

**BEFORE THE  
MARYLAND PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF THE POTOMAC EDISON COMPANY )  
FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO )  
REBUILD THE DOUBS-GOOSE CREEK )  
500 KV TRANSMISSION LINE IN )  
FREDERICK AND MONTGOMERY )  
COUNTIES, MARYLAND )**

Case No. \_\_\_\_

**DIRECT TESTIMONY OF**

**JOHN J. ROSTOCK, JR.**

**ON BEHALF OF**

**THE POTOMAC EDISON COMPANY**

**Re: Determination and Allocation of Revenue Requirement**

**Dated: August 3, 2021**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John J. Rostock, Jr., and my business address is 76 South Main Street,  
3 Akron, Ohio 44308.

4 **RESPONSIBILITIES, EXPERIENCE, AND EDUCATION**

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

6 A. I am employed by FirstEnergy Service Company as Analyst V in the Rates and  
7 Regulatory Affairs organization.

8 **Q. PLEASE DESCRIBE YOUR DUTIES, RESPONSIBILITIES, AND**  
9 **EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.**

10 A. I graduated from The Pennsylvania State University with a Bachelor of Science  
11 degree in Electrical Engineering in 1980 and received a Master of Business  
12 Administration degree from Shenandoah University in 1989. In 1980, I began my  
13 professional career at The Potomac Edison Company (“Potomac Edison”), where I  
14 held various positions, including Distribution Lines Engineer, Substations  
15 Engineer, and Power Services Engineer. Starting in 1996, I worked in the  
16 Regulation & Rates Department of Allegheny Energy Service Corporation, serving  
17 in the capacities of Load Data Specialist and Regulatory Specialist. I was involved  
18 in various matters before the Federal Energy Regulatory Commission (“FERC”),  
19 including issues related to PJM Interconnection (“PJM”) transmission rate design  
20 and cost allocation. Since the merger between Allegheny Energy, Inc. and  
21 FirstEnergy Corp. (“FirstEnergy”) in 2011, I have been employed in FirstEnergy’s  
22 Rates and Regulatory Affairs Department, where I have provided analytical support  
23 related to the preparation of various state and Federal rate filings, including

1           determination of revenue requirement, cost allocation, and PJM transmission rate  
2           activities.

3           **PURPOSE OF TESTIMONY**

4           **Q.   PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

5           A.   The purpose of my testimony is to determine a revenue requirement and describe  
6           the methodology by which PJM would allocate the revenue requirement for the  
7           Doubs-Goose Creek 500 kV Transmission Line to load-serving entities (“LSEs”) in  
8           the PJM transmission zones. Potomac Edison owns 15.2 miles of the Doubs-Goose  
9           Creek 500 kV Transmission Line in Frederick and Montgomery Counties, Maryland  
10          and approximately 200 feet of the line in Loudoun County, Virginia. Dominion  
11          Energy Virginia (“Dominion”) also owns a section (3.1 miles) of the Doubs-Goose  
12          Creek line in Loudoun County, Virginia. However, my testimony is limited to the  
13          portion of the line owned by Potomac Edison. I will also provide an estimate of the  
14          project’s impact on customers’ bills as well as an estimate of actual impact of the  
15          project on local tax revenues.

16          **EXHIBIT**

17          **Q.   PLEASE IDENTIFY AND BRIEFLY DESCRIBE THE EXHIBIT TO YOUR**  
18          **TESTIMONY AND SUMMARIZE THE CONTENTS OF THAT EXHIBIT.**

19          A.   I am sponsoring the following exhibit with my direct testimony:  
20               •   Exhibit JJR-1 – Summary of the cost allocation by PJM of the estimated  
21               revenue requirement associated with the Doubs-Goose Creek 500 kV  
22               Transmission Line Rebuild and the project’s impact on a typical residential  
23               customer.

1 **FERC COST ALLOCATION PROCESS**

2 **Q. WHAT REGULATORY BODY WILL SET THE TRANSMISSION RATE**  
3 **THAT WILL BE CHARGED TO RECOVER COSTS ASSOCIATED WITH**  
4 **THE DOUBS-GOOSE CREEK 500 KV TRANSMISSION LINE REBUILD?**

5 A. Pursuant to section 205 of the Federal Power Act, Monongahela Power Company  
6 (“Mon Power”), Potomac Edison, and West Penn Power Company (“West Penn”)  
7 (collectively “South FirstEnergy Operating Companies” or “SFC”) recently filed  
8 with the FERC a forward-looking transmission formula rate.<sup>1</sup> SFC’s formula rate  
9 establishes the Network Integration Transmission Service (“NITS”) revenue  
10 requirement<sup>2</sup> for the Allegheny Power Transmission Zone under the PJM Open  
11 Access Transmission Tariff (“PJM Tariff”). Costs associated with the Doubs-  
12 Goose Creek 500 kV Transmission Line Rebuild will be included in the NITS  
13 revenue requirement to be recovered through SFC’s transmission formula rate.

14 **Q. WHAT PROCESS WAS USED TO DETERMINE HOW THE DOUBS-**  
15 **GOOSE CREEK 500 KV TRANSMISSION LINE REBUILD COSTS WILL**  
16 **BE ALLOCATED?**

17 A. As explained in the Direct Testimony of Lawrence A. Hozempa, the Doubs-Goose  
18 Creek 500 kV Transmission Line Rebuild was identified by Potomac Edison as a  
19 Supplemental Project under Attachment M-3 of the PJM Open Access  
20 Transmission Tariff (“OATT”). The rebuild is driven by a condition issue and

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<sup>1</sup> Filed with the FERC on October 29, 2020 in Docket No. ER21-253; SFC’s requested effective date of January 1, 2021 was accepted, subject to refund, and set for hearing and settlement judge procedures.

<sup>2</sup> Posted on the PJM website at the following location: <http://www.pjm.com/markets-and-operations/transmission-service/formula-rates.aspx>.

1 linked to a Dominion baseline upgrade included in the Regional Transmission  
2 Expansion Plan (“RTEP”). Although Supplemental Projects are integrated into the  
3 RTEP approved by the PJM Board, they are not eligible for cost responsibility  
4 assignment pursuant to Schedule 12 of the OATT.<sup>3</sup> Instead, Supplemental Projects  
5 are allocated 100 percent to the zone in which the upgrade is located.<sup>4</sup> Therefore,  
6 100 percent of the costs associated with the Doubs-Goose Creek 500 kV  
7 Transmission Line Rebuild will be allocated to LSEs in the Allegheny Power  
8 Transmission Zone, the zone where the Project is located.

9 **COST RECOVERY PROCESS**

10 **Q. WHAT IS THE ESTIMATED ANNUAL TRANSMISSION REVENUE**  
11 **REQUIREMENT ASSOCIATED WITH THE DOUBS-GOOSE CREEK 500**  
12 **KV TRANSMISSION LINE REBUILD?**

13 A. The total cost of the Project is currently estimated at \$66 million, \$65 million for  
14 the transmission line rebuild and approximately \$1 million for associated substation  
15 work. The annual revenue requirement related to the Project is estimated to be \$10  
16 million<sup>5</sup> for the calendar year immediately following the completion of the project.

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<sup>3</sup> PJM OATT, Schedule 12, § (a)(iii).

<sup>4</sup> PJM OATT, Schedule 12, § (b)(xiii).

<sup>5</sup> Certain assumptions used in estimating the annual revenue requirement could be impacted by and subject to the outcome of the settlement and hearing procedures described in n. 1, *supra*.

1 **Q. UPON COMPLETION OF THE DOUBS-GOOSE CREEK 500 KV**  
2 **TRANSMISSION LINE REBUILD, WHAT PORTION OF THE ANNUAL**  
3 **REVENUE REQUIREMENT WOULD PJM ALLOCATE TO THE**  
4 **ALLEGHENY POWER TRANSMISSION ZONE?**

5 A. As I already mentioned, the Allegheny Power Transmission Zone's cost  
6 responsibility for this Project is 100 percent of the Project revenue requirement.  
7 Therefore, I estimate that 100 percent of the Project's \$10 million annual revenue  
8 requirement would be billed by PJM to LSEs in the Allegheny Power Transmission  
9 Zone. LSEs in the Allegheny Power Transmission Zone include three FirstEnergy  
10 operating companies – Potomac Edison, Mon Power and West Penn – plus various  
11 municipalities, rural electric cooperatives, and retail generation service providers.  
12 Because the three FirstEnergy operating companies comprise, by far, the largest  
13 portion of the LSEs in the zone, the largest part of the revenue requirement allocated  
14 to the Allegheny Power Transmission Zone would be billed by PJM to those  
15 operating companies on a monthly basis.

16 **Q. WHAT PORTION OF THE PROJECT REVENUE REQUIREMENT**  
17 **ALLOCATED BY PJM TO THE ALLEGHENY POWER TRANSMISSION**  
18 **ZONE WOULD BE ALLOCATED TO THE MARYLAND PORTION OF**  
19 **POTOMAC EDISON?**

20 A. The Doubs-Goose Creek 500 kV Transmission Line Rebuild revenue requirement,  
21 included in the PJM billing for NITS charges to the Allegheny Power Transmission  
22 Zone, would be allocated among three FirstEnergy operating companies – Potomac  
23 Edison, Mon Power, and West Penn – based on their respective load ratio shares.

1           The retail load in Potomac Edison’s Maryland service territory (“PE-Maryland”)  
2           currently makes up approximately 16.16 percent of the total Allegheny Power  
3           Transmission Zone load. Therefore, total PJM billings annually to all LSEs that  
4           serve load in PE-Maryland would be approximately \$1,559,548, or 16.16 percent  
5           of the \$9,650,665 allocated by PJM to the Allegheny Power Transmission Zone.  
6           PE-Maryland’s standard offer service (“SOS”) customers are estimated to make up  
7           approximately 9.85 percent of the total Allegheny Power Transmission Zone load  
8           for the 2021 PJM billing period, while PE-Maryland’s retail shopping customers  
9           are estimated to make up the remaining 6.31 percent. Accordingly, PJM would bill  
10          PE-Maryland approximately \$950,591 annually or 9.85 percent of the \$9,650,665  
11          allocated by PJM to the Allegheny Power Transmission Zone. PJM would bill the  
12          remaining approximately \$608,957, or 6.31 percent of the \$9,650,665, to the retail  
13          generation supplier(s) serving retail shopping load in PE-Maryland.

14          **CURRENT IMPACT ON CUSTOMER BILLING**

15          **Q.     WHAT WOULD BE THE ESTIMATED RETAIL RATE IMPACT ON**  
16          **MONTHLY BILLS TO THE MARYLAND CUSTOMERS OF POTOMAC**  
17          **EDISON ASSOCIATED WITH THE DOUBS-GOOSE CREEK 500 KV**  
18          **TRANSMISSION LINE REBUILD?**

19          A.     Potomac Edison’s Maryland customers, as a whole, would experience an estimated  
20          0.34 percent increase on their monthly bills as a result of the Doubs-Goose Creek  
21          500 kV Transmission Line Rebuild. The estimated increase to a typical residential  
22          customer’s monthly bill would be approximately \$0.28 per month.

1 **Q. WHAT MECHANISM WOULD BE USED BY POTOMAC EDISON TO**  
2 **RECOVER FROM UTILITY RETAIL CUSTOMERS THE AMOUNTS**  
3 **ALLOCATED TO PE-MARYLAND FOR THE DOUBS-GOOSE CREEK**  
4 **500 KV TRANSMISSION LINE REBUILD?**

5 A. Potomac Edison would collect these NITS charges from its SOS customers through  
6 the transmission charge, as reconciled through the Energy Cost Adjustment  
7 (“ECA”), which was set up in accordance with the Settlement Agreement in  
8 Maryland Public Service Commission Case No. 8908. The ECA mechanism  
9 provides for, among other things, a true-up of billings to SOS retail customers for  
10 transmission service against payments for such service to PJM. Retail generation  
11 suppliers are responsible for billing their shopping customers located in PE-  
12 Maryland for transmission charges.

13 **SUMMARY OF IMPACTS**

14 **Q. WOULD ANY OTHER LOAD-SERVING ENTITIES IN MARYLAND**  
15 **OUTSIDE THE ALLEGHENY POWER ZONE BE ALLOCATED ANY**  
16 **PORTION OF THE REVENUE REQUIREMENT FOR THE DOUBS-**  
17 **GOOSE CREEK 500 KV TRANSMISSION LINE REBUILD?**

18 A. No. As indicated earlier, 100 percent of the Doubs-Goose Creek 500 kV  
19 Transmission Line Rebuild revenue requirement will be allocated to LSEs in the  
20 Allegheny Power Transmission Zone. Therefore, LSEs operating outside of the  
21 Allegheny Power Zone, including other LSEs in Maryland, would not be allocated  
22 a portion of the revenue requirement for the Doubs-Goose Creek 500 kV  
23 Transmission Line Rebuild.



1 **Q. HAVE YOU PREPARED AN EXHIBIT THAT SUMMARIZES THE**  
2 **ESTIMATED COST ALLOCATION BY PJM OF THE REVENUE**  
3 **REQUIREMENT FOR THE DOUBS-GOOSE CREEK 500 KV**  
4 **TRANSMISSION LINE REBUILD?**

5 A. Yes. This summary is provided in Exhibit JJR-1.

6 **Q. PLEASE EXPLAIN EXHIBIT JJR-1.**

7 A. Column 1 identifies the Doubs-Goose Creek 500 kV Transmission Line Rebuild's  
8 estimated investment. Column 2 indicates the estimated annual revenue  
9 requirement associated with the investment listed in Column 1. Column 3 shows  
10 the percentage of the total estimated annual revenue requirement in Column 2 that  
11 would be billed to the Allegheny Power Transmission Zone. Column 4 shows the  
12 dollar amount of the estimated billing.

13 Column 5 shows the percentage of the estimated annual billing by PJM to  
14 the Allegheny Power Transmission Zone that is allocable to SOS in PE-Maryland,  
15 based on current shopping percentages. Column 6 shows the dollar amount of the  
16 estimated billing.

17 Column 7 shows the percentage of the estimated annual billing by PJM to  
18 the Allegheny Power Transmission Zone that PJM would allocate to retail  
19 generation supplier(s) that serve the shopping load in PE-Maryland, again based on  
20 current shopping percentages. Column 8 shows the dollar amount of the estimated  
21 billing.

22 Column 9 simply illustrates the percentage (sum of columns 5 and 7) of the  
23 estimated annual billings by PJM to the Allegheny Power Transmission Zone

1 associated with the total retail load in PE-Maryland. Column 10 shows the dollar  
2 amount of those estimated billings. Column 11 provides the estimated change to  
3 the typical monthly bill for a residential customer using 1,000 kilowatt-hours served  
4 by PE-Maryland.

5 **SOCIOECONOMIC IMPACTS**

6 **Q. WHAT ARE SOME OF THE SOCIOECONOMIC EFFECTS OF THE**  
7 **DOUBS-GOOSE CREEK 500 KV TRANSMISSION LINE REBUILD ON**  
8 **THE SURROUNDING AREA?**

9 A. Potomac Edison expects that the tax base in Frederick and Montgomery Counties  
10 will increase slightly from Potomac Edison's additional investment. The real estate  
11 property tax for the calendar year following the in-service date of the Doubs-Goose  
12 Creek 500 kV Transmission Line Rebuild is estimated to be roughly \$0.5 million.  
13 The actual property tax levied on Potomac Edison may be different from the  
14 estimate because it is based on a number of factors, including assessed values of  
15 real and personal property, operating income, and other factors. As discussed in  
16 the Direct Testimony of Kevin C. Irvine, we do not anticipate having a large  
17 construction work force in the area for an extended period of time, and therefore  
18 expect only a small increase in taxes and spending associated with the 65 to 100  
19 employees estimated by Mr. Irvine to make up the Project's work force during the  
20 construction period.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes, it does.