

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of American Transmission)
Company LLC and Northern States Power)
Company - Wisconsin, as Electric Public)
Utilities, For Authority to Construct and)
Operate a New 345 kV Transmission Line)
from the La Crosse area, in La Crosse County,)
to the greater Madison area in Dane County,)
Wisconsin.)

Docket No. 5-CE-142

**REBUTTAL TESTIMONY OF JAMES HODGSON
IN SUPPORT OF THE JOINT APPLICATION**

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1 **INTRODUCTION**

2 **Q. Please state your name, employer, title and business address.**

3 A. My name is James Hodgson. I am employed by ATC Management, Inc., the corporate
4 manager of American Transmission Company LLC (collectively “ATC”), as a Business
5 Development Strategist. My business address is W234 N2000 Ridgeview Parkway Ct.,
6 Waukesha, Wisconsin 53188-1022.

7 **Q. Did you submit direct testimony in this proceeding on September 15, 2014?**

8 A. Yes.

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

10 A. I will respond to the following direct testimony:

- 11 • Direct-CETF/SOUL-Lanzalotta.

12 **Q. Have you reviewed this direct testimony and any accompanying exhibits?**

13 A. Yes I have.

14 **CETF/SOUL**

15 **Q. In Direct-CETF/SOUL-Lanzalotta, Mr. Lanzalotta states that, under the Slow**
16 **Growth scenario, the net present value of the Badger Coulee 345 kV Transmission**
17 **Line Project’s (“Badger Coulee Project” or “Project”) aggregate economic benefits**
18 **would be \$130.54 million over 40 years, which he translates to approximately \$1.10**
19 **per customer per year. Do you have any response to Mr. Lanzalotta’s calculation?**

20 A. Yes. Mr. Lanzalotta’s use of the \$1.10 per customer per year figure as the annual benefit
21 to the relevant ratepayers is a misapplication of the numbers and is highly misleading.
22 The \$130.54 million is derived from Ex.-Applicants-Henn-1: Joint Application, Revised
23 Appendix D, Table 1, which lists the benefits of transmission alternatives for ATC

1 customers. The \$130.54 million represents the present value of the annual benefits to
2 ATC customers over the 40 year life of the Project when it is discounted back to 2012 to
3 account for the customers' time value of money. By spreading the discounted values
4 back over the 40 year benefit period, rather than using the actual value each year into the
5 future, Mr. Lanzalotta improperly creates the perception that the annual benefit is a small
6 fraction of the true benefits that the relevant customers would realize. Furthermore, in
7 order to correctly calculate the annual economic benefits of the Project enjoyed by
8 individual retail ratepayers each year into the future the retail rate design would need to
9 be known for each ratepayer group in question, as would their electricity usage. The
10 correct use of the \$130.54 million present value of benefits of the Project to the
11 ratepayers is to compare it to the Present Value of Revenue Requirements ("PVRR") or
12 costs to the ratepayers of \$11.88 million. This shows that the present value of the
13 economic benefits of the Project are approximately 11 times the present value of the costs
14 in the Slow Growth future.

15 **Q. In Direct-CETF/SOUL-Lanzalotta, Mr. Lanzalotta compares the cost of a "Low**
16 **Voltage" alternative to the cost of the Badger Coulee Project. Do you have any**
17 **comments regarding Mr. Lanzalotta's cost comparison?**

18 A. Yes. Again Mr. Lanzalotta's testimony uses numbers that are misleading and do not
19 represent the true impacts of the Project to the relevant ratepayers. Mr. Lanzalotta states
20 that the total cost for the Low Voltage alternative would be \$218.9 to \$428.7 million, as
21 compared to the total cost for the Badger Coulee Project, which he says will be about
22 \$580 million. However, Mr. Lanzalotta is using the capital costs (in nominal dollars) to
23 compare the two options, but in this case, the capital costs do not represent the cost of

1 each alternative to relevant ratepayers. The only benefits or costs that are relevant to the
2 analysis are the ones that are either received by or paid for by the ratepayers that are the
3 subject of the study. The appropriate cost figures to include would be the respective
4 charges that would be paid under the two alternatives by the relevant ratepayers as
5 established under the tariff. This is shown as the PVRR. In this case, the PVRRs are a
6 cost to the customer of \$11.88 million for the Badger Coulee Project and \$466.91 million
7 for the Low Voltage alternative, as shown in Ex.-Applicants-Henn-1: Joint Application,
8 Revised Appendix D, Table 1.

9 **Q. Does this complete your rebuttal testimony?**

10 A. Yes.