



Thomas R. Teehan
Senior Counsel

February 28, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

Cynthia Wilson-Frias, Senior Counsel
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 4483
Wind Energy Development, LLC (“WED”) and ACP Land, LLC (“ACP Land”)
Petition for Dispute Resolution Relating to Interconnection

Dear Ms. Wilson-Frias:

On behalf of National Grid,¹ I am submitting the enclosed responses to information requests regarding the above-referenced petition, which has been brought under the dispute resolution provisions of the Standards for Interconnecting Distributed Generation (“Interconnection Standards”). R.I.P.U.C. No. 2078, Sheet 45, Section 9.0 et seq.

Thank you for your attention to this matter. If you have any questions, please contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Cc: Seth Handy, Esq.

¹ The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”).

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Information Request 1-1

Request:

Please indicate the date upon which ACP provided National Grid with design changes requiring an update to the DG Impact Study.

Response:

At the time that the initial impact study was completed, the project owner was rTerra, LLC (“rTerra”), and not ACP. rTerra requested the initial Impact Study (“ISRDG”) on February 21, 2012. National Grid provided a completed Impact Study (“ISRDG”) to the interconnecting project developer on April 25, 2012. On or about June 28, 2012, it was discovered that there was an issue with the proposed solar array encroaching on an existing National Grid right-of-way. At this time much discussion took place between rTerra and National Grid regarding the encroachment and alternate configurations. Eventually, National Grid and rTerra agreed that the point of connection would be revised and that National Grid would revise the ISRDG to reflect the design change at no additional cost to the customer. As this was an iterative process, it is difficult to identify a precise date that design changes were finally agreed upon; however, the revised RSDG was provided to the customer on October 2, 2012.

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Information Request 1-2

Request:

Please indicate the date upon which National Grid acknowledged that the WED Coventry impact study application was complete, and please provide any supporting documentation.

Response:

Due to the close proximity of the two projects, it was agreed with the customer that one study would be provided for both wind turbine generators. The WED Coventry I Impact Study for Renewable DG Agreement was executed June 21, 2013. The WED Coventry II Impact Study Agreement has not been executed to date.

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Information Request 1-3

Request:

Section 5.1 of R.I.P.U.C No. 2078 states that “Interconnecting Customer shall be responsible for the reasonably incurred costs of the review by the Company and any interconnection studies....” Section 5.3 of R.I.P.U.C No. 2078 states that “Interconnecting Customer shall also be responsible for all costs reasonably incurred by Company attributable to the proposed interconnection project in designing, constructing, operating and maintaining the System Modifications.” Section 5.6 of R.I.P.U.C No. 2078 states that “Interconnecting Customer acknowledges that it will be responsible for the actual costs of the System Modifications described in the attached exhibit to the Interconnection Service Agreement, whether greater or lesser than the amount of the payment security provided under this section.”

- a. If an audit of the actual costs is not routinely completed, how does the Company know whether it has charged the interconnecting customer the reasonably incurred or actual costs?
- b. How does the Company know that it has not kept any excess monies for those projects that may have been estimated than actual costs?
- c. How does the Company know that it has not under-recovered from any projects for its actual costs?
- d. What is the ratemaking basis for allowing cross-subsidization of one interconnection project for another?

Response:

- a. If the scope of the interconnection work described in the agreement does not change the estimated costs contained in the interconnection service agreement, which are developed using verified historical data for the same or similar projects should reasonably approximate the actual costs for the work.
- b. Please see response to 1-3 (a) above.
- c. Please see response to 1-3 (a) above.
- d. System modification charges are not necessarily rates. They are charges to project developers for interconnection construction work. An analogous example of the use of charges that can result in the cross-subsidization of one interconnection project by another can be found in the Rhode Island DG Interconnection Act. The Act sets standard fees to be charged for interconnection engineering studies. Whereas the statutory fees for a study do not vary, the actual cost of the study can vary depending on the specific project that is being studied for interconnection. Nevertheless, the overall effect is to provide a simple, streamlined, and predictable schedule of charges so as to encourage the

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Development of distributed generation projects. Similarly, the Interconnection Standards' approach to interconnection construction costs provides a simple, predictable method that allows a project developer and the Company to receive a reasonable approximation of the interconnection costs for a particular project, while also providing a mechanism for the project developer to elect a final accounting with reasonable notice to the Company. This approach recognizes the reality that although construction costs may fluctuate above and below the initial study estimate they can be reasonably calculated for each project and over the course of time the amounts paid by the entire class of interconnecting customers will reflect the costs expended for interconnection construction under the DG program.

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Information Request 1-4

Request:

Please describe the burdensome nature of providing a final accounting of costs related to an interconnection project. Is there a process in place for identifying work related to each of the interconnection projects?

Response:

The process for identifying costs related to an interconnection project involves obtaining charges for labor and materials when posted to the applicable work order from multiple departments within the Company as well as from outside contractors. Thus, work on a given Payroll (weekly or monthly), as-built materials, late contractor invoices, and their associated overheads all need to be applied to the specific customers work order. It can take a substantial amount of time for these charges to finally post to the work order. Once all actual costs have been applied to the specific work order, data is then extracted from Company systems and analyzed to determine if further adjustments need to be made (e.g. A&G, income tax gross-up calculations, exchange of ownership credits, etc). Then there is time associated with the various stakeholders reviewing the actuals to determine that they are accurate and complete. The final step is for the Company's billing group processes the final bill/invoice.

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Information Request 1-5

Request:

Please provide a copy of “a statement of the Company’s policies on collection of tax gross-ups” that was provided to WED and ACP. Has the policy changed since 2011?

Response:

Please refer to Attachment 1-5 (a) for the statement of Company tax policies, which is contained in the Impact Study Agreement with ACP. Please refer to Attachment 1-5 (b) for the statement of Company tax policies, which is contained in the Impact Study Agreement with WED.

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Attachment 1-5(a)

nationalgrid	DISTRIBUTION PLANNING DOCUMENT Interconnection Study	Page 28 of 38
	Distributed Gen. Impact Study	03/22/12
Project	Wind Energy Development-NK Green, LLC Install 1.5 MW Wind Turbine Generation	RI-196

9.0 Cost Estimates

The following are general descriptions of, and non-binding good faith Planning Grade estimates for National Grid components of work to accommodate this generation.

Study Grade Estimate^{1, 2}

1. These are Planning Grade estimates with a targeted accuracy of +/- 25%. They were developed with a generalized understanding of the project and based upon information both provided by the Interconnecting Customer in the interconnection application and collected in the field. They are prepared using historical cost data, data from similar projects, and other assumptions. The estimate will be deemed withdrawn if not accepted by the Customer within 90 days of receipt of this study.
 2. The associated tax effect liability is the result of an IRS rule, which states that all costs for construction collected by National Grid, as well as the value of donated property, are considered taxable income. Current tax effect rate is 11.29% for The Narragansett Electric Company assets.

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Attachment 1-5(b)

nationalgrid	DISTRIBUTION PLANNING DOCUMENT Interconnection Study	Page 24 of 30
	Revised Distributed Generation Impact Study	10/02/12
Project RI239	RTERRA LLC Install 405 kW Inverter Based PV Generation	V2

9.0 Cost Estimates

The following are general descriptions of, and non-binding good faith Planning Grade estimates for National Grid components of work to accommodate this generation. This estimate will be deemed withdrawn if not accepted by the Customer within 90 days of receipt of the study. Tax liability is subject to IRS rules in effect at the current time.

Planning Grade Estimate^{1,2}

Conceptual Cost Total\$	National Grid Work Item	Associated Tax Liability \$ @
\$81,000.00	Replace 4 poles in ROW frame fused 3PH junction, 2 new poles private property, loadbreak switch & primary metering	\$8,231.00
\$2,300.00	Witness Testing	\$0.00
		\$0.00
\$83,300.00	Subtotal Company's Planning Grade Cost Estimate	\$8,231.00
\$91,531.00	Total Company's +/- 25% Construction Grade Cost Estimate includes Tax Liability	
	O&M + Removal Costs = \$10,395.00	
	Total Capital Costs = \$72,906.00	

1. For this specific interconnection application National Grid is able to provide this estimate as Planning Grade with a +/- 25% specified by the tariff. The estimate was developed with a generalized understanding of the project and based upon information both provided by the Interconnecting Customer in the interconnection application and collected in the field. They are prepared using historical cost data, data from similar projects, and other assumptions.
2. The associated tax effect liability is the result of an IRS rule, which states that all costs for construction collected by National Grid, as well as the value of donated property, are considered taxable income. Current tax effect rate is 11.29% for Narragansett Electric Co assets.

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Information Request 1-6

Request:

Please indicate the steps National Grid has taken to determine that it is, in fact, required to pay the tax in dispute.

Response:

National Grid has taken the following steps in reviewing the tax liability in dispute:

1. National Grid reviewed Notice 88-129 and Notice 2001-82, the two principal IRS statements providing safe harbors for generator interconnection transactions (also known as contributions in aid of construction or "CIACs") and it observed that both notices refer only to transmission system interconnections and make absolutely no reference to distribution system interconnections like those of Wind Energy Development, LLC and ACP Land, LLC.
2. National Grid reviewed generator CIAC private letter ruling activity and is aware of only two private letter rulings which are relevant to the distribution interconnection question. The Company does not believe that two IRS private letter rulings can resolve this issue with certainty, given that Internal Revenue Code Section 6110(k)(2) provides that private letter rulings cannot be cited as precedent.
3. National Grid consulted with respected tax partners with utility expertise at the public accounting firms of Ernst and Young LLP and Deloitte LLP to confirm its analysis relative to the payment of the tax in dispute.

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Information Request 1-7

Request:

Has National Grid obtained or received any Private Letter Rulings in Rhode Island or any of its other jurisdictions related to DG Interconnections and the tax gross-up charge? If so, how many? Please provide copies.

Response:

National Grid requested a private letter ruling from IRS in 2003 with respect to a distribution interconnection project. Attached is the version of the private letter ruling available on the IRS website. IRS routinely redacts the text of these rulings when it makes them available to the public to protect the confidentiality of the parties, including both the utility and the generator.

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Information Request 1-8

Request:

Please provide evidence of all payments received by National Grid from WED and ACP related to WED's NK Green Project, Coventry II Project, and ACP Land's Middletown solar project.

Response:

Amounts received are provided below.

WED NK Green:

Application Fee - \$2500
Impact Study for Renewable DG Fee – \$10,000
System Modification Cost – \$169,767

Coventry II Project:

Application Fee - \$2500
Impact Study Fee – zero
System Modification Cost – zero

ACP Land, LLC:

Application Fee - \$1500
Impact Study for Renewable DG – \$5,000
System Modification Cost - \$91,531

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Information Request 1-9

Request:

Please indicate when National Grid expects to have the ACP audit results, requested on October 15, 2013.

Response:

National Grid expects to provide the audit results to ACP Land, LLC by March 7, 2014.

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Information Request 1-10

Request:

Please provide a chart for each of the three projects, showing the various dates and progress, with reference to the appropriate tariff provisions.

Response:

Please see chart below.

Key DG Milestones						
	Feasibility Study Provided	Impact Study or ISRDG Agreement Executed	Impact Study or ISRDG Provided	Interconnection Service Agreement Provided	Interconnection Service Agreement Executed	Authority to Interconnect
WED - NK Green	03/14/2011	09/23/2011	03/22/2012	05/24/2012	07/24/2012	11/21/2012
ACP Land, LLC	02/25/2012	02/26/2012	10/02/2012 final	10/02/2012	01/28/2013	07/09/2013
WED - Coventry II	n/a	n/a	n/a	n/a	n/a	n/a