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42 Weybosset Street
Providence
Rhode Island 02903
401 626.4839
401 753.6306 FAX

Cynthia G. Wilson-Frias
Senior Legal Counsel
RI Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

**Re: Docket 4483 In re. Petition of Wind Energy Development, LLC and
ACP Land, LLC Relating to Interconnection**

Dear Cindy:

Thank you for convening the meeting this morning. It was both helpful and productive. I was not expecting witness participation but hope and expect that the presence of Mssrs. Roughan and Kennedy may help expedite resolution. I write to follow up on a few issues.

My client Wind Energy Development, LLC does request an account of the actual interconnection costs for its WED NK Green, LLC project as part of NGrid's customary cost check screening as discussed today.

Both of my clients would appreciate the PUC's analysis/explanation of two factual issues that have come up. First, I believe Mr. Roughan indicated that excess funds NGrid collects from prepaid, estimated interconnection costs that exceed actual interconnection costs are not held by the Company but are somehow reallocated in subsequent rates. We would appreciate the PUC's explanation of what becomes of such funds. Second, we would appreciate clarification of NGrid's cost recovery accounting with regard to the pass through interconnection tax and its ultimate impact on company proceeds and rates. We submit that it's important for developers to understand these issues clearly as part of this proceeding.

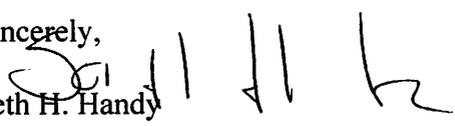
We remain very concerned about the interconnection tax. As stated today, we submit that it is crystal clear in the IRS Notice 88-129 that the CAIC tax was not intended to apply in circumstances where a Qualified Facility requests interconnection in order to send power to the utility. NGrid's only argument on this issue is that the safe harbor only applies to transmission interconnections and not to distribution interconnections. We simply do not understand how NGrid can

still maintain that position in light of the plain language and especially when, according to its response to PUC Data Request 1-7, it sought a Private Letter Ruling on a distribution interconnection in Massachusetts and the resulting PLR was clear that the CIAC tax was not owed on the project. Even if the Commission agrees that PLRs cannot be relied on by other taxpayers or RI ratepayers or the Commission, there can be no question that if the safe harbor only applied to transmission interconnections it would have been applied to distribution interconnections in PLR 200403084 (NGrid's ruling) or PLR 201122005. That is a simple and clear matter of law. These PLRs consistently use virtually the same language to state the IRS position on this issue, in each case referring to the clarity of IRS Notice 88-129. In light of all of this, we raise the following concerns:

- 1) If this IRS guidance and NGrid's admission is not sufficiently clear on this issue, what more guidance could possibly provide more clarity?
- 2) If it is deemed necessary to pursue further guidance from the IRS,
 - i. why should either developers or ratepayers fund that effort, particularly given the guidance already extant on this issue? It is primarily NGrid's responsibility to ensure that its interconnection charges are reasonably assessed. It is only the Commission's responsibility to provide secondary oversight.
 - ii. what will the PUC order with regard to the payment of the tax on projects seeking interconnection in the interim?
 - iii. could the time required to obtain that guidance be prejudicial to those entitled to reimbursement of taxes already paid? I expect that NGrid will ask to file for a refund from the IRS before it will refund improperly paid taxes – is there a limited time period in which to seek a tax refund from the IRS?
- 3) Could any outstanding ambiguities on this issue better be resolved by simply seeking a refund of the taxes already improperly paid for RI projects per IRS Notice 88-129?

Thank you for your assistance with these matters. I look forward to the follow-up meeting next Friday.

Sincerely,


Seth H. Handy

cc. Tom Teehan