CIAC transaction, it will first seek an affirmative adjustment through the IRS audit process.

COMM 4-14

Request:

Comm 3-4 lists the types of projects that will be the subject of the PLR requests. Comm 3-13 states that the Company will file all four PLR requests by the end of 2016. The Company has represented in previous discovery that it would attempt to file a PLR request for one of Petitioners projects.

a) Please confirm that the Company will make good faith, diligent efforts to resolve the tax exemption issue as it relates to each of the Petitioners projects cited in the Petition filed January 15, 2014.

b) Please confirm that the Company will give priority, to the extent possible, to Petitioners' projects in terms of the timing of the filing of the PLR requests (taking into consideration the progress of individual projects and their compliance with IRS eligibility filing requirements).

Response:

a) The Company will make good faith, diligent efforts to resolve the tax exemption issue as it relates to each of the Petitioners' projects.

b) With respect to the timing of the filing of the PLR requests, the Company will give priority, to the extent possible, to Petitioners' projects within the time frame outlined in the Company's response to COMM 3-4.

COMM 4-15

Request:

COMM 4-15. Petitioners state that National Grid previously disclosed to them a "current tax effect rate of 11.29%." (See Petitioners' Response to Comm 1-3.) This appears to conflict with National Grid's response to Comm 3-14 which cites a tax factor of 22.84%. Please explain this discrepancy.

Response:

The lower bonus deprecation rate applied until December 31, 2013, when the 50% bonus depreciation provisions of Internal Revenue Code Section 168(k) expired. The higher rate stated in the Company's response to COMM 3-14 reflects the effective tax rate without the bonus depreciation provisions. As mentioned in the Company's response to COMM 3-14, Congress may re-enact those bonus depreciation provisions. In fact, on December 3, 2014, the House of Representative approved a one-year extension of the bonus depreciation provisions by a 378-46 vote. It is the Company's understanding that the Senate vote is pending.

COMM 4-16

Request:

Provide a chart showing the following information for each of Petitioners' projects (WED and ACP):

a) the total amount of interconnection taxes paid to National Grid to date
b) the interconnection status of the project
c) the reason(s) why interconnection has not been approved, if applicable
d) whether and when a standard contract or PPA has been executed.

Response:

Petitioner / Project Title	**Taxes Paid**	**Interconnection Status**	**Reason Why Interconnection Has Not Been Approved**	**PPA Execution Date**
ACP Land, LLC	$3,104.05	Authority to Interconnect issued on July 9, 2013	N/A	12/28/2011
WED / NK Green, LLC	$15,467.00	Authority to Interconnect issued on November 21, 2012	N/A	12/28/2011
WED / Coventry One & Coventry Two	N/A	Impact Study completed April 18, 2014; not interconnected. See COMM 4-11	See COMM 4-11	WED Cov. One 8/2/2013; WED Cov. Two N/A

Prepared by or under the supervision of: John Kennedy

COMM 4-17

Request:

This question refers to Petitioners' claim that it is only necessary for National Grid to file one PLR. (Letter of Seth Handy, page 2, Paragraph II(3). November 14, 2014). The Company has implied that in filing up to four PLR requests, it is seeking to clarify the tax treatment of distributed generation projects in general, and not just the tax treatment of the Petitioners projects. Please confirm that is correct. Also, is it fair and accurate to say that one PLR may indeed by necessary to resolve the tax treatment of Petitioners' projects; however, in order to obtain broad clarification of the tax treatment of distributed generation projects in general, up to four PLRs will be needed.

Response:

It is correct that the Company is seeking to clarify the tax treatment of distributed generation projects in general and not just the tax treatment of Petitioners' projects. When the Company files the four PLR requests, it will seek general clarification on the tax treatment of distributed generation projects. Nonetheless, it is possible that the IRS may not be willing to make such a statement. The Company maintains that at least one PLR is necessary to resolve the tax treatments of Petitioners' projects. Moreover, it is correct that additional PLR requests are necessary to obtain broad clarification by establishing a pattern of consistent rulings on the matter.