

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: REVIEW OF ADMINISTRATIVE ISSUES** :  
**RELATED TO THE INTERCONNECTION PROCESS** : **DOCKET NO. 5206**  
**(NON-DECISIONAL STAFF REVIEW)** :

February 10, 2022

**VIA EMAIL**

Luly Massaro (via email at Luly.Massaro@puc.ri.gov)  
Commission Clerk

Cynthia Wilson Frias (via email at Cynthia.WilsonFrias@puc.ri.gov)  
Chief of Legal Services

Todd Bianco (via email at todd.bianco@puc.ri.gov)  
Principal Policy Associate

***Re: Revity Energy’s First Response to the Requested Stakeholder Input Regarding the Final Accounting Provided by National Grid Pursuant to the Standards for Interconnecting Distributed Generation (DG Tariff)***

Members of the Commission:

Thank you for providing stakeholders the opportunity to participate in this heavily debated topic. Over the past few years, this topic has become more significant to the renewable energy industry as we have seen Interconnection Services Agreement (“ISA”) cost estimates tripling on a per unit basis compared to the same estimate just months prior. In more recent years, we have seen estimates increase 2 to 5 times just from Feasibility Study to Impact study. These drastic cost estimates must be fully vetted by the PUC to ensure a proper process is being implemented. Over the past 2 years, high interconnection budgets on the distribution level alone in Rhode Island have caused Revity to withdraw over 40MWs of projects. If the parties had a more accurate and reliable reconciliation process or National Grid was held accountable for getting more competitive pricing, the industry as a whole could be twice as prominent in Rhode Island as it is today, making us that much closer to achieving our 2050 goal.

It has been found on several occasions that the cost at which National Grid performs major aspects of the interconnection upgrades can be anywhere from 2 to 5 times higher than what it would cost an independent (National Grid-approved) contractor to perform that same work. See exhibit B as an example. In this specific scenario, the lack of competitive pricing is troubling to the renewable energy industry who are responsible for this inflated cost. On a more global scale, this lack of due

diligence in pricing out jobs can be detrimental to the rate payer assuming National Grid uses consistent practice throughout the state on jobs unrelated to distributed generation.

- 1. Your opinion regarding whether the information currently contained in the final accounting:**
  - a. is presented clearly;**
  - b. contains enough detail;**
  - c. conforms to industry standards (we emphasize the need for specific information on why or why not is);**
  - d. why any additional information would be beneficial, specifying the information and level of detail (e.g., solves a problem, improves efficiency, etc.);**

**Response:**

Lack of detail is the prominent issue with the reconciliation reports. Without a more detailed breakdown, neither developers nor the PUC will be able to discern which costs included are “required to allow for safe, reliable parallel operation of the Facility with the Company EDS” and are “specifically necessary for and directly related to the interconnection” per section 5.3 of the Interconnection Tariff.

For developers or the PUC to be knowledgeable about whether the associated costs conform to the tariff, the following documentation will be needed:

- a. Name of Contractor/Vendor used;
- b. Detailed description of service to be performed and dates performed;
- c. Associated contract/purchase order/timeslip/etc. reference;
- d. Detailed “cost accounting” records including, costs accounting ledger with dates of service;
- e. Limiting National Grid’s internal overhead charges to a reasonable standard (10.005 to 12.00%); and
- f. Limiting National Grid’s profit charge to 7.00%.

The reason this information is needed is because developers fear that Rhode Island has turned into one of the more expensive areas to interconnect at the detriment of the renewable energy industry. This process should be regulated in a way that ensures accuracy and fairness. Alternatively, the program should try to incentivize the utility to secure the most competitive pricing.

At a minimum, the utility sharing this information will provide transparency and allow meaningful collaboration with developers and our vendors to achieve more competitive pricing—benefitting both the industry and the rate payers.

**2. Your opinion regarding:**

- a. what information is not contained in the final accounting (excluding incremental detail to existing information described above);**
- b. How this information should be presented;**
- c. Why this information would be beneficial;**

**Response:**

Due to the lack of detail provided in the reconciliation, it is not possible to tell what items are omitted or if items have been incorrectly included.

1. National Grid breaks out the reconciliation into a few main categories listed below:
  - a) **Labor, Expenses and Fringes:** This presumably is National Grid's internal labor being billed to the job. It is unclear what else is included here, and therefore no further suggestions can be made besides to add more detail to ensure only the appropriate labor is allocated to each job.
  - b) **Materials and Handling:** This presumably is the cost to procure materials (i.e. poles, wire, etc.) and the cost to unload the material. It is unclear if any other costs are included here and more detail should be provided including vendor PO's.
  - c) **Transportation:** It is unclear what this line item includes. More detail should be provided.
  - d) **Overhead:** This presumably is National Grid's overhead costs being allocated to the project. However, this conflicts with our understanding of item 1 above. More detail should be provided to ensure what costs are incurred here and to ensure that labor/overhead expenses are not double counted by NGRID.

Two changes which would provide for a more efficient and transparent process:

1. **Project ISA Budget:** A detailed budget for all costs categories with the ability for a developer to participate with meaningful suggestions to manage the costs and timetable of each project interconnection.
2. **Project Reconciliation:** A detailed "cost accounting" report for each major cost category would be a direct and simple mechanism to identify if there are unreasonable charges allocated to a developers project.

All of the requested changes would be beneficial to ensure that all the costs being imposed on developers by National Grid conform with the interconnection tariff. These changes should be applicable to any project that has not yet received a reconciliation report at the time of this docket being commenced. If a dispute were to arise on the topic of whether costs being charged to a developer are in conformance with Section 5.3 of the Interconnection Tariff, it would be very difficult for the PUC to make any informed decisions with the current structure on topics such as what costs were truly attributable to the specific interconnection, which upgrades are truly needed for the safety and reliability of the EDS, and if the mark-ups applied by National Grid on the upgrades are reasonable. There have been time where National Grid does not issue reconciliation invoices until 2 years later. It is very difficult for developers who closed out projects so long ago to reconcile the accuracy of the invoice without it providing more detail.

Given the extremely high interconnection budgets being received over the past 24 months, the PUC is likely to be faced with these disputes as projects turn online and the reconciliation reports come out. As an example, the Distribution Line Work cost on one project nearly trebled, increasing from approximately \$2,200,000 in the December 2019 Feasibility Study to approximately \$6,100,000 in the April 2021 Impact Study (Exhibit A). Many things may have caused such a drastic increase but when pressed with the question, National Grid estimating team pointed to increased labor costs due to COVID-19. Our thought would be that union labor rates are stable as a result of multi-year contracts which makes this an unlikely scenario. Without having more detailed information, a developer is left to rely on the PUC to determine if the reconciliation report is accurate and just. Requesting additional detail from National Grid, holding them accountable to find competitive pricing, and controlling unreasonable markups will help mitigate disputes down the road. The lack of confidence in the current process today causes the above example to result in a dead project.

Thank you.

Regards.

Ralph A. Palumbo  
*President*  
REVITY ENERGY LLC AND AFFILIATES

Exhibit A  
Feasibility Study vs. Impact Study



nationalgrid	<b>DISTRIBUTION PLANNING DOCUMENT</b>			[REDACTED]
	<b>Interconnection Study</b>			Page 46 of 70
	<b>Complex Generating Facility - R.I.P.U.C. 2180</b>			Version 1.0 04/21/2021
	18 Weaver Hill Road, West Greenwich, RI			<b>FINAL</b>

## 9.0 Cost Estimate

The non-binding good faith cost planning grade estimate for the Company's work associated with the interconnection of this Facility to the EPS, as identified in this report, is shown below in Table 11 & Table 12:

### Alternative #1:

National Grid System Modification	Conceptual Cost +/-25% Planning Grade Cost Estimate not including Tax Liability				Associated Tax Liability Applied to Capital	Total Customer Costs includes Tax Liability on Capital Portion
	Pre-Tax Total	Capital	O&M	Removal		
NECO - Civil Work					11.08%	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						

NECO - Line Work, Mainline - Alternative #1	Pre-Tax Total	Capital	O&M	Removal	11.08%	Total
Distribution Line work, 3309 Circuit. See Note #7	\$6,106,255	\$6,104,020	\$0	\$2,235	\$676,325	\$6,782,580
[REDACTED]						
<b>SUBTOTAL</b>	<b>\$11,505,569</b>	<b>\$11,491,992</b>	<b>\$6,872</b>	<b>\$6,705</b>	<b>\$1,273,313</b>	<b>\$12,778,882</b>

[REDACTED]						
[REDACTED]						

PRINTED OR DOWNLOADED COPIES ARE NOT DOCUMENT CONTROLLED.

[REDACTED]	Originating Department: Distribution Planning & Asset Management – NE	Sponsor: Customer Energy Integration-NE
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Exhibit B  
NGRID Underground Civil Quote vs. Revity Underground Civil Quote

nationalgrid	<b>DISTRIBUTION PLANNING DOCUMENT</b>				[REDACTED]	
	<b>Interconnection Study</b>				Page 46 of 70	
	<b>Complex Generating Facility - R.I.P.U.C. 2180</b>				Version 1.0 04/21/2021	
	<b>Revity Energy</b>				<b>FINAL</b>	
[REDACTED] 18 Weaver Hill Road, West Greenwich, RI						

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### Alternative #1:

National Grid System Modification	Conceptual Cost +/-25% Planning Grade Cost Estimate not including Tax Liability				Associated Tax Liability Applied to Capital	Total Customer Costs includes Tax Liability on Capital Portion
	Pre-Tax Total	Capital	O&M	Removal		
<b>NECO - Civil Work</b>					<b>11.08%</b>	<b>Total</b>
Approximate donated property tax. See Note #2	\$0	\$0	\$0	\$0	\$69,554	\$69,554
National Grid Supervision and Design Support for Customer Underground Civil Construction. See Note #3	\$165,000	\$165,000	\$0	\$0	\$18,282	\$183,282
Distribution Civil work, [REDACTED] Circuit. See Note #4 (Cost Sharing may be applicable)	\$16,136,861	\$16,136,861	\$0	\$0	\$1,787,964	\$17,924,825
<b>SUBTOTAL</b>	<b>\$16,301,861</b>	<b>\$16,301,861</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,875,800</b>	<b>\$18,177,661</b>

[REDACTED]						
[REDACTED]						
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[REDACTED]	Originating Department: Distribution Planning & Asset Management – NE	Sponsor: Customer Energy Integration-NE
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SUMMARY OF LUMP SUM BID

LUMP SUM BID AMOUNT **\$4,377,410** **A** + **B**

SECTION A -- COST ROLL-UP BY BID SEGMENT	
Bid Segment	
Hopkins hill rd. West Greenwich R.I.	

PROJECT WORK ACTIVITIES SUBTOTAL

Primary Contractor			
Craft Labor Hours	Craft Labor Cost	Material Cost	Equipment & Fuel Cost
	\$1,545,160	\$1,560,550	\$1,271,700
0	\$1,545,160	\$1,560,550	\$1,271,700

Subcontractor		
Craft Labor Hours	Labor, Equipment & Fuel Cost	Material Cost
0	\$0	\$0

TOTALS
\$4,377,410
\$4,377,410

ALLOCATED PROJECT COSTS FROM SECTION B <b>B</b>		
Labor	Material	ALLOCATED COST TOTALS
\$0	\$0	\$0

Totals from Craft Labor Detail tab ---->

MATCH OK	GAP EXISTS	GAP EXISTS
0	\$0	\$0

<---- Total from Equipment Detail tab

