

**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
DR. TOM S. WITT**

January 4, 2008

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Tom S. Witt. My business address is 320 Business and Economics
3 Building, P.O. Box 6025, West Virginia University, Morgantown, West Virginia
4 26506-6025.

5 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
6 PROCEEDING?

7 A. Yes. My direct testimony on behalf of Trans-Allegheny Interstate Line Company
8 (“TrAILCo”) was filed as part of TrAILCo’s application on March 30, 2007.

9 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

10 A. This rebuttal testimony principally addresses assertions about my economic
11 analysis that appear at pages 42-50 of the testimony of Dr. Michael J. Ileo, a
12 consultant retained on behalf of the Commission Staff. I will also respond to
13 criticism of my work from the Consumer Advocate, Byron L. Harris, at pages 20-
14 21 of his testimony.

15 Q. WILL YOU BE USING THE SAME TERMS IN YOUR REBUTTAL
16 TESTIMONY AS SET FORTH IN THE TABLE OF NOMENCLATURE
17 ATTACHED TO THE APPLICATION?

18 A. Yes, as well as some of the terms in my direct testimony. I may also define other
19 specific terms in this rebuttal testimony.

1 Q. DR. ILEO AT PAGES 43-44 ASSERTS THAT YOU AND TRAILCO HAVE
2 FAILED TO DEMONSTRATE THE BASES FOR ALL BUT THE STATE TAX
3 REVENUE IMPACTS IN YOUR EXHIBIT TSW-2. FIRST, PLEASE REVIEW
4 THE DISCOVERY PROCESS ADDRESSED BY DR. ILEO.

5 A. Dr. Ileo has reviewed my testimony reported in Exhibit TSW-2 and asserts that my
6 responses to repeated inquires by Staff, specifically Staff 2-6(f) and (g) as well as
7 Staff 5-2(d) and Staff 9-1, failed to indicate how the economic impacts reported in
8 my testimony were computed.¹ I have provided comprehensive responses to all
9 inquires and requests for discovery by Staff, the CAD, and other intervenors,
10 including work notes, an IMPLAN manual, IMPLAN calculations, background
11 data and reports, and related material. I did not provide access to the IMPLAN
12 software and underlying data because they are restrictively licensed to West
13 Virginia University. However, the IMPLAN software and data can be acquired by
14 anyone from IMPLAN for approximately \$2,200.

15 Q. DO YOU AGREE WITH DR. ILEO (PAGES 44-45) THAT TRAILCO'S
16 DISCOVERY RESPONSES "CONFLICT" WITH YOUR EXHIBIT TSW-2?

¹ TrAILCo's response to Staff 9-1 mistakenly lists my associate, Randy Childs, instead of me as the responsible witness. I assume responsibility for this response, as well as any other work that Mr. Childs conducted under my supervision and direction.

1 A. No. In a few cases the work notes that we produced in discovery may give
2 preliminary and incomplete calculations that could lead a casual reader to think
3 there is a conflict with the final results presented.

4 Q. AT PAGES 45-46, DR. ILEO DISPUTES YOUR CALCULATION OF TRAIL'S
5 IMPACT IN WEST VIRGINIA. PLEASE RESPOND.

6 A. Dr. Ileo quotes TrAILCo's response to Staff 5-2(b), in which I indicated that the
7 full \$437.6 million project cost within West Virginia is the direct impact. I
8 reaffirm this conclusion. The IMPLAN economic modeling system uses the
9 complete project cost within West Virginia as the direct economic impact and
10 assigns this to one or more sectors within the IMPLAN model. At the first stage
11 of the calculation the software assumes that a portion of the expenditure will occur
12 outside the region, which in this case is the state of West Virginia. The software
13 uses a regional purchasing coefficient to estimate the "leakage" outside the region.
14 If one uses the entire project cost and assigns it to IMPLAN sector 41, Other New
15 Construction, the average default regional purchasing coefficient is 40%,
16 indicating that 60% of goods and services purchased would be purchased outside
17 West Virginia. As I indicated in the work notes provided in response to
18 HALLECK-I-REQ-3 and HALLECK-I-REQ-6, I used an assisted bill of goods
19 approach to the calculation of the economic impacts. In this case, I did not use the
20 default IMPLAN regional purchasing coefficients, but instead used information

1 provided by TrAILCo. The average regional purchasing coefficient I used was
2 14%. This allowed for 86% of goods and services to be purchased outside of West
3 Virginia, much more conservative and accurate than the default provided with the
4 IMPLAN model. This included using a regional purchasing coefficient of zero for
5 the \$118.9 million referred to by Dr. Ileo. My work notes also indicate how I
6 treated the expenditures within and outside of West Virginia for the other major
7 expense categories.

8 Q. DID YOU CONSULT WITH IMPLAN IN ARRIVING AT YOUR
9 CONCLUSION?

10 A. I had conversation with the IMPLAN principals on this issue. While I did not note
11 it on my vita submitted with Exhibit TSW-2, I attended advanced IMPLAN
12 training in July 2004 at their headquarters in Stillwater, Minnesota. On the other
13 hand, Dr. Ileo's testimony does not indicate any operational knowledge of the
14 IMPLAN modeling system.

15 Q. DR. ILEO AT PAGES 48-49 STATES THAT THERE ARE "NUMEROUS
16 INCONGRUITIES" IN YOUR STUDIES AND THE OTHER INFORMATION
17 THAT HE HAS REVIEWED. DO YOU AGREE?

18 A. No. At this portion of his testimony, Dr. Ileo cites "two illustrations" for his
19 assertion. The first "illustration" references a worksheet submitted in response to
20 HALLECK-1-REQ-6 that contains a document dated March 9, 2007, referenced as

1 ATTACHMENT-HALLECK-I-REQ-6-EE. This work note includes a statement
2 that the “West Virginia assorted state tax revenue impact during construction
3 (2007-2011) will be \$6.8 million.” This number was an initial estimate, but upon
4 my review was found to exclude direct employee compensation in the tax
5 formulas. Once I discovered the omission, I included the amount of taxes
6 associated with direct employee compensation, giving the total tax revenue of
7 \$10.1 million contained in Exhibit TSW-2.

8 The second “illustration” references a statement in the same document that “\$20.3
9 million or 14% of the total money spent on materials, legal, and administrative
10 costs for the power line will be spent in West Virginia.” Dr. Ileo indicates that the
11 precise meaning of this statement is unclear. This statement is true based upon
12 data provided by TrAILCo and does not include payments for right-of-way and
13 labor associated with the project. As indicated above, the 14% used in my
14 analysis is much more conservative than the default value of 40% provided within
15 the IMPLAN software.

16 Q. DR. ILEO AT PAGES 43 AND 49-50 NOTES THAT YOU DID NOT
17 ADDRESS THE “ADVERSE PROPERTY VALUE IMPACTS” OF TRAIL.
18 WHY DID YOU NOT CONSIDER THOSE IMPACTS IN YOUR ANALYSIS?

1 A. I did not consider those impacts because I had no basis on which to calculate them.
2 Dr. Ileo cites no requirement in statute or Commission rules that would have
3 required TrAILCo to conduct such a study, and no such study was provided to me.
4 I also should make clear that I never set out to calculate every economic impact
5 associated with TrAIL. My direct testimony addresses (i) the economic impacts
6 associated with the construction and operation of the West Virginia Segments of
7 TrAIL on the West Virginia economy and (ii) the potential economic impacts
8 associated with the construction and operation of four coal-fired integrated
9 gasification combined cycle, power plants in West Virginia, each as calculated in
10 my Exhibits TSW-2 and TSW-3. I did not intend to calculate TrAIL's impacts on
11 real estate values, or any other impact beyond those that I considered. Dr. Ileo has
12 criticized my work for not being something that it never claimed to be in the first
13 place.

14 Q. IF YOU HAD BEEN ASKED TO MAKE THE CALCULATION, WOULD YOU
15 HAVE CONCLUDED THAT TRAIL WILL HAVE "ADVERSE PROPERTY
16 VALUE IMPACTS"?

17 A. I don't know. According to Dr. Ileo, "the consensus in relevant economic
18 literature is that the erection of an overhead transmission line tends to depress the
19 values of properties that lie in or near its path." But Mr. Goldman says that his
20 site-specific studies, and the other published literature that he discusses,

1 demonstrate that TrAIL will have much less effect on property values than
2 suggested by Dr. Ileo.

3 It will be for the Commission to assess this evidence, and to give it the appropriate
4 weight. But Dr. Ileo's suggestion that property values "might" be reduced by
5 \$41,454,000 is pure speculation. Dr. Ileo acknowledges that his arithmetic is
6 based on "a host of premises." Even with such a disclaimer, it is inappropriate to
7 presume an impact and then put a number to it. Neither Dr. Ileo nor anyone else
8 whose work he cites studied the issue for purposes of this case. Mr. Goldman's
9 work illustrates the danger inherent in Dr. Ileo's assumption, and the meaningless
10 of his calculation.

11 Q. MR. HARRIS AT PAGES 20-21 OF HIS TESTIMONY CRITICIZES YOUR
12 OMISSION OF ANY CALCULATION OF TRAIL'S EFFECT ON ELECTRIC
13 RATES. IS THIS A VALID CRITICISM?

14 A. No. Mr. Harris's observations are akin to those of Dr. Ileo concerning my failure
15 to calculate TrAIL's effect on real property values. I acknowledge that I did not
16 engage in the work suggested by Mr. Harris, but, once again, I was not asked to do
17 so.

18 It is also my understanding that electric rates are the subject of regulation, both by
19 this Commission and the Federal Energy Regulatory Commission, so any such
20 calculation would presume the outcome of future regulatory proceedings that are

1 beyond my expertise. In that regard, Mr. Harris's figures "might" be no more
2 enlightening than Dr. Ileo's speculative calculation of a \$41,454,000 negative
3 impact on real property values.

4 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

5 A. Yes, it does.