

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

Investigation by the Department of Public Utilities)
On Its Own Motion Into Electric Distribution)
Companies' (1) Distributed Energy Resource) D.P.U. 20-75
Planning and (2) Assignment and Recovery of Costs)
for the Interconnection of Distributed Generation.)

**RESPONSES OF THE DEPARTMENT OF ENERGY RESOURCES TO THE
DEPARTMENT OF PUBLIC UTILITIES SECOND SET OF INFORMATION
REQUESTS TO NON-EDC PARTICIPANTS**

Respectfully submitted by,
THE MASSACHUSETTS DEPARTMENT
OF ENERGY RESOURCES

Dated: May 21, 2021

Information Request Stakeholders-2-1

Refer to National Grid's response to EDC-1, at 8-9. Please provide your perspective on National Grid's proposal to allocate up to 40 percent of the DG interconnection costs as system benefits to all customers.

Response:

The Department of Energy Resources (DOER) maintains its support for assigning costs to those who benefit.¹ DOER understands that National Grid's proposal for cost allocation applies to interconnection upgrade costs identified in the next 1-1.5 years.² For projects within this window, costs should be allocated according to benefits and quantified where possible. As explained below, at a minimum, asset lifespan should be evaluated and quantified when making an allocation decision. While it is unclear that this can be achieved in the short-term, in the longer term, the Department of Public Utilities should require the EDCs to adopt a standard set of benefits for allocating costs between interconnecting customers and all other customers, with a detailed quantification of these benefits to support cost allocation decisions.³

DOER's understanding is that National Grid rests its proposal on qualitative benefits that may result from the upgrades necessary to enable continued distributed generation (DG) interconnections. National Grid suggested up to 40% of the DG interconnection costs should be allocated as system benefits to all customers.⁴

It is unclear if National Grid's proposal is to establish a fixed percentage (up to 40%) for all capital investment projects, or if the benefits of each project would be individually evaluated to determine a percentage, with a limit of 40%. If the proposal is for a fixed percentage of rate base cost share (up to 40%), the Company should, at a minimum, consider lifespan when determining allocation of costs for the asset.

For example, in National Grid's 2018 rate case,⁵ it stated that, of the 397 power transformers and 52 spares, 186 power transformers are older than 50 years.⁶ It also included a -25% net salvage rate due to the high costs of equipment and labor to replace the large transformers. In cases where power transformer replacement is a substantial portion of cost for these projects, it is reasonable to consider assessing higher relative cost share to ratepayers at substations with older

¹ DOER Initial Comments at 6, 23-26 (Dec. 23, 2020).

² See National Grid Response to Information Request EDC-1 (Apr. 6, 2021).

³ DOER Initial Comments at 24-25.

⁴ National Grid Response to Information Request EDC-1 at 9.

⁵ *Petition of Massachusetts Electric Company and Nantucket Electric Company, each doing business as National Grid, pursuant to G.L. c. 164, § 94 and 220 CMR 5.00, for Approval of General Increases in Base Distribution Rates for Electric Service*, D.P.U. 18-150 (Sep. 30, 2019).

⁶ Exh. NG-KAK-4, D.P.U. 18-150 at 140 of 474 (Nov. 15, 2018).

assets which warrant replacement in the near future.⁷ Similarly, there are several stations that have over 30 years of remaining life.⁸ If these sites have no foreseeable loading increases that warrant replacement, they should likely have a relatively lower ratepayer cost share.

⁷ DOER does not have a preference between using asset age, depreciation status, or some other indexed rating which accounts for: relative trends in increased loading, relative risk of failure, or value of standardization of assets (reduce unique parts and increase applicability of spares).

⁸ *Id.* at 143.