

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN RE: APPLICATION OF TRANS-ALLEGHENY	:	
INTERSTATE LINE COMPANY FOR	:	
(I) A CERTIFICATE OF PUBLIC CONVENIENCE	:	
TO OFFER, RENDER, FURNISH AND/OR	:	
SUPPLY TRANSMISSION SERVICE IN THE	:	
COMMONWEALTH OF PENNSYLVANIA;	:	
(II) AUTHORIZATION AND CERTIFICATION	:	
TO LOCATE, CONSTRUCT, OPERATE AND	:	Docket Nos. A-110172
MAINTAIN CERTAIN HIGH VOLTAGE ELECTRIC	:	A-110172F0002
TRANSMISSION LINES AND RELATED ELECTRIC	:	A-110172F0003
SUBSTATION FACILITIES; (III) AUTHORITY	:	A-110172F0004
TO EXERCISE THE POWER OF EMINENT	:	G-000721229
DOMAIN FOR THE CONSTRUCTION AND	:	
INSTALLATION OF AERIAL ELECTRIC	:	
TRANSMISSION FACILITIES ALONG THE	:	
PROPOSED TRANSMISSION LINE ROUTES	:	
IN PENNSYLVANIA; (IV) APPROVAL OF AN	:	
EXEMPTION FROM MUNICIPAL ZONING	:	
REGULATION WITH RESPECT TO THE	:	
CONSTRUCTION OF BUILDINGS; AND	:	
(V) APPROVAL OF CERTAIN RELATED	:	
AFFILIATED INTEREST ARRANGEMENTS	:	

REJOINDER TESTIMONY OF DR. JAY ZARNIKAU

**Re: Impacts of Energy Efficiency and Demand Side
Management Programs on the Need for TrAIL**

March 19, 2008

REJOINDER TESTIMONY OF DR. JAY ZARNIKAU

1 INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Jay Zarnikau. My business address is 1515 Capital of Texas
4 Highway, South, Suite 110, Austin, Texas 78746.

5

6 Q. ARE YOU THE SAME JAY ZARNIKAU WHO SUBMITTED REBUTTAL
7 TESTIMONY ON BEHALF OF TRAILCO IN THIS PROCEEDING?

8 A. Yes, I am.

9

10 Q. WHAT IS THE PURPOSE OF YOUR REJOINDER IN THIS PROCEEDING?

11 A. The purpose of this rejoinder testimony is to respond to certain statements
12 contained in the surrebuttal testimony of Robert Fagan, filed on behalf of the
13 Pennsylvania Office of Consumer Advocate ("OCA").

14

15 Q. MR. FAGAN ASSERTS THAT YOU HAVE MISCHARACTERIZED THE
16 THRUST OF HIS DIRECT TESTIMONY. WHAT IS YOUR RESPONSE TO
17 MR. FAGAN'S ASSERTION?

18 A. While Mr. Fagan's direct testimony refers to demand-side management ("DSM")
19 as "additional insurance" (OCA Statement No. 2, p. 3, line 7), it also contains a
20 statement suggesting that DSM could potentially *eliminate* the need for the

1 transmission project in Washington and Greene counties (i.e., the Prexy
2 Facilities):

3 Depending on the extent of peak load reduction, the need for
4 augmenting or reinforcing the transmission or distribution system
5 can be reduced, delayed, or eliminated . . . (OCA Statement No. 2,
6 p. 6, lines 15-16)

7

8 In reading Mr. Fagan’s direct testimony, I was uncertain of the degree to which he
9 regarded the “elimination” of the Prexy Facilities through DSM to be a realistic
10 scenario. Therefore, I deemed it prudent to respond as I did in my rebuttal
11 testimony to make it clear that DSM – by itself – is not capable of replacing the
12 need for the Prexy Facilities within the time period required.

13

14 In his surrebuttal testimony, Mr. Fagan clarifies that he is not advocating that
15 DSM programs be *solely* relied upon to meet the reliability need which the
16 proposed transmission line is designed to address. (See OCA Statement No. 2-
17 SR, p. 4, lines 11-12; p. 4, lines 19-20; and p. 2, lines 5-6.)

1 It was not my intention to mischaracterize Mr. Fagan's testimony. I believe that
2 with the clarification provided by his surrebuttal testimony, Mr. Fagan and I are in
3 complete agreement that DSM programs alone cannot displace the need for the
4 Prexy Facilities.

5

6 Q. ON PAGE 3 OF HIS SURREBUTTAL TESTIMONY, MR. FAGAN CLAIMS
7 THAT YOU HAVE NEITHER ANALYZED/ESTIMATED THE POTENTIAL
8 FOR PEAK LOAD REDUCTION IN THE PREXY AREA NOR SUPPORTED
9 YOUR CONCLUSIONS THAT DSM WOULD TAKE TOO LONG TO RAMP
10 UP IN TIME TO AFFECT DECISIONS REGARDING THE PREXY
11 FACILITIES. HOW DO YOU RESPOND TO THESE ALLEGATIONS?

12 A. It is true that neither I nor Mr. Fagan have conducted the sort of extensive study
13 that would be necessary to determine exactly what, if any, additional energy
14 efficiency programs would be cost-effective in the Prexy area at this time.
15 However, my background and experience in planning, implementing, and
16 evaluating a broad range of energy efficiency and pricing programs provides me
17 with insight into the challenges, opportunities, resource requirements, and ramp
18 up times associated with developing viable programs, and I have reflected those
19 factors in my testimony.

1 Q. ON PAGE 9 OF HIS SURREBUTTAL TESTIMONY, MR. FAGAN CITES
2 THE ENERGY EFFICIENCY ACHIEVEMENTS OF A NUMBER OF
3 UTILITIES OUTSIDE OF PENNSYLVANIA AS EVIDENCE THAT UTILITY
4 SPONSORED ENERGY EFFICIENCY PROGRAMS CAN EXCEED 1% OF
5 RETAIL SALES. DO YOU HAVE ANY COMMENTS REGARDING THAT
6 TABLE?

7 A. I certainly agree that many utilities have achieved impressive results in reducing
8 their rate of growth in energy sales and electrical demand through energy
9 efficiency. However, it should be noted that most of the utilities cited by Mr.
10 Fagan are in states with a long history of extensive DSM efforts, including well-
11 established regulatory regimes for program approval and cost recovery.
12 Moreover, the majority of the utilities in Mr. Fagan's table serve in either
13 California or the New England states, where energy prices have consistently been
14 higher and, consequently, more energy efficiency measures have tended to be
15 cost-effective to implement.

16

17 As noted in my rebuttal testimony, it requires many years of program planning
18 and implementation for utilities to achieve the levels of savings reported by the
19 utilities cited by Mr. Fagan, even assuming that corresponding programs would be
20 cost-effective for the customers in the Prexy area. Thus, Mr. Fagan's table
21 should not be used as an indication of what Allegheny Power could achieve
22 through a suite of DSM programs, at least over the next few years.

1 Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

2 A. Yes. However, I reserve the right to file such additional testimony as may be
3 necessary or appropriate.