

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Potomac-Appalachian Transmission)
Highline, LLC)

Docket No. ER08-386-000
ER09-1256-000

**KERYN NEWMAN AND ALISON HAVERTY’S RESPONSE TO
POTOMAC-APPALACHIAN TRANSMISSION HIGHLINE, LLC’S ANSWER TO
NEWMAN & HAVERTY’S RESPONSE TO PATH’S ANSWER TO THE FORMAL
CHALLENGE**

Pursuant to Rule 213 of the Rules of Practice and Procedure (“Procedural Rules”) of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.213, Keryn Newman and Alison Haverty, Interested Parties, *pro se*, hereby file this Response to the Potomac-Appalachian Transmission Highline, LLC’s (“PATH”) Answer to Newman and Haverty’s Response to PATH’s Answer to the Formal Challenge to PATH’s 2010 Annual Transmission Revenue Requirement, dated January 27, 2012.

Despite the general rule prohibiting answers to answers, the Commission has permitted responses not expressly authorized when they clarify the record, contribute to an understanding of the issues, or assist the decision-making process. Acceptance of this Response will aid the Commission in its deliberative process by clarifying and correcting errors, and therefore we respectfully request that the Commission consider the new information it provides in their deliberations.

I. Introduction

The Challengers file this Response rather reluctantly, however, PATH’s continued accounting errors must be corrected to assure its rates are just and reasonable. PATH’s January 27 Answer produces more questions than it does answers, and in attempting to correct its

previous errors, PATH commits further errors. Challengers' previous efforts to resolve these matters directly with PATH were rebuffed, leaving only this venue in which to pursue them.

II. Discussion

PATH's rate is calculated by incorporating certain numbers into its formula rate to produce a resulting cost of service. The numbers inserted into the formula rate come from PATH's Form No. 1. The numbers filed in PATH's Form No. 1 come from PATH's General Ledger¹ ("GL"). In order to produce a true and correct rate, source numbers in all three must agree. When a certain account balance in any of these three different formats does not agree with the others, an error has occurred. PATH's GL does not agree with their Form No. 1 and the Form No. 1 does not agree with their 2009 and 2010 corrected Actual Transmission Revenue Requirements ("ATRR").

This incongruity is what Challengers demonstrated in their previous Response regarding corrections to PATH-WV's rate base, Appendix A, Line 29, Account No. 283 of the Formula Rate. Challengers showed that the numbers in PATH's information responses, presumably taken from their GL, did not correspond with the numbers filed in their Form No. 1 that were subsequently transferred to their Formula Rate ATRR.

This same incongruity has also caused errors in PATH-WV's Operations & Maintenance ("O&M") accounts as shown on Exhibit A to PATH's Answer to the Formal Challenge. PATH states that the addition of \$12,419.94 to its 2010 ATRR was made necessary by errors flowing from previous corrections performed to its 2009 ATRR on December 28, 2010.² PATH explains that while corrections to its 2009 ATRR were made in the Formula Rate on December 28, 2010,

¹ A General Ledger is a company's formal ledger of accounting records containing all the financial accounts and statements of the business. PATH refers to the General Ledger as their "books and records," pp. 2 & 3, January 27, 2012 Answer.

² See Exhibit-A, p. 1

corresponding corrections to its 2009 GL balances were reflected in the balances for the 4th quarter of 2010. These 2009 GL balance corrections, which were accounted for in the Formula Rate via PATH's 2009 ATRR correction on December 28, 2010, were then carried forward to the 2010 ATRR through inputs from the 2010 GL into the 2010 Form No. 1, which was then used to produce the 2010 ATRR Formula Rate.

PATH's explanation only stretches so far. If all line items reflected in PATH's December 28, 2010, 2009 ATRR correction were corrected in the GL in 2010, then all corrections would have caused incorrect balances in PATH's 2010 GL. Instead, PATH claims that only three line items from PATH-WV's December 28, 2010, 2009 ATRR correction were incorrectly reflected in their 2010 GL balances.

Of these three line items,³ only one is actually "double counted" and reflected in PATH's 2010 GL balances. Line item 3, Jana Sheffer, in the amount of \$4,275 appears as a credit in PATH-WV's 2010 Account 930.1 GL detail.⁴ Line items 2 and 4 do not appear as credits in PATH-WV's 2010 Account 923 and 930.2 GL detail, respectively,⁵ therefore they were not "double counted" and included in 2010 GL balances which were filed in Form No. 1⁶ and incorporated into PATH's 2010 Formula Rate ATRR. Accordingly, these two line items, amounting to \$8,144.94, should not have been added to PATH's 2010 ATRR in PATH's December 16, 2011 Second Revised 2012 PTRR's revised 2010 True-up amount because they were never subtracted from the 2010 GL account balances.

³ Exhibit-A, p. 1, line items 2, 3 & 4

⁴ See Exhibit-A, p. 2

⁵ See Exhibit-A, pp. 3-6 and pp. 7-8

⁶ See Exhibit-A, p. 9

The question that now arises is how and when corrections to PATH's GL were made for other line items from both PATH-WV and PATH-Allegheny's December 28, 2010, 2009 ATRR corrections? PATH states that corrections to the GL were made when these errors were discovered "during the 4th quarter of 2010,"⁷ however corresponding corrections were not noted in PATH's 2010 GL detail provided in discovery. Following in this vein, how and when were corrections made to PATH's GL corresponding to the line items in PATH's December 16, 2011 corrections to its 2010 ATRR? Will these 2010 GL corrections, made in 4th quarter 2011, show up as future corrections to PATH's 2011 GL balances flowed through to its 2011 ATRR? How many of PATH's past expenditures were "double counted" in their ATRRs as a result of GL corrections in a subsequent year? These are questions that are properly answered through an audit, and not through continued motion practice before the Commission.

III. Conclusion

When PATH corrects its ATRR, it does not file corresponding changes to its Form No. 1, and it makes corrections to its GL in a time period inconsistent with the period in which the errors were made. This engenders a need to make continual adjustments to future Form No. 1 and ATRR balances, however PATH has been unsuccessful in correctly recognizing and applying these adjustments, resulting in errors that render its rates incorrect, unjust and unreasonable. This incongruity between PATH's GL balances, Form No. 1 balances and Formula Rate ATRR balances has persisted for several years and must be sorted out and corrected so that past and future rates are accurate.

It has been made painfully obvious that PATH and Challengers do not agree on the methods and results of many accounting practices, and only through the intervention and

⁷ PATH Answer, p. 3

guidance of an impartial third party will these issues be put to rest. It is for this reason that Challengers continue to urge the Commission to commence a comprehensive audit of PATH's Formula Rate filings to ensure that they conform to the Commission's accounting standards and that the resultant rates are just and reasonable.

Respectfully submitted this January 31, 2012,

/s/ Keryn Newman

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Certificate of Service

We, Keryn Newman and Alison Haverty, certify that we have served a copy of KERYN NEWMAN AND ALISON HAVERTY'S RESPONSE TO POTOMAC-APPALACHIAN TRANSMISSION HIGHLINE, LLC'S ANSWER TO NEWMAN AND HAVERTY'S RESPONSE TO PATH'S ANSWER TO THE FORMAL CHALLENGE upon the parties listed below by e-mail, on January 31, 2012.

/s/ Keryn Newman
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