

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

Case No. 07-0508-E-CN

TRANS-ALLEGHENY INTERSTATE LINE COMPANY

**Application of Trans-Allegheny Interstate Line
Company for a certificate of public convenience
and necessity under W. Va. Code § 24-2-11a
authorizing the construction and operation of the
West Virginia segments of a 500 kV electric
transmission line and related facilities in Monongalia,
Preston, Tucker, Grant, Hardy, and Hampshire
Counties, and for related relief**

**REBUTTAL TESTIMONY OF
MARK A. MADER**

January 4, 2008

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 Q. ARE YOU THE SAME PERSON THAT SUBMITTED DIRECT TESTIMONY
5 ON MARCH 30, 2007, AND REVISED DIRECT TESTIMONY IN THIS
6 PROCEEDING ON AUGUST 10, 2007?

7 A. Yes.

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

9 A. My rebuttal testimony will address issues raised by Thomas Hildebrand, a pro se
10 intervenor, and Hale Powell, a witness for the Sierra Club, in their prefiled direct
11 testimony. Mr. Hildebrand's testimony makes a number of assertions about the
12 rate impact of TrAIL on West Virginia customers as well as TrAILCo's alleged
13 violations of public utility rules, and Mr. Powell's testimony questions the
14 financial viability of TrAIL.

15 Q. PLEASE RESPOND TO MR. HILDEBRAND'S ALLEGATION THAT
16 TRAILCO HAS ATTEMPTED TO DECEIVE THE PUBLIC BY SAYING
17 THAT RATES IN WEST VIRGINIA WOULD NOT INCREASE AS A RESULT
18 OF TRAIL.

19 A. At page 8 of his testimony, Mr. Hildebrand purports to quote a June 13, 2007
20 "spam" email (included as Attachment 4A in his testimony) from TrAILCo. Mr.

1 Hildebrand asserts that in this email, TrAILCo said that “[s]ome have claimed that
2 TrAILCo has requested rate increases to West Virginia ratepayers to pay for
3 TrAIL and this is not true.”

4 First of all, it is important to note that Mr. Hildebrand misstates the quote in his
5 testimony. What the TrAILCo email actually says is: “Let’s set the record
6 straight: we have not requested a rate increase in West Virginia in connection
7 with the Trans-Allegheny Interstate Line.” This statement was true in June 2007
8 and remains true today; I do not understand how it could be interpreted as having
9 “deceive[d] the public” as Mr. Hildebrand alleges. TrAILCo has not requested
10 any rate recovery authority in this case, nor is rate recovery for any portion of
11 TrAILCo’s revenue requirement at issue in any pending case before the
12 Commission, either by TrAILCo or Allegheny Power’s electric utilities in West
13 Virginia, Mon Power and Potomac Edison.

14 Moreover, TrAILCo has been very forthcoming about potential *future* rate
15 impacts arising from cost recovery by West Virginia utilities of the costs of the
16 line. As I explained in some detail in my revised direct testimony, the revenue
17 requirement for TrAIL will be determined by Federal Energy Regulatory
18 Commission (“FERC”) based upon filings submitted by TrAILCo under the PJM
19 Open Access Transmission Tariff and collected by PJM from load serving entities
20 (“LSEs”) in accordance with allocations to all LSEs determined by FERC.

1 Furthermore, Exhibit MAM-1 of my revised direct testimony illustrates in detail
2 the potential rate impacts of TrAIL on Allegheny Power's West Virginia
3 jurisdictional customers.

4 At an appropriate time in the future, Mon Power, Potomac Edison, and other West
5 Virginia utilities are expected to seek rate recovery from this Commission for
6 incurred expenses such as the PJM transmission enhancement charge related to
7 TrAIL. I clearly explained in my revised direct testimony the manner in which
8 Mon Power and Potomac Edison anticipate seeking recovery of the transmission
9 enhancement charges through the Expended Net Energy Cost mechanism.

10 Finally, TrAILCo has clearly informed the West Virginia public of the potential
11 future rate impacts of TrAIL through the publication and issuance of a statewide
12 notice of filing in which these projected impacts were provided. In its order of
13 June 11, 2007 in this proceeding, the Commission required this notice, the form of
14 which was the subject of considerable examination and input by the Commission
15 Staff, to be published as a Class II legal advertisement. TrAILCo complied with
16 this directive.

17 **Q. MR. HILDEBRAND ALSO ALLEGES AT PAGE 8 OF HIS TESTIMONY**
18 **THAT TRAILCO MAY HAVE INCLUDED POLITICAL ADVERTISING**
19 **COSTS AS PART OF ITS REVENUE REQUIREMENT FILED WITH FERC.**

1 HAS TRAILCO INCLUDED SUCH EXPENSES IN ITS FORMULA REVENUE
2 REQUIREMENT FILED WITH FERC?

3 A. No. TrAILCo's cost allocations and recoveries are governed by FERC rules, not
4 West Virginia law, and Mr. Hildebrand's reliance on the West Virginia rules is
5 therefore misplaced. Nevertheless, the fact is that TrAILCo has not incurred any
6 expenses related to political advertising. In the event that TrAILCo incurs such
7 expenses in the future, they would be properly recorded to FERC account 426.4,
8 which is classified as non-operating in nature and, therefore, will be excluded from
9 TrAILCo's revenue requirement.

10 Q. WHAT IS YOUR RESPONSE TO MR. HILDEBRAND'S APPARENT
11 ARGUMENT THAT GENERATORS, RATHER THAN COMMERCIAL AND
12 RESIDENTIAL CUSTOMERS, SHOULD PAY FOR TRAIL, ON THE BASIS
13 THAT THE GENERATORS ARE THE ONES THAT WILL "BENEFIT" FROM
14 TRAIL?

15 A. Like several other intervenor witnesses in this case, Mr. Hildebrand is unwilling to
16 concede that transmission system reliability is the driving force behind the
17 construction of TrAIL. In their direct and rebuttal testimony, TrAILCo witnesses
18 Herling, Hozempa, and Gass demonstrate that TrAIL is being built to provide
19 system reliability benefits to customers throughout the PJM Region, including
20 literally thousands of people and businesses in West Virginia. It is important to

1 remember that PJM, through its Regional Transmission Expansion Planning
2 (“RTEP”) process, has identified TrAIL as one of the transmission system
3 enhancements required to preserve the *reliability* of the electric grid in the PJM
4 region. Moreover, the FERC has already ruled on the cost allocations relating to
5 transmission projects such as TrAIL. As I explained in my revised direct
6 testimony on page 6, line 5, FERC’s order dated April 19, 2007 in Docket Nos.
7 EL05-121-000, *et al.*, and ER06-1271-003, *et al.* provides that costs of new
8 centrally-planned facilities that operate *at or above* 500 kV will be allocated
9 regionally on a postage-stamp basis, and costs of new centrally-planned facilities
10 that operate *below* 500 kV will be allocated using a “beneficiary pays”
11 methodology. Therefore, Mr. Hildebrand’s opinion as it relates to the appropriate
12 allocation of TrAIL’s costs, in addition to being incorrect, is solely a matter for the
13 FERC to decide and thus has no relevance in this proceeding.

14 Q. FINALLY WITH RESPECT TO MR. HILDEBRAND, WHAT IS YOUR
15 RESPONSE TO HIS ASSERTION AT SEVERAL PLACES IN HIS
16 TESTIMONY THAT, BY ADVOCATING THAT THIS LINE BE BUILT,
17 TRAILCO HAS SOMEHOW RUN AFOUL OF WEST VIRGINIA’S
18 PROMOTIONAL PRACTICES RULES?

19 A. At pages 6-10 of Mr. Hildebrand’s testimony, he identifies a number of provisions
20 of the Commission’s Electric Rules that apply exclusively to public utilities.

1 Apparently recognizing that TrAILCo is not yet a public utility under West
2 Virginia law, and in each case indicating his belief that TrAILCo in fact *is not* a
3 public utility, he nonetheless concludes that TrAILCo has either violated these
4 rules or has violated the “public trust.” (Hildebrand at 10.)

5 At first let me stress that these primarily are legal arguments that TrAILCo will
6 dispel in the briefing of this case. Mr. Hildebrand apparently is not troubled by
7 the inconsistency between his opposition to public utility status for TrAILCo and
8 his allegations that TrAILCo has violated regulations applying uniquely to public
9 utilities. However, the Commission should also recognize that many of the rules
10 he asserts TrAILCo has “violated” have nothing whatsoever to do with a
11 transmission company’s application for a certificate under W. Va. Code §24-2-11a
12 to construct and operate a necessary reliability upgrade. In general, the rules Mr.
13 Hildebrand alleges have been violated relate to promotional practices that might
14 allow the utility to favor some utility customers over others or, as I’ve addressed
15 above, to restrictions on the rate recovery for political advertising. As should be
16 obvious to the Commission, none of these assertions even remotely relates to
17 TrAILCo’s pre-certificate activities, factually or legally.

18 Q. MR. POWELL STATES AT VARIOUS POINTS IN HIS TESTIMONY THAT
19 THE TRAIL LINE WILL NOT BE “ECONOMICALLY VIABLE” BECAUSE
20 HYPOTHETICAL FUTURE DEMAND RESPONSE EFFORTS MIGHT

1 REDUCE THE VOLUME OF ENERGY THAT WOULD NEED TO BE
2 MOVED THROUGH THE LINE. IS HE CORRECT?

3 A. No. Regardless of the future impacts of load growth and energy efficiency in the
4 PJM Region, the revenue requirement for the line is set by FERC, and is designed
5 to recover all operation and maintenance expense, depreciation expense, return on
6 rate base, taxes other than income taxes, income taxes, and revenue credits. As I
7 have already explained, PJM is responsible for collecting this entire revenue
8 requirement on behalf of TrAILCo from LSEs in accordance with allocations
9 determined by FERC. The quantity of energy that flows through the line over any
10 particular period has no bearing on TrAILCo's revenue requirement recovery.
11 Consequently, assuming continuing fair regulatory treatment of TrAILCo by the
12 FERC, the "financial viability" of TrAILCo as a regulated public utility should not
13 be in question. Mr. Powell's concerns on this subject are unwarranted and
14 demonstrate less than a complete understanding of TrAILCo's status as FERC-
15 regulated public utility.

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

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