

**COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION**

**APPLICATION OF)
)
TRANS-ALLEGHENY INTERSTATE LINE)
COMPANY)
)
For certificates of public convenience)
and necessity to construct facilities:)
500 kV Transmission Line from)
Virginia-West Virginia Boundary to)
Virginia Electric and Power Company)
Transmission Line #580)**

CASE NO. PUE-2007-00033

**REBUTTAL TESTIMONY OF
CYNTHIA A. MENHORN**

February 5, 2008

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Cynthia A. Menhorn. My business address is 800 Cabin Hill Drive,
3 Greensburg, Pennsylvania 15601.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am Director, Energy Conservation and Efficiency for Allegheny Energy. My role is to
6 lead the Demand Side Management ("DSM") efforts with the assistance of many across
7 the company who have been brought together on a cross-functional team. By DSM, I
8 refer to energy efficiency, demand response, the reduction of customer energy usage at
9 times of peak usage in order to help address system reliability, reflect market conditions
10 and pricing, and support infrastructure optimization. Immediately prior to my
11 appointment in January 2008 as Director, Energy Conservation and Efficiency, I served
12 as Director, State Regulatory Affairs for Allegheny Energy. In that role, my
13 responsibility was to coordinate and manage internal/external policy and strategy on
14 regulatory issues while providing a single point of contact for regulators and company
15 personnel.

16 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
17 EXPERIENCE.

18 A. I graduated magna cum laude with a Bachelor's Degree in Business Administration with
19 a concentration in finance from Seton Hill College, and magna cum laude with a Master's
20 Degree in Business Administration from Indiana University of Pennsylvania.

1 I have over 29 years of work experience with Allegheny Energy, which has included
2 numerous progressive management positions within the rates and regulatory areas.
3 During 1995 and 1996, I participated on reengineering teams that redesigned the
4 transmission/distribution operations as well as the rates function. My most recent
5 position before becoming Director, State Regulatory Affairs was as Director of
6 Regulation and Rates, where my responsibilities included managing the development of
7 revenue requirements, cost of service, rate design including unbundling, tariff
8 development, tariff applications, revenue forecasting, billing of large industrial accounts,
9 fuel analysis, load data services and regulatory affairs in Allegheny Power's four-state
10 service territory. I have worked on over 82 Allegheny Power affiliate rate cases during
11 my tenure with Allegheny Energy.

12 In addition, I have served as adjunct instructor at Seton Hill College and have completed
13 several courses on various aspects of utility ratemaking and finance. I have also
14 participated in the Southeastern Electric Exchange Rates and Regulation Committee,
15 holding the office of Chairman in 2003, and the Edison Electric Institute Rates and
16 Regulatory Affairs Committee. I currently serve on the Electric Board and Regulatory
17 Committees for the Energy Association of Pennsylvania and the Regulatory Committee
18 of the Electric Power Generation Association.

19 Q. HAVE YOU TESTIFIED IN ANY OTHER PROCEEDINGS BEFORE THIS
20 COMMISSION OR ANY OTHER REGULATORY AGENCIES?

1 A. Yes. In addition to my testimony before this Commission, I have testified before the
2 Maryland Public Service Commission, the Pennsylvania Public Utility Commission, the
3 Public Service Commission of West Virginia, the Public Utilities Commission of Ohio,
4 and the Federal Energy Regulatory Commission.

5 Q. WILL THE USE OF VARIOUS TERMS IN YOUR TESTIMONY BE CONSISTENT
6 WITH THE DEFINITIONS ASSIGNED TO THOSE TERMS IN THE TABLE OF
7 NOMENCLATURE ATTACHED TO THE APPLICATION AS EXHIBIT 2?

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

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

10 A. The purpose of my rebuttal testimony is to address issues raised by various witnesses at
11 the public input hearings regarding the nature and scope of Allegheny Power's energy
12 efficiency, conservation and demand response programs and its overall commitment to
13 such programs, specifically those who alleged that Allegheny Power has largely ignored
14 conservation and demand response programs that could postpone if not totally eliminate
15 the need for TrAIL. I will do this by (i) providing a historical account of Allegheny
16 Power's past energy efficiency, conservation and demand response programs; (ii)
17 describing the current range of programs under the new umbrella of Watt Watchers that
18 Allegheny Power is either offering in certain jurisdictions or analyzing in preparation for
19 possible future offerings; (iii) describing the West Penn Power Company ("West Penn")
20 Sustainable Energy Fund and its role at Allegheny Power; and (iv) reviewing Allegheny
21 Power's current work with Advance Metering Infrastructure. TrAILCo rebuttal witness

1 Dr. Jay Zarnikau will address the role of conservation and demand side issues in response
2 to certain parties presenting direct testimony. My rebuttal testimony documents
3 Allegheny Power's considerable past, present and ongoing commitment to energy
4 efficiency, conservation and demand response programs.

5
6 I. ALLEGHENY POWER'S DEMAND SIDE MANAGEMENT PROGRAMS

7 Q. PLEASE DESCRIBE ALLEGHENY POWER'S PAST AND PRESENT DSM
8 PROGRAMS.

9 A. Allegheny Power has historically provided opportunities for its customers to participate
10 in DSM programs on a specific basis, depending on the jurisdiction. The following DSM
11 programs have been offered for some time, and are still currently available to all
12 Allegheny Power customers:

- 13
14 1. Generation Buy Back ("GBB") Program;
15 2. Customer participation in the PJM Load Response Program;
16 3. Customer participation in the PJM Interruptible Load for Reliability
17 ("ILR") Program; and
18 4. Energy Management Tools.

19 Q. PLEASE DESCRIBE THE GBB PROGRAM.

20 A. GBB is a program that had been offered since 2000 to industrial and large commercial
21 customers in all of Allegheny Power's service territory. It is intended to reduce system

1 load during periods of high demand and/or prices. Customers sign a registration form
2 that indicates the price level at which they are willing to voluntarily operate on-site
3 generation or curtail load. Allegheny Power's generation supplier notifies it when there
4 is a market opportunity for GBB and bids a price per megawatt-hour ("MWh") to
5 Allegheny Power. Allegheny Power contacts customers via fax and phone to negotiate a
6 buy-back. The customer's price per MWh is contingent on load factor and load
7 confidence. The customer then accepts or rejects the bid. After the event, meter
8 readings from each customer's operations and/or generation will be used for verification.
9 Under the present arrangement, Allegheny Power evenly splits the net benefits from GBB
10 transactions with its generation supplier.

11 Q. CAN ALLEGHENY POWER CUSTOMERS PARTICIPATE IN THE PJM LOAD
12 RESPONSE PROGRAM?

13 A. Yes. In April 2002, Allegheny Power became a member of PJM and turned over
14 functional control of its transmission facilities to PJM. Since June 2002, all Allegheny
15 Power's commercial and industrial customers have had the opportunity to participate in
16 PJM's demand side programs. For 2006, PJM had 1,100.65 of registered MW in the
17 Economic Load Response Program ("ELRP"). Of that total, Allegheny Power customers
18 represented 259.80 or 24% of the total registered MW. In addition, for 2006, total MWh
19 and total payments under the ELRP were 246,996 MWh and \$17,366,318, respectively,
20 of which Allegheny Power customers represented 29% of all the real-time reductions.

1 Currently there are 24 Allegheny Power customers participating in this program with a
2 total registered load of 209.5 MW.

3 Q. CAN ALLEGHENY POWER CUSTOMERS PARTICIPATE IN THE PJM
4 INTERRUPTIBLE LOAD FOR RELIABILITY ("ILR") PROGRAM?

5 A. Yes. PJM has developed access to the capacity and energy markets for customers that
6 enroll in either the PJM Demand Resource ("DR") or ILR programs, which became
7 effective June 2007. All Allegheny Power industrial and commercial customers are
8 eligible to participate. These customers must have the ability to reduce metered load
9 when called upon by PJM. DR and ILR receive capacity and energy payments as part of
10 the Reliability Pricing Model capacity market. PJM recognizes three types of ILR:

- 11 • Direct Load Control - employing a communication signal to cycle equipment;
- 12 • Firm Service Level - load management achieved by a customer reducing its load
13 to a predetermined level; and
- 14 • Guaranteed Load Drop - load management achieved by a customer reducing its
15 load by a predetermined amount.

16 There are 10 Allegheny Power customers participating in this program with a total
17 registered demand of 108.9 MW.

18 Q. WHAT ENERGY MANAGEMENT TOOLS DOES ALLEGHENY POWER MAKE
19 AVAILABLE TO ITS CUSTOMERS?

1 A. Allegheny Power provides energy management tools to businesses throughout its
2 jurisdictions to, among other things, help with supply management, efficiency, and
3 conservation. These tools include:

4 • Advanced Metering – Advanced meters are capable of storing electric
5 consumption data at specified time intervals in conformance with applicable
6 performance specifications and capable of remote meter reading. Any customer
7 may request Advanced Metering for a fee, if it is not currently supplied via
8 standard metering, in accordance with the terms of the Rate Schedule under which
9 the customer receives electric service. This service has been available to
10 Allegheny Power commercial and industrial customers in all our jurisdictions
11 since 2003.

12 • Energy Data Services – Energy data services give Allegheny Power customers the
13 ability to access historical electric load data in 15-, 30- or 60-minute increments
14 for an individual facility or for multiple facilities. This data can be the critical
15 information needed to make money-saving energy decisions. For a small monthly
16 fee, customers can receive their load data electronically each month or even daily.
17 This service has been available to Allegheny Power's commercial and industrial
18 customers in all our jurisdictions since 2003.

19 • Data Pulses – This program provides unedited near real-time energy data to a
20 facility. Data Pulses provide demand pulse signals and/or synchronizing time
21 signals to the customer. This service enables customers to take advantage of load

1 management systems and tools. The customer makes a one-time payment for the
2 installation of the necessary wiring and equipment. This service has been
3 available to commercial and industrial customers since 1986. Allegheny Power
4 makes these services available through tariff options in Pennsylvania, Maryland,
5 Virginia and West Virginia.

6
7 II. ALLEGHENY POWER'S WATT WATCHERS AND ENERGY STAR PROGRAMS

8 Q. WHAT IS THE WATT WATCHERS PROGRAM?

9 A. Allegheny Power's new program, Watt Watchers, is designed to teach the latest and most
10 innovative energy management strategies to help customers learn more about saving
11 energy and money as well as provide customers opportunities through our Energy Star
12 partnership and other program offerings as described below. Allegheny Power is
13 committed to helping customers make smart energy choices and supports that
14 commitment by offering them a variety of energy conservation and demand response
15 programs.

16 Q. PLEASE GIVE AN EXAMPLE OF A SPECIFIC INITIATIVE UNDERTAKEN BY
17 ALLEGHENY POWER AS PART OF WATT WATCHERS.

18 A. A good example would be the program that Allegheny Power announced on December
19 17, 2007. As part of its Watt Watchers: Use Energy Wisely Campaign, customers can
20 now purchase discounted energy-saving products online at www.apwattwatchers.com.
21 Allegheny offers two kits containing energy-efficient products:

- 1 • Compact Fluorescent Light Kit contains two energy-saving bulbs.
- 2 • Deluxe Kit, which contains an assortment of bulbs, efficient water dispensers,
- 3 draft sealing materials and educational tips for even more savings.

4 Q. PLEASE DESCRIBE ENERGY STAR AND WHAT ALLEGHENY POWER HAS
5 DONE IN CONJUNCTION WITH ITS PARTNERSHIP WITH ENERGY STAR?

6 A. On August 3, 2007, Allegheny Power became an Energy Star Partner. In accordance
7 with the ENERGY STAR Change a Light, Change the World Campaign, which is a
8 national call-to-action from the U.S. Environmental Protection Agency, the U.S.
9 Department of Energy, and the U.S. Department of Housing and Urban Development,
10 Allegheny Power is participating to encourage every individual to conserve energy, one
11 energy-saving step at a time.

12 At the campaign's heart is the ENERGY STAR Change a Light Pledge; a way for
13 individuals to commit to being more energy efficient by switching at least one light in
14 their home to an ENERGY STAR qualified bulb. Allegheny Power is encouraging both
15 employees and customers to make this commitment. This pledge is a simple but vital
16 method of forming a community of inspired individuals across the nation to commit to
17 saving energy. On October 3, 2007, in conjunction with the Energy Star's national
18 campaign to Change a Light Pledge, each employee received a 23-watt compact
19 fluorescent light bulb and a pledge form to begin our internal education associated with
20 making a personal commitment toward energy efficient actions and opportunities to
21 conserve.

1 Q. IS ALLEGHENY POWER PROVIDING ANY EDUCATION FOR SCHOOL AGE
2 CHILDREN ON ENERGY EFFICIENCY AND DEMAND RESPONSE?

3 A. Yes. Enterprise for Education, an existing Allegheny Power initiative addressing issues
4 of school safety and reliability, is being expanded to include a series on energy efficiency
5 and conservation entitled "E-squared." A letter announcing the new program across all of
6 Allegheny Power's jurisdictions was sent to schools in mid September 2007. The series
7 is designed for age-specific educational material teaching conservation and energy
8 efficiency that children can understand. Materials are provided to schools upon request.

9

10 III. THE WEST PENN SUSTAINABLE ENERGY FUND

11 Q. PLEASE DESCRIBE THE WEST PENN POWER SUSTAINABLE ENERGY FUND.

12 A. On November 19, 1998, the Pennsylvania Public Utilities Commission granted final
13 approval of West Penn's restructuring plan, which included a provision establishing an
14 independent sustainable energy fund through an initial lump sum contribution by
15 Allegheny Power of approximately \$11 million. The West Penn Power Sustainable
16 Energy Fund ("WPPSEF" or the "Fund") Board of Directors was approved in May 1999
17 and the Fund was incorporated in June 2000. The WPPSEF provides funding and has
18 invested in numerous renewable and clean energy generation, energy efficiency and
19 conservation technologies, and businesses that develop and manufacture clean energy
20 technologies. To date, the WPPSEF has funded approximately 118 projects for a total
21 released funding of approximately \$5.7 million, and has approved or committed

1 approximately \$7 million more. Among other demand response and energy efficiency
2 programs, the WPPSEF promotes investment in new and existing energy-efficient
3 residential structures in Pennsylvania.

4
5 IV. ALLEGHENY POWER'S INVOLVEMENT WITH ADVANCED METERING
6 INFRASTRUCTURE

7 Q. WHAT IS ADVANCED METERING INFRASTRUCTURE ("AMI")?

8 A. AMI allows utilities and third-party suppliers to provide more choices to consumers on
9 how to manage their electricity usage, by providing customers with detailed and timely
10 energy use information. AMI empowers customers to make informed energy decisions
11 and manage their electric bills. It also facilitates demand response and other new
12 technologies that allow customers to manage energy consumption, which leads to more
13 efficient use of electricity.

14 Q. HOW DOES THE ROLE OF AMI RELATE TO DEMAND RESPONSE OFFERINGS?

15 A. AMI provides the framework by which rate design options can be made available for
16 customers providing an opportunity for price signals to be made and responses to occur.
17 Innovative rate structures can be offered at that time providing customers the ability to
18 lower the demand during peak periods. Given the large expense involved in providing
19 AMI to all customers, Allegheny Power is continuing to evaluate how to most cost
20 effectively take advantage of this technology.

1 V. CONCLUSION

2 Q. DO YOU HAVE ANY FINAL THOUGHTS REGARDING ALLEGHENY POWER'S
3 PAST AND PRESENT PROGRAMS TO ENCOURAGE DEMAND SIDE RESPONSE
4 AND ENERGY EFFICIENCY?

5 A. Yes. Allegheny Power has long been an active supporter of a variety of demand side
6 response and energy efficiency programs for its customers and expects to continue to do
7 so in the future, especially in light of increasing generation costs associated with
8 traditional fossil fuels. Customers are best served by a multifaceted approach that
9 recognizes the need to integrate traditional generation and transmission solutions with
10 increased emphasis on new renewable technologies at the generation level and greater
11 reliance on DSM and energy efficiency programs to stimulate active customer
12 participation.

13 Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

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