

2/29/14  
11/15  
Jas

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION LLC (“MAIT”); METROPOLITAN EDISON COMPANY (“MET-ED”) AND PENNSYLVANIA ELECTRIC COMPANY (“PENELEC”) FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. § 1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. § 102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. § 2102

DOCKET NOS.:

- ~~A-2015-2488903~~
- A-2015-2488904
- A-2015-2488905
- G-2015-2488906
- G-2015-2488907
- G-2015-2489542
- G-2015-2489543
- G-2015-2489544
- G-2015-2489545
- G-2015-2489547
- G-2015-2490801
- G-2015-2490802

Rebuttal Testimony  
of  
Jeffrey J. Mackauer

List of Topics Addressed

Benefits Of The Transaction

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	1
II. RESPONSE TO MR. HAHN .....	2
III. CONCLUSION.....	4

**REBUTTAL TESTIMONY  
OF  
JEFFREY J. MACKAUER**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Jeffrey J. Mackauer, and my business address is 76 South Main Street,  
4 Akron, OH 44308.

5 **Q. Have you previously presented testimony in this proceeding?**

6 A. Yes, on June 19, 2015, my Direct Testimony, Joint Applicants' Statement No. 2 was filed  
7 along with the Joint Application in this matter. My background and qualifications are  
8 fully set forth in that statement. On October 27, 2015, my Supplemental Direct  
9 Testimony, Joint Applicants' Statement No. 2S was served on the parties and the  
10 Administrative Law Judges.

11 **Q. What is the purpose of your rebuttal testimony?**

12 The purpose of my rebuttal testimony is to respond to portions of the direct testimony of  
13 Richard D. Hahn, who submitted testimony on behalf of the Office of Consumer  
14 Advocate ("OCA") (OCA Statement No. 1). I explain why this Transaction is necessary  
15 in order to accelerate the investment in Met-Ed and Penelec's transmission system and  
16 why such acceleration is appropriate and beneficial.

17

1 **II. RESPONSE TO MR. HAHN**

2 **Q. Mr. Hahn questions the necessity of the Transaction in allowing Met-Ed and**  
3 **Penelec to fulfill their responsibilities as electric utilities (OCA St. 1, p. 27, lines 8-**  
4 **15). From a Transmission Planning and operations perspective, what benefits does**  
5 **the Transaction bring to reliability of their systems?**

6 A. As described in my Direct Testimony, the principal benefit of the Transaction is to  
7 provide greater access to capital and lower borrowing costs, thereby enabling increased  
8 and accelerated investment in projects designed to enhance system reliability, customer  
9 service, capacity and resiliency for existing and new customers of the Met-Ed and  
10 Penelec transmission systems over that which is possible today.

11 **Q. Mr. Hahn argues that the Transaction is merely a means to allow MAIT to generate**  
12 **higher earnings though higher transmission rates (OCA St. 1, p. 28, lines 10-15). Do**  
13 **you agree with this assertion?**

14 A. No, I do not agree. As I described in my direct testimony and earlier in this testimony,  
15 transmission investment decisions occur through two processes: the Transmission  
16 Planning process and the Reliability Enhancement process. The Transmission Planning  
17 process consists of projects that are mandated or directed by PJM. The Reliability  
18 Enhancement process is an internal process, whereby transmission projects are identified  
19 to maintain and also enhance the reliability of the transmission system and complement  
20 the preventive maintenance activities conducted on the transmission system. As I  
21 described in my direct testimony, increased transmission system capital investments in  
22 the service territories of Met-Ed and Penelec are needed that could total as much as \$2.5

1 to \$3.0 billion over the next five to ten years. FirstEnergy has determined that significant  
2 investment in the transmission facilities within Met-Ed's and Penelec's respective service  
3 areas is needed to maintain and also enhance reliability stemming from various changes  
4 on those transmission systems, including, among other factors, generation changes (i.e.  
5 the retirement of existing generation units and the addition of new fossil fueled and  
6 renewable generating facilities); changes in load; the imposition of the North American  
7 Electric Reliability Corporation and ReliabilityFirst reliability standards; increased  
8 reliance on demand-side resources; heightened concerns with cyber and physical security;  
9 the aging and deterioration of existing infrastructure; system conditions that  
10 FirstEnergy's periodic assessments have uncovered; and the need for additional  
11 operational flexibility. Due to the improved access to capital that is expected to result  
12 from the approval and consummation of the Transaction, customers will benefit because  
13 MAIT will be able to accomplish more Reliability Enhancement projects sooner than  
14 Met-Ed and Penelec could within their "more costly" access to capital. If Met-Ed and  
15 Penelec were to complete the Reliability Enhancement projects under the present  
16 organizational structure, there is uncertainty as to whether or not the same number of  
17 Reliability Enhancement projects would ultimately be undertaken for the benefit of  
18 customers. This is because Met-Ed and Penelec must determine over the longer term,  
19 through their annual capital budgeting process, which Reliability Enhancement projects  
20 they will be able to financially fund and ultimately complete. This determination relies  
21 upon the then-available and, presumably, "more costly" capital, various regulatory  
22 requirements, and the development of future projects that are based on line/asset  
23 conditions and lifecycle issues pertaining to existing and future facilities and equipment

1 (as determined through the Met-Ed and Penelec inspection and maintenance programs as  
2 well as via daily operational situations/analysis).

3 **III. CONCLUSION**

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes, it does.

6

DBI/ 86302496.4