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BEFORE THE
OHIO POWER SITING BOARD**PUCO**

In the Matter of:)
 The Application of American Transmission)
 Systems, Incorporated and The Cleveland)
 Electric Illuminating Company for a)
 Certificate of Environmental Compatibility)
 and Public Need for the Geauga County)
 138 kV Transmission Line Supply Project)

Case No. 07-0171-EL-BTX

INITIAL DIRECT TESTIMONY OF

KATHLEEN M. McGEE, J.D., M.A.I.

ON BEHALF OF

CITIZENS ADVOCATING RESPONSIBLE ENERGY

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- 1 Q. Please state your name.
- 2 A. Kathleen M. McGee.
- 3 Q. Your business address?
- 4 A. 4603 Brookpark Road, Cleveland, Ohio 44134
- 5 Q. Are you currently employed?
- 6 A. Yes. I am employed by and am an owner of A&E Appraisals, Inc.
- 7 Q. What is A&E Appraisals, Inc., and what is your roll there?
- 8 A. A&E Appraisals provides appraisal services regarding all types of
- 9 residential, commercial and industrial property throughout Ohio, utilizing
- 10 advanced techniques to compare and evaluate properties. We have been
- 11 in business since 1991 and provide valuations for, among other things,
- 12 litigation and forensic evidence, acquisition, condemnation, eminent
- 13 domain, commercial and residential lending services and purchases and
- 14 sales negotiations.
- 15 Q. Please describe your education.
- 16 A. I graduated with a BA degree in 1975 from Baldwin Wallace College as a
- 17 business major. Following graduation, I enrolled in law school at
- 18 Cleveland Marshall College of Law at Cleveland State University and
- 19 received a JD degree in 1978. I took and passed the Ohio State Bar
- 20 examination in February, 1979, and have been licensed as an attorney in
- 21 Ohio since that time.
- 22 Q. Please describe your employment history.

23 A. Following law school, I was employed by Corporate Financial Consultants,
24 Inc., doing contract review, tax work and basic financial services work.
25 From 1978 to 1982 I worked for the Touche Ross accounting firm, now
26 known as Deloitte & Touche, working in its tax department. During that
27 time, I also held a position as a adjunct professor at Baldwin Wallace
28 College, teaching tax, corporate and basic business courses to
29 undergraduates. In about 1982, I formed McGee & Associates with my
30 husband, which was a real estate brokerage company.
31 In the late 1980's we sold McGee & Associates to Oaktree Realty
32 Company, and I then joined Prudential in its real estate department, as an
33 in-house attorney. I formed A&E Appraisals in 1991.

34 Q. Is there a formal process for becoming qualified to do real estate
35 appraisals?

36 A. Yes there is.

37 Q. Please describe that process.

38 A. As an initial matter, a substantial amount of education and hours of
39 experience are necessary to obtain an appraisal license from the State of
40 Ohio. I am a General Certified Real Estate Appraiser in the State of Ohio
41 and am licensed to perform all types of appraisals.

42 Q. Is there any certification process beyond licensing?

43 A. Yes, In addition to licensing by the state there is a four-part test known as
44 the "MAI General Comprehensive Examination."

45 Q. What is MAI?

46 A. MAI stands for the designation, "Member, Appraisal Institute." The
47 Appraisal Institute is a non-profit professional organization, similar to the
48 American Institute of Certified Public Accountants which provides testing
49 and certification for CPAs.

50 The MAI provides a four-part two-day examination covering appraisal
51 techniques and methodology on all levels. I passed this test and achieved
52 the "MAI" designation in 1999.

53 Q. Do you have any other certifications relating to appraisals?

54 A. Yes, I have also qualified for the designation of "SRA", meaning "Senior
55 Residential Appraiser." MAI is the certification and designation that
56 applies more to commercial and industrial properties. SRI applies more to
57 residential properties. I am qualified and certified to do both.

58 Q. Are there any other qualifications that relate to your ability to testify
59 regarding real estate property values?

60 A. Yes. I have been qualified to give expert appraisal testimony, including
61 appraisals for utility easements, by various Ohio courts and by various
62 Ohio administrative agencies and I am on the Ohio Department of
63 Transportation's prequalified appraiser list.

64 Q. You have been called as an expert witness regarding multiple properties
65 in Geauga County that are along two routes proposed by the Applicants in
66 this proceeding for the construction of an overhead electric utility
67 transmission line, is that correct?

68 A. Yes.

69 Q. Do you understand what kind of transmission line First Energy is
70 proposing to construct?

71 A. Yes, as I understand it, the transmission line would be a wood pole, 80 to
72 90 feet tall and a 60 foot wide easement centered on the pole line would
73 be required.

74 Q. Have you attempted to quantify the specific financial impact of this
75 transmission line on any of the properties along the Preferred Route?

76 A. No. I have a general opinion about the impact of the power line on these
77 properties, but I have not performed any individual studies as to the
78 specific economic effect on any individual property.

79 Q. Same question regarding the potential impact of this transmission line on
80 the values of the properties along the Alternate Route.

81 A. My answer is the same: I have performed no specific quantitative studies.
82 My testimony today is to provide a comparison of the relative impact of
83 using properties along either the Preferred Route or the Alternate Route
84 as compared to utilizing existing, available transportation corridors.

85 Q. Do you have any expertise regarding whether the use of routes other than
86 those proposed by Applicants is technically feasible?

87 A. No. My expertise is limited to the effect on property values where the
88 route chosen requires the taking of private property as compared to a
89 route which involves the use of publicly-owned property.

90 Q. What factors related to a transmission line's impact the value of a
91 particular property?

92 A. First, the acquisition of an easement means the taking of a vested,
93 existing property right from a private property owner. Second, an
94 easement allowing for an overhead high voltage power line severely
95 restricts the property owners' ability to use the easement property. In
96 addition, the creation of this type of easement has a significant impact
97 upon the value of the "residue", meaning an impact on the value of the
98 property that is not taken that is adjacent to the easement.

99 Q. What methodology is appropriate to determine impact on value in this
100 situation?

101 A. The appropriate appraisal methodology used to determine property values
102 for the just compensation of property being taken though use of eminent
103 domain is the "before and after" approach. An appraisal is performed on
104 the effected property before the easement exists and a separate appraisal
105 on the value of the property after the easement is in effect. The difference
106 between these two values represents the "just compensation" due the
107 property owner. By utilizing this method, the "just compensation" includes
108 not just the value of the specific property taken, but also the diminution in
109 value of the remainder of the property.

110 Q. What materials did you review and what investigations did you make in
111 order to facilitate providing an opinion in this matter?

112 A. I reviewed the overhead maps for the proposed route located near State
113 Route 528, which I believe that First Energy refers to the "Preferred
114 Route" and similar maps of the route that primarily follows Clay Street,

115 which I believe First Energy refers to as the "Alternate Route." I also
116 looked at areal maps and photographs of these properties. I examined
117 the routes and what would be in the proposed easement areas.
118 In addition, I consulted the unusually-detailed and comprehensive
119 information for these properties which is provided on the Geauga County
120 Auditor's website, known as "Access Geauga", and numerous media
121 articles regarding this proposed project. I also reviewed various data files
122 within my office that relate to values of properties that are effected by both
123 power line easements and other types of easements, and reviewed how
124 those easements effected value.

125 In addition, I visited the location and visually viewed the affected
126 properties from the adjacent roads.

127 Q. What did your examination of the properties in the Preferred Route and
128 the Alternative Route reveal?

129 A. The transmission line easement will traverse through homes, agricultural
130 lands, wetlands, fences, drainage tile, septic systems, ponds and a golf
131 course.

132 Q. When you say you reviewed appraisal files, please describe exactly what
133 you mean.

134 A. I reviewed various files from previous projects for which I have been
135 employed which involved a "paired sale analysis" for a group of properties
136 with a power line and a group of very similar properties without a power
137 line.

138 Q. Describe what a "paired sale analysis" is.

139 A. A paired sale analysis is a typical methodology used in the appraisal
140 industry, through which an appraiser can compare the values of similarly
141 situated properties, one with a particular feature, and the other without that
142 feature.

143 Q. Describe the paired sale analysis regarding easements which you
144 reviewed.

145 A. This analysis was for a property developer who was attempting to
146 determine, for properties he owned, the difference in value between a
147 property with a power line easement and a similar lot without such an
148 easement. To do this analysis I looked at unrelated, undeveloped
149 properties in Plain Township in Stark County which had already been sold.
150 Pairs were identified, with each property in the pair selling within a similar
151 time frame, and each property in the pair being across the street from the
152 comparison property. I identified ten to twelve such pairs of properties,
153 and in each pair, there was a property that had a power line easement and
154 a property which was similar, but which did not have the easement. The
155 properties with the easement had a high voltage power line running
156 through the back yards. I paired the encumbered land sales to the
157 unencumbered land sales, and determined the difference in sale price
158 (both in dollars and percentage.)

159 Q. What was the result of the study?

160 A. I concluded that the sale price for the land that was encumbered with the
161 transmission line easement was between 40% and 60% percent less than
162 the sale price for the similar land that did not have the easement.

163 Q. Do you have an opinion, to a reasonable degree of certainty, based upon
164 your training and experience as an appraiser as to how the power line
165 easement proposed in this case for the properties along the Preferred
166 Route would effect their value?

167 A. Yes.

168 Q. What is that opinion?

169 A. Based upon my experience, my previous studies and my training as an
170 appraiser, in my opinion, the diminution in value of the properties along
171 the Preferred Route which will be subject to the proposed power line will
172 be in the range of 40 to 60 percent.

173 Q. Do you have an opinion, to a reasonable degree of certainty, based upon
174 your training and experience as an appraiser as to how the power line
175 easement proposed herein for the properties along the Alternate Route
176 would effect their value?

177 A. Yes.

178 Q. What is that opinion?

179 A. Based upon my experience, my previous studies and my training as an
180 appraiser, in my opinion, the diminution in value of the properties along
181 the Alternate Route which will be subject to the proposed power line will
182 be in the range of 40 to 60 percent.

183 Q. Have you also evaluated the impact of a power line easement on value of
184 property which is already utilized for a transportation or utility corridor.

185 A. Yes, although I have not preformed empirical studies on this issue.

186 Q. What is the impact of that easement on the value?

187 A. Generally speaking, there is little or no impact on the value of the
188 transportation or utility corridor property, because the property is publicly
189 owned, is already used for a public use, and the additional impact of a
190 power line easement is therefore negligible. For example, it is my
191 understanding that one potential alternative site that has been discussed
192 would be to locate the transmission line in the right-of-way currently
193 owned by the Geauga Park District, between the existing asphalt path
194 used as a bike trail, and the property line of the right-of-way. The right-of-
195 way was acquired originally by the Geauga County Commissioners for a
196 nominal cost, and was subsequently transferred to the Geauga Park
197 District at zero cost.

198 Q. What about the impact on the properties adjacent to a transportation
199 corridor?

200 A. The impact on the value of those properties would be significantly smaller
201 than the impact on the value of properties not adjacent to the
202 transportation corridor, since they are already adjacent to a publicly used
203 corridor and the added burden of a power line would not decrease the
204 value of those properties nearly as much as the addition of a power line to
205 a property which is not near a transportation corridor.

206 Q. Have you had a chance to examine the location of the power line on the
207 properties on the Preferred Route?

208 A. Yes.

209 Q. First Energy has claimed that its location of the power line on the
210 Preferred Route is designed to minimize impact on properties by following
211 the rear property line of most properties. Does the Preferred Route do
212 that?

213 A. I do not think that is accurate for the Preferred Route. In fact most of the
214 properties located to the south of Chardon-Windsor Road lose a
215 substantial portion of their rear area because the rear area of the property
216 would be on the other side of the power line.

217 Q. Have you examined possible routes other than the Preferred Route or the
218 Alternate Route?

219 A. Yes.

220 Q. What routes have you examined?

221 A. I examined the possible location of a pair of 138 Kv power lines utilizing
222 existing poles or pole locations along State Route 322, between the
223 Mayfield substation in Chesterland and the existing Ruth substation.

224 Q. What was your conclusion regarding the impact on private property values
225 for adjacent properties if this route was followed?

226 A. To the extent that existing poles or pole locations can be utilized, there
227 would be no impact on value, because easements authorizing this use are
228 already in place. To the extent that certain pole locations would need to

229 be located outside of the easement area, the impact would be nominal,
230 because there already is an existing 36 Kv transmission line located there,
231 and the increase in pole size and wire spacing to accommodate a new
232 transmission line would not substantially impact the value of any of those
233 properties.

234 Q. Are you a member of CARE?

235 A. No.

236 Q. Are any of your family members members of CARE?

237 A. No.

238 Q. Is CARE paying you for your services?

239 A. No. I am providing testimony here pro bono.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Citizens Advocating Responsible Energy's Initial Direct Testimony of Kathleen M. McGee was served this 8th day of September 2008, via regular U.S. Mail upon the following:

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