

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, and
TO EXERCISE THE POWER OF EMINENT : G-00071229
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 :

REBUTTAL TESTIMONY OF
MARK A. MADER

Re: Rate Impacts

December 10, 2007

REBUTTAL TESTIMONY OF MARK A MADER

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Mark A. Mader, and my business address is 800 Cabin Hill Drive,
3 Greensburg, Pennsylvania 15601.

4

5 Q. ARE YOU THE SAME PERSON THAT SUBMITTED DIRECT AND
6 SUPPLEMENTAL DIRECT TESTIMONY IN THIS CASE?

7 A. Yes. I provided Direct Testimony on April 13, 2007, and Supplemental Direct
8 Testimony on July 26, 2007, that updated and superseded a portion of my
9 earlier testimony.

10

11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12 A. My rebuttal testimony will briefly address the concerns raised by various
13 persons during the public input hearings related to the rate impact of TrAIL on
14 Pennsylvania customers.

15

16 Q. WILL THE USE OF VARIOUS TERMS IN YOUR REBUTTAL
17 TESTIMONY BE CONSISTENT WITH THE DEFINITIONS ASSIGNED
18 TO THOSE TERMS IN THE TABLE OF NOMENCLATURE ATTACHED
19 TO TRAILCO WITNESS FLITMAN'S DIRECT TESTIMONY AS
20 TRAILCO EXHIBIT DEF-1?

21 A. Yes. In addition, I may define other terms in my rebuttal testimony.

1 Q. SEVERAL PERSONS EXPRESSED CONCERN THAT THE
2 CONSTRUCTION OF TRAIL LINE WILL RESULT IN HIGHER
3 ELECTRIC BILLS. COULD YOU BRIEFLY DISCUSS THE IMPACT OF
4 TRAIL ON ALLEGHENY POWER'S PENNSYLVANIA CUSTOMERS?

5 A. Yes. First, it is important to remember that, as I explained in my prior
6 testimony, it is the Federal Energy Regulatory Commission ("FERC") that
7 determines the allocation of costs relating to transmission projects such as
8 TrAIL. Based on TrAILCo's most recent cost estimates, only 7.2% of the
9 revenue requirement related to the TrAIL line will be allocated by PJM,
10 pursuant to the methodologies approved by FERC, to Allegheny Power's
11 Pennsylvania jurisdiction. The balance of the revenue requirement related to
12 TrAIL will be charged to other load serving entities in PJM. As mentioned on
13 page 10, line 7 of my direct testimony, PJM will recover the revenue
14 requirement allocated to Allegheny Power through a monthly Transmission
15 Enhancement Charge. The Transmission Enhancement Charge is a charge
16 established to recover the transmission owner's FERC approved revenue
17 requirement for required transmission enhancement projects identified
18 through the PJM's Regional Transmission Expansion Planning ("RTEP")
19 process. PJM is obligated to collect this charge on behalf of the transmission
20 owner (i.e., TrAILCo) from transmission zones within PJM in accordance
21 with Schedule 12 of the PJM Open Access Transmission Tariff ("OATT").
22 The following chart provides an estimated allocation of the PJM Transmission
23 Enhancement Charge related to TrAIL to the retail schedules of Allegheny

1 Power's Pennsylvania customers, and of the impact on each rate schedule as a
 2 percentage of their 2006 billing revenues.

Rate Schedule	2006 Billing Revenue	PJM Transmission Enhancement Charge	% Impact
10	\$ 493,159,552	\$4,716,526	0.96%
20, 23, & 24	183,033,797	1,782,186	0.97%
22	3,472,102	10,729	0.31%
30	235,710,059	2,348,652	1.00%
31	2,188,008	33,255	1.52%
40	157,575,812	1,447,922	0.92%
41	3,856,911	40,637	1.05%
44	2,107,782	24,597	1.17%
46	73,607,291	465,316	0.63%
937	12,374,813	172,295	1.39%
Lighting	12,585,242	-	0.00%
Total	1,179,671,367	11,042,115	0.94%

3
 4 As can be seen from this chart, the overall impact to Allegheny Power's
 5 Pennsylvania customers is presently estimated to be less than one percent.
 6 Moreover, it should be borne in mind that these estimates are based on the
 7 estimated *final* costs of the TrAIL project once it is fully constructed and in
 8 operation. During the initial construction period, costs will be lower than the
 9 final totals, and therefore any initial Pennsylvania rate impact will be lower
 10 than the final results.

11

12 Q. DO YOU BELIEVE THAT HIGHER RATES RESULTING FROM TRAIL
 13 WILL CAUSE PEOPLE TO LEAVE THE AREA, CAUSE SMALL
 14 BUSINESSES TO STRUGGLE, OR UNDERCUT PENNSYLVANIA'S

1 ABILITY TO ATTRACT NEW BUSINESS AS SOME PERSONS HAVE
2 ALLEGED?

3 A. No. The rate impact of TrAIL project is expected to be minor, as illustrated in
4 the above chart, relative to the level of benefit the line will provide. As
5 discussed by other TrAILCo witnesses, those benefits include increased
6 electric reliability to southwestern Pennsylvania (e.g., TrAILCo witness
7 Hozempa in TrAILCo Statement No. 2) and the economic benefits to
8 Washington and Greene Counties during and after the line construction
9 (TrAILCo witness Fred Ruetter, TrAILCo Rebuttal Statement No. 14).
10 Indeed, I think that it would be reasonable to expect that Pennsylvania's
11 ability to attract new business could be undercut if we *fail* to meet the growing
12 demand for electricity in the state by failing to complete TrAIL in a timely
13 manner.

14
15 It is also important to understand that in accordance with the Rate Design and
16 RTEP Cost Allocation orders issued by the FERC on April 19, 2007 in Docket
17 Nos. EL05-121-000, *et al.*, and ER06-1271-003, *et al.*, costs of new centrally-
18 planned facilities that operate *at or above* 500 kV will be allocated regionally
19 on a postage-stamp basis, and costs of new centrally-planned facilities that
20 operate *below* 500 kV will be allocated using a "beneficiary pays"
21 methodology. Since the majority of the TrAIL facilities will operate at 500
22 kV, costs will be allocated regionally to the PJM transmission pricing zones
23 and the responsibility for cost recovery will be shared by all load serving

1 entities within a given transmission pricing zone. Therefore, the incremental
2 impact on rates charged by any single load serving entity will be minimal.

3

4 Q. SOME PERSONS HAVE ALLEGED OR IMPLIED THAT THERE IS A
5 CORRELATION BETWEEN THE TIMING OF THE PROPOSED
6 COMPLETION OF THE TRAIL PROJECT AND THE EXPIRATION OF
7 ALLEGHENY POWER'S GENERATION RATE CAPS IN
8 PENNSYLVANIA. DO YOU AGREE WITH THESE ALLEGATIONS OR
9 IMPLICATIONS?

10 A. No. There is no correlation between the expiration of Allegheny Power's
11 Pennsylvania rate caps and TrAIL's completion date. PJM's RTEP process is
12 responsible for identifying transmission system upgrades and enhancements
13 required to preserve the reliability of the electric grid in the PJM region. The
14 scope and proposed timing of completion of such transmission upgrades and
15 enhancements are also determined through the PJM RTEP process. The
16 TrAIL project was identified by PJM as a required transmission
17 enhancement, and consequently the target completion date determined
18 through the RTEP is in no way related to the expiration of Allegheny Power's
19 generation rate caps in Pennsylvania.

20

21 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

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