

EXHIBIT 3

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

APPLICATION OF)

TRANS-ALLEGHENY INTERSTATE LINE)
COMPANY)

Case No. PUE-2007-000 _____

For approval and certification of electric)
transmission facilities under Va. Code)
§ 56-46.1 and the Utility Facilities Act,)
Va. Code § 56-265.1 *et seq.*)

APPLICATION OF
TRANS-ALLEGHENY INTERSTATE LINE COMPANY
FOR APPROVAL AND CERTIFICATION OF ELECTRIC FACILITIES FOR
THE
CONSTRUCTION OF 500 kV TRANSMISSION LINE

DIRECT TESTIMONY OF
STEVEN R. HERLING

April 19, 2007

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Steven R. Herling and my business address is 955 Jefferson Avenue,
3 Valley Forge Corporate Center, Norristown, Pennsylvania 19403-2497.

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

5 A. I am Vice President of Planning for PJM Interconnection, L.L.C. ("PJM"). As
6 PJM's Vice President of Planning, I am responsible for the Capacity Adequacy
7 Planning Department, which develops the long-term load forecast for the PJM
8 region and, in consultation with load-serving entities, sets and enforces
9 requirements for the sufficiency, adequacy, and availability of the generation
10 resources needed to ensure reliable service to loads; the Interconnection Planning
11 Department, which evaluates interconnections to the transmission system by new
12 generation and merchant transmission projects; and the Transmission Planning
13 Department, which evaluates the reliability and market efficiency of the
14 transmission grid and develops the regional transmission expansion plan ("RTEP").

15 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND
16 EDUCATIONAL BACKGROUND.

17 A. I have been employed by PJM since May 1990, when I began work as an Engineer
18 in the Operations Planning Department. I was promoted to Senior Engineer in 1993
19 and to Manager of the System Planning Department in 1994. I then held a number
20 of management positions until I was promoted to Executive Director, System
21 Planning Division in 2003. I was promoted to my current position in May 2004.

1 While at PJM, I have contributed to or led initiatives that resulted in a wide
2 range of milestone achievements in its evolution and growth as a regional
3 transmission organization ("RTO"), including the creation of the RTEP process, the
4 development of procedures and standard terms and conditions for generator and
5 merchant transmission interconnections, and the reliability and adequacy aspects of
6 successive integrations of additional control areas that have more than doubled the
7 size of the PJM market area in the last five years.

8 In addition to my work for PJM, I have contributed to a wide range of
9 activities of the North American Electric Reliability Corporation ("NERC"),
10 formerly the North American Electric Reliability Council. Currently, I serve as
11 vice-chair of the NERC Planning Committee. I have also served on various regional
12 and industry working groups and committees addressing reliability and planning
13 matters. I have testified on a number of occasions on system planning and
14 reliability issues in proceedings before the Federal Energy Regulatory Commission
15 ("FERC"), state commissions, and legislative task forces.

16 Prior to joining PJM, I worked for the General Public Utilities Service
17 Corporation for three years in systems operations, where I was responsible for
18 dispatcher training and certification, operations planning activities, and energy
19 management system and operational support tools. Prior to that, I worked for the
20 American Electric Power Service Corporation ("AEP") for eight years in bulk
21 transmission planning. In that position, I performed a range of power system

1 analyses related to mechanical behavior of turbine-generator shaft systems, the AEP
2 765 kV transmission system, and generator and circuit breaker dynamic modeling.

3 I am a licensed Professional Engineer in the state of Ohio. I hold a
4 Bachelor of Science in Electrical Power Engineering and a Master of Engineering in
5 Electric Power Engineering, both from Rensselaer Polytechnic Institute.

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PURPOSE OF TESTIMONY

8 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

9 A. I have been asked by Trans-Allegheny Interstate Line Company ("TrAILCo") to
10 describe PJM and its regional transmission expansion planning process ("RTEPP").
11 In particular, I will discuss the Virginia Segments of the Trans-Allegheny Interstate
12 Line ("TrAIL") in the context of the PJM RTEPP.

13 Q. WILL THE USE OF VARIOUS TERMS IN YOUR TESTIMONY BE
14 CONSISTENT WITH THE DEFINITIONS ASSIGNED TO THOSE
15 TERMS IN THE TABLE OF NOMENCLATURE ATTACHED TO THE
16 APPLICATION AS EXHIBIT 2?

17 A. Yes. In addition, I may define other specific terms in my direct testimony.

18

19

PJM

20 Q. PLEASE DESCRIBE PJM.

21 A. PJM is an RTO that ensures the reliability of the electric transmission system
22 under its functional control and coordinates the movement of wholesale electricity

1 in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New
2 Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia
3 and the District of Columbia.

4 The PJM system serves approximately 51 million people. PJM dispatches
5 more than 164,000 megawatts ("MW") of generation capacity over more than
6 56,000 miles of transmission lines – a system that serves nearly 20 percent of the
7 United States economy. PJM's wholesale electricity markets had more than \$22
8 billion in billings in 2005.

9 PJM presently has more than 450 members. These members/customers
10 include power generators, Transmission Owners, electricity distributors, power
11 marketers and large consumers. PJM's role as a federally regulated RTO means
12 that it acts independently and impartially in operating and planning the regional
13 transmission system and in overseeing the wholesale electricity market.

14 As part of its ongoing responsibilities as an RTO, PJM prepares the RTEP
15 each year in order to analyze the electric supply needs of the customers in the PJM
16 region. The RTEP directs transmission upgrades to address near-term needs
17 within five years and assesses long-lead-time transmission options requiring a
18 planning horizon of 15 years or more. The RTEP provides forward-looking
19 information as to the state of the supply and delivery infrastructure and identifies
20 future system needs, both in terms of reliability and market efficiency. The RTEP
21 will direct PJM's transmission owning members to address such needs through
22 specific transmission solutions. However, the information publicly disseminated

1 through the RTEP permits other resource providers, including generators, demand
2 response providers and merchant Transmission Owners; the opportunity to address
3 identified system needs in a manner that might delay or even obviate the
4 transmission solution first identified in the RTEP.

5 Q. IS ALLEGHENY POWER A PJM MEMBER?

6 A. Yes. Each of the three Allegheny Power operating companies is a member of PJM
7 and is considered a "Transmission Owner" under the Amended and Restated
8 Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement").

9 Q. IS TRAILCO A PJM MEMBER?

10 A. Yes. TrAILCo became a PJM member effective on March 28, 2007 and is
11 considered a Transmission Owner under the Operating Agreement.

12 Q. IS VIRGINIA ELECTRIC AND POWER COMPANY A PJM MEMBER?

13 A. Yes, Virginia Electric and Power Company ("Dominion Virginia Power") is a
14 Transmission Owner member of PJM under the Operating Agreement.

15 Q. HOW IS THE TERM "TRANSMISSION OWNER" DEFINED BY THE
16 OPERATING AGREEMENT?

17 A. "Transmission Owner" means a PJM member that owns Transmission Facilities or
18 leases Transmission Facilities with rights equivalent to ownership. "Transmission
19 Facilities" means facilities that (i) are within the PJM region, (ii) meet the
20 definition of transmission facilities pursuant to FERC's Uniform System of
21 Accounts or have been classified as transmission facilities in a ruling by FERC
22 addressing such facilities, and (iii) have been demonstrated to the satisfaction of