

Exhibit No.:
Issue: American Electric Power Company, Inc.'s
Commitment to Transource Energy, LLC and
Transource Missouri, LLC
Witness: Lisa M. Barton
Type of Exhibit: Direct Testimony
Sponsoring Party: Transource Missouri, LLC
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Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EA-2012-

DIRECT TESTIMONY

OF

LISA M. BARTON

ON BEHALF OF

TRANSOURCE MISSOURI, LLC

August 2012

Exhibit NO. 1
File NO. EA-2013-0098

1 **Q: Please state your name and business address.**

2 A: My name is Lisa M. Barton. My business address is 700 Morrison Road, Gahanna, Ohio,
3 43230.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by American Electric Power Service Corporation (“AEPSC”), a wholly-
6 owned subsidiary of American Electric Power Company, Inc. (“AEP”). I am the
7 Executive Vice President of Transmission for AEP. I also sit on the Board of Managers
8 (“the Board”) for Transource Energy, LLC (“Transource”).

9 **Q: On whose behalf are you testifying?**

10 A: I am testifying on behalf of AEP, Transource, and Transource Missouri, LLC
11 (“Transource Missouri”).

12 **Q: What are your responsibilities?**

13 A: As executive vice president of Transmission for AEP, I am responsible for AEP’s eleven-
14 state transmission system, including planning, engineering, construction, maintenance,
15 operations, reliability compliance, and business services. I am also responsible for AEP’s
16 transmission business ventures, including joint ventures such as Transource, Pioneer
17 Transmission, LLC (“Pioneer”), Prairie Wind Transmission, LLC (“Prairie Wind”),
18 Electric Transmission America, LLC (“ETA”), and Electric Transmission Texas, LLC
19 (“ETT”). The AEP Transmission business unit provides services to AEP’s operating
20 companies, wholly-owned transmission companies, and jointly-owned transmission
21 companies.

1 **Q: Please describe your education, experience, and employment history.**

2 A: I earned a Bachelor of Science degree in electrical engineering in 1987 from Worcester
3 Polytechnic Institute in Worcester, Massachusetts, and a Juris Doctorate degree in 1993
4 from Suffolk University Law School in Boston, Massachusetts. I am a member of both
5 the New Hampshire and Massachusetts state bars and registered to practice before the
6 United States Patent and Trademark Office.

7 I have over twenty-five years of experience in the energy field. Throughout my
8 tenure in the industry, I have held various positions in the areas of engineering, rates and
9 regulatory affairs, marketing, compliance, and legal and energy consulting for Northeast
10 Utilities Service Corporation (“NEUSC”), its subsidiary Public Service Company of New
11 Hampshire, Ransmeier and Spellman LLC, and Strategic Energy LLC. Prior to joining
12 AEP, I was most recently manager of Transmission Regulations and Compliance for
13 NEUSC. Since joining AEP in 2006, I have held various positions of increasing
14 responsibility within the AEP Transmission organization. These positions have included
15 director of Transmission Planning, managing director of Transmission, vice president of
16 Transmission Strategy and Business Development, and senior vice president of
17 Transmission Strategy and Business Development, prior to my current position as
18 executive vice president of AEP Transmission.

19 **Q: Please describe your participation in industry organizations.**

20 A: Among other organizations, I have participated in the Harvard Energy Policy Group, the
21 Clinton Global Initiative Roundtable, the Energy Advisory Committee of the Edison
22 Electric Institute (“EEI”), the Stakeholder Steering Committee of the Eastern

1 Interconnect Planning Collaborative (“EIPC”), and the Working Group for Investment in
2 Reliable and Economic Electric Systems (“WIRES”).

3 **Q: Have you previously testified in a proceeding before the Missouri Public Service**
4 **Commission (“Commission” or “MPSC”)?**

5 A: No. However, I have filed testimony in proceedings before the Federal Energy
6 Regulatory Commission (“FERC”), as well as before state regulatory commissions in
7 Arkansas, Indiana, Kansas, Kentucky, Virginia, and West Virginia.

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to demonstrate AEP’s commitment to the long-term
10 success of Transource and Transource Missouri.

11 **Q: Please describe AEP.**

12 A: AEP is one of the largest electric utility holding companies in the United States,
13 delivering electricity to more than 5 million customers in eleven states. AEP ranks
14 among the nation’s largest generators of electricity, owning nearly 38,000 megawatts of
15 generating capacity in the United States. AEP also owns the nation’s largest electricity
16 transmission system, a nearly 39,000-mile network that includes more 765kV extra-high
17 voltage transmission lines than all other U.S. transmission systems combined. AEP’s
18 transmission system directly or indirectly serves about 10% of the electricity demand in
19 the Eastern Interconnection, and approximately 11% of the electricity demand in the
20 Electric Reliability Council of Texas (“ERCOT”). AEP’s operating utilities provide
21 service to retail and wholesale customers in Arkansas, Indiana, Kentucky, Louisiana,
22 Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia. AEP’s
23 headquarters are in Columbus, Ohio. AEP’s operating companies in SPP, which include

1 Public Service Company of Oklahoma (“PSO”) and Southwestern Electric Power
2 Company (“SWEPCO”), comprise approximately 23% of the total load ratio share of the
3 SPP region. Additional details on AEP’s transmission system are provided in the Direct
4 Testimony of Scott P. Moore.

5 **Q: Please describe the AEP Transmission organization.**

6 A: AEP Transmission is a functional business unit of AEP responsible for the planning,
7 engineering, construction, and operation of the transmission assets owned by AEP
8 operating companies and wholly-owned transmission subsidiaries. It is a centralized
9 organization comprised of approximately 1,900 employees in eleven states ensuring the
10 safe and reliable delivery of electricity to more than 5 million customers through more
11 than 39,000 circuit miles of transmission lines. AEP Transmission also participates in
12 these activities for its jointly-owned transmission companies, including Transource, ETT,
13 Prairie Wind, and Pioneer.

14 **Q: Why is AEP participating in Transource with respect to the Iatan-Nashua 345kV
15 Project and the Sibley-Nebraska City 345kV Project?**

16 A: AEP’s participation in Transource enables AEP to contribute, at cost, its extensive project
17 development and procurement expertise to the Iatan-Nashua 345kV Project and the
18 Sibley-Nebraska City 345kV Project (collectively the “Projects”). The Projects also
19 provide a strong financial and operational foundation for Transource to pursue future
20 regional transmission projects as described below. Finally, AEP’s operating companies
21 that participate in SPP, PSO and SWEPCO, will be allocated approximately 23% of the
22 annual revenue requirement of the Projects, so AEP has a significant interest in the these

1 Projects and future projects to ensure they are developed in an efficient and cost-effective
2 manner.

3 **Q: Why is AEP participating in Transource with respect to future regional**
4 **transmission projects?**

5 A: Transource is the vehicle through which AEP will develop, own, operate, and maintain
6 regional transmission projects while providing significant benefits to customers by
7 delivering these project-related services on an “at cost” basis. There was a time in the
8 history of transmission service when individual, vertically-integrated utilities primarily
9 provided local transmission service to deliver electricity from their own generation to
10 their own native loads. In contrast, today’s transmission infrastructure supports a
11 competitive wholesale generation market that places much greater demand on regional
12 and even multi-regional resources. A consequence of this evolution is that when
13 traditional utilities are in a position to construct many of the needed facilities, a much
14 smaller fraction of the regional projects directly supports their own retail customers.

15 At the same time, the scale and scope of regional transmission projects can
16 substantially magnify the related technological, financial, and operational challenges
17 associated with constructing and owning transmission projects. This change in the
18 industry supports a new model for addressing these challenges. It calls for an entity
19 focused exclusively on the construction and operation of regional transmission projects,
20 one that can obtain resources and funding based exclusively on that business and respond
21 to the unique challenges of this evolving segment of the industry. Transource has been
22 structured to provide AEP an expanded capability to meet the challenges of participating
23 in the regional transmission service market within and outside of its traditional operating

1 utility footprint. Prior to FERC Order No. 1000, AEP had already pursued these types of
2 opportunities through joint ventures with multiple partners, but the landscape continues to
3 evolve, providing an opportunity for Transource to fulfill a need.

4 The most recent development in the provision of wholesale transmission service
5 was the issuance of FERC Order No. 1000. AEP understands the implications that FERC
6 Order No. 1000 will have on the electric transmission industry, and Transource provides
7 the appropriate mechanism for AEP to actively participate in opportunities created with
8 this recent federal directive. As discussed in more detail in the Direct Testimony of
9 Antonio P. Smyth, Transource provides AEP with an opportunity to pursue regional
10 projects under FERC Order No. 1000 that are both within and outside of its traditional
11 service territory, to structure and finance projects individually, and to accommodate
12 future entities on a project-specific basis.

13 **Q: What is AEP's capital investment in transmission assets?**

14 A: AEP, through its operating company subsidiaries, has invested approximately \$3.7B in
15 new transmission plant over the past ten years. In addition to its commitment to continue
16 investment in its own transmission system, AEP is also committed to making significant
17 additional investment in regional transmission infrastructure, including regionally
18 beneficial projects through Transource.

19 **Q: What is AEP's total capital investment?**

20 A: AEP, through its operating company subsidiaries, has invested approximately \$14.6B in
21 new utility plant over the past ten years. AEP has demonstrated the financial strength to
22 fund capital investment at a high level, and Transource is expected to receive similar

1 financial support. AEP and its subsidiaries have been able to maintain investment grade
2 credit ratings throughout the recent period of capital investment.

3 **Q: How will AEP provide financial support to Transource and its subsidiaries?**

4 A: AEP will provide equity funding for Transource. Equity funding for Transource will be
5 proportional to the ownership percentage of each parent company, so AEP will contribute
6 86.5% of the equity needs of Transource and its subsidiaries. In terms of debt financing,
7 Transource and its subsidiaries will arrange for and secure its own debt financing through
8 a combination of bank facilities and long-term debt capital markets. In his Direct
9 Testimony, Mr. Smyth describes in additional detail how Transource and Transource
10 Missouri will finance their investments.

11 **Q: Does AEP have any experience in supporting other joint ventures?**

12 A: Yes. AEP, through ETT, is currently engaged in a joint venture with MidAmerican
13 Energy Holdings Company (“MEHC”) to build transmission projects within ERCOT. To
14 date, ETT has invested approximately \$1.5B in projects in ERCOT.

15 AEP, through ETA, is also engaged in a joint venture with MEHC to build
16 transmission projects outside of ERCOT. To date, ETA has committed to invest in
17 projects, such as Prairie Wind in Kansas and the Reliability Interregional Transmission
18 Extension Project (“RITELine Project”) in Indiana and Illinois, at a combined total
19 investment of approximately \$2.7B.

20 AEP is also engaged in a joint venture with Duke Energy Corporation, Pioneer
21 Transmission, LLC, to build the Pioneer project in Indiana.

22 AEP has extensive experience working with local utility partners to develop
23 regional transmission projects and with external partners to leverage technical,

1 operational, and financial strengths to successfully develop transmission projects within
2 today's challenging transmission environment. AEP will bring this experience to the
3 benefit of Transource.

4 **Q: What strengths does AEP provide to Transource?**

5 A: AEP provides strong project development, project management, procurement, technical,
6 and operational experience, as further described in Mr. Moore's Direct Testimony. The
7 AEP Transmission organization is comprised of approximately 1,900 employees, which
8 provide a host of services to each of its affiliated companies. An advantage of a
9 centralized transmission organization like AEP Transmission is its access to highly
10 specialized services, which benefits customers through innovative and cost-effective
11 development and management of projects. AEP also provides excellent regulatory
12 expertise, at both the federal level as well as within the eleven states and the regional
13 transmission organizations in which it operates. All services provided by AEP are
14 provided at cost to each of AEP's affiliates, which include Transource and Transource
15 Missouri.

16 Finally, AEP provides financial strength, as discussed above, as well as financial
17 expertise provided by internal employees and through external relationships with
18 investment banks, credit agencies, and other advisors in the financial industry. AEP's
19 scope and size provide many opportunities for Transource that an independent start-up
20 entity would not be able to access.

1 **Q: Please provide specific examples of AEP’s commitment to the projects it develops**
2 **and the communities in which it operates.**

3 A: The completion of the Wyoming-Jacksons Ferry 765kV transmission line project in
4 Virginia and West Virginia in 2006 exemplifies AEP’s long-standing reputation for
5 respecting the people and the environment when building transmission lines. In the two
6 and one-half years it took to build the 90 miles of transmission line, AEP exercised the
7 right of eminent domain on only one piece of property. The project’s completion was
8 celebrated by the governors of both Virginia and West Virginia, the FERC chairman, and
9 the chair of the United States House of Representatives Energy and Commerce
10 Committee. Although the project had a long and complicated history, AEP satisfied the
11 landowners, satisfied the needs and concerns of environmentally-oriented groups,
12 respected the flora and fauna of the area, and satisfied the electrical needs of the region.
13 The Wyoming-Jacksons Ferry project is a good example of the long-term commitment
14 and dedication that AEP brings to successfully complete its endeavors.

15 Another example of AEP’s commitment to cooperatively work with local
16 landowners to acquire rights-of-way and respect environmental needs is currently
17 underway in Texas. AEP, through its jointly-owned subsidiary ETT, is currently
18 constructing approximately 465 miles of double-circuit 345kV lines and 16 substations in
19 the Competitive Renewable Energy Zone (“CREZ”), which necessitates acquiring rights-
20 of-way across approximately 578 individual tracts of land. Building relationships with
21 landowners early in the project development process is critical to successful acquisition
22 of the necessary land, and ETT has developed excellent relationships through community
23 open houses, individual and group meetings with landowners, phone calls, letters, and

1 email messages. ETT has also proposed several optional routes for some of the lines,
2 which helps when working with multiple landowners in an area. Evaluating multiple
3 route options is also helpful when addressing environmental concerns that may arise
4 during the routing process. To date, ETT has received rights-of-way from approximately
5 94% of the landowners identified for acquisitions, which is indicative of the excellent
6 relationships developed by ETT and its employees. These excellent relationships also
7 result in significant customer benefits by minimizing protracted and expensive court
8 proceedings to obtain the needed rights-of-way.

9 A final example of AEP's commitment to projects it develops and communities in
10 which it operates is the Prairie Wind project in Kansas. Through its partnership with
11 ETA and Westar Energy, Inc., Prairie Wind is constructing a 108-mile double-circuit
12 345kV transmission line linking a new 345kV substation near Wichita, Kansas, to a new
13 345kV substation northeast of Medicine Lodge, Kansas, and then turning south to the
14 Kansas/Oklahoma border. It is intended to significantly reduce transmission congestion,
15 improve reliability, and promote the growth of wind energy in Kansas. In establishing
16 the route for the line, steps were taken to avoid habitats of animals under consideration by
17 the United States Fish and Wildlife Service for the endangered species list. Additionally,
18 the route incorporated feedback from six landowner open houses to discuss the project
19 and discuss various routing options. The Kansas Corporation Commission then held two
20 additional open houses and two evidentiary hearings to gather public input before
21 approving the route. The extensive efforts to receive and incorporate public feedback
22 into the route selection process again demonstrate AEP's commitment to the projects it
23 develops and the communities in which it operates.

1 **Q: Is AEP committed to the long-term success of the Projects, Transource, and**
2 **Transource Missouri?**

3 A: Yes. Transource is an important component of AEP's long-term strategy. Through
4 Transource, AEP will actively participate in the development and construction of the
5 Projects and will actively participate in the ongoing business of Transource in pursuing
6 competitive regional transmission projects. Importantly, the national reputation of
7 Transource will depend heavily on the success of Transource Missouri, as Transource
8 Missouri will be developing the first regional transmission projects for Transource and
9 will serve as an example to regulators in other jurisdictions. Moreover, Transource is
10 also one of the first entities to be formed to respond to FERC Order No. 1000.
11 Consequently, many industry observers will be attentive to its performance. If AEP's
12 long-term vision for Transource is to become a reality, Transource Missouri must deliver
13 on the Projects and must deliver in a well-executed and competent manner. It is my firm
14 belief that Transource will be successful and meet its objectives.

15 **Q: Does this conclude your testimony?**

16 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)
Transource Missouri, LLC for a Certificate)
of Convenience and Necessity Authorizing it) Case No. _____
to Construct, Finance, Own, and Operate the)
Iatan-Nashua and Sibley-Nebraska City)
Electric Transmission Projects.)

AFFIDAVIT OF LISA M. BARTON

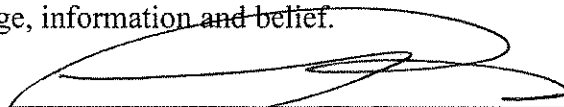
STATE OF OHIO)
) ss
COUNTY OF FRANKLIN)

Lisa M. Barton, being first duly sworn on her oath, states:

1. My name is Lisa M. Barton. I work in Columbus, Ohio, and I am employed by American Electric Power Service Company ("AEPSC"), a wholly-owned subsidiary of American Electric Power, Inc ("AEP"). I am the Executive Vice President of Transmission for AEP. I also sit on the Board of Managers ("the Board") for Transource Energy, LLC ("Transource").

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Transource and Transource Missouri, LLC ("Transource Missouri") consisting of (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.




Lisa M. Barton

Subscribed and sworn before me this 31st day of August, 2012.



ROBIN S. SMITH
NOTARY PUBLIC
IN AND FOR THE STATE OF OHIO
MY COMMISSION EXPIRES
NOVEMBER 2, 2013



Notary Public

My commission expires: 11/02/2013