

PJM RTEP – 2016/17 RTEP Long Term Proposal Window

York-Coyote 345 kV Project

A Proposal to PJM Interconnection February 28, 2017

Submitted on behalf of

Transource® Energy, LLC and its Affiliates

1 Riverside Plaza, Columbus, Ohio 43215-2372





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A. Executive Summary

Transource® Energy, LLC (Transource) is pleased to provide the following proposal to PJM in response to the *PJM RTEP – 2016/17 RTEP Long Term Proposal Window Problem Statement & Requirements Document*. Transource was specifically formed as a joint venture between subsidiaries of American Electric Power Company (AEP) and Great Plains Energy Incorporated (GPE) to participate in competitive processes for transmission development and to provide benefits to transmission customers through the planning, construction, and ownership of high quality, low cost transmission infrastructure. Transource is located at 1 Riverside Plaza in Columbus, Ohio.

A.1. General Description of Proposed Project

Transource proposes to build the York-Coyote 345 kV Project (or, the Project) in western Ohio and eastern Indiana. Two greenfield stations will be constructed as part of the Project. The first will tap the existing Tanners Creek – Losantville 345 kV line in eastern Indiana with a new ring bus to be called York station. A second new station will be constructed near the existing Wiley 138 kV station, to be called Coyote station. Coyote station will tap the existing Miami Fort – Woodsdale 345 kV line and install a new 345/138 kV transformer with a 138 kV tie line to Wiley station. The existing Morgan-Fairfield 138 kV line will also be tied into the existing Wiley station. The Project will establish a new 16.8 mile 345 kV single-circuit transmission line from York station to Coyote station as well. A second 345/138 kV transformer will need to be added to DEOK's Foster Station as part of this proposal.

Transource has completed the necessary preliminary project development work to determine project constructability, preliminary cost estimates, and a conceptual project schedule. Experienced AEP engineering, siting, permitting, project management, and construction personnel were the primary resources for this work.

A.2. Reliability Problem(s) Proposed to Resolve

The Project addresses the Market Efficiency Congestion listed below.

Table 1. Addressed Contingencies Identified by PJM

2016 Market Efficiency Analysis Base Congestion Results (Facilities with Congestion >\$1 million for any study year) <i>(updated On 11/09/2016)</i>			2017 Input Assumptions with 2021 Topology		2021 Input Assumptions with 2021 Topology		2024 Input Assumptions with 2021 Topology		2027 Input Assumptions with 2021 Topology	
Facility Name	AREA	TYPE	Frequency (Hours)	Market Congestion (\$ Million)	Frequency (Hours)	Market Congestion (\$ Million)	Frequency (Hours)	Market Congestion (\$ Million)	Frequency (Hours)	Market Congestion (\$ Million)
08M.FORT TO 05TANNER 345kV	AEP	PJM FG	581	\$ 9.61	27	\$ 0.82	14	\$ 0.77	41	\$ 2.07

The Project proposed for the 2016/17 RTEP Long Term Proposal Window will reduce the congestion seen on the Miami Fort – Tanners Creek 345kV circuit. This benefit is in addition to the same proposal submitted for addressing reliability problems identified in the 2016 RTEP Proposal Window #2 and 2016 RTEP Proposal Window #3. This project should be considered as both a standalone project in PJM as well as a potential JOA project with MISO.

Furthermore, Transource performed analysis of existing and new contingencies that the Project may create and found no planning criteria violations.

A.3. Overall Schedule Duration

The Project is expected to be placed in service 42 months after execution of the PJM Designated Entity Agreement (DEA). Assuming the DEA is executed by February 1, 2018, Transource could place the project in service July 2021. Please refer to section F of this proposal for more details on the proposed schedule.

A.4. Overview of Estimate

The estimated capital cost of the Project in 2017 dollars is \$59,816,488. This estimated cost includes all Project components, including work that PJM may consider as upgrades. Please refer to Section E of this proposal for details on the project cost.

A.5. Designated Entity Statement of Intent

Transource, as the pre-qualified entity, seeks to be considered the Designated Entity for the project described within this Proposal. Ultimately, Transource anticipates that its wholly-owned subsidiary companies, Transource Ohio, LLC (Transource Ohio) and Transource Indiana, LLC (Transource Indiana) will design, construct, own, operate, and maintain the facilities and assets, subject to determination regarding components deemed upgrades by PJM. Transource Ohio will design, construct, own, operate, and maintain the facilities and assets located within the state of Ohio. Transource Indiana will design, construct, own, operate, and maintain the facilities and assets located within the state of Indiana. As such, should PJM award this project to Transource, we respectfully request that PJM address the Construction Designation in Attachment A of the Notification of Designation of Construction Responsibility (NDCR) letter to Transource Ohio and Transource Indiana, according to the intended ownership described above.

B. Company Evaluation Information

Transource Energy, LLC is located at 1 Riverside Plaza in Columbus, Ohio. The intended owners, Transource Ohio and Transource Indiana, are also located at 1 Riverside Plaza in Columbus, Ohio. Specific contact information is provided below.

B.1. Transource Contacts

Primary Contact	Adam Hickman Manager, Transource Business Development	Transource Energy, LLC 1 Riverside Plaza Columbus, Ohio 43215-2372 Telephone: 614-716-2854 Email Address: ajhickman@aep.com
Secondary Contact	Takis Laios Manager, Transmission Asset Strategy	Transource Energy, LLC 1 Riverside Plaza Columbus, Ohio 43215-2372 Telephone: 614-716-3462 Email Address: tlaios@aep.com

B.2. Transource Qualifications

Transource has been pre-qualified to be a Designated Entity for transmission projects in PJM under section 1.5.8 (a) of the PJM Operating Agreement. The pre-qualification information is contained in the document submitted to PJM on April 29, 2013, entitled *Pre-Qualification Application of American Electric Power and Certain Affiliates*. This document is on record with PJM and posted on the PJM website, with PJM pre-qualification ID of 13-05. PJM confirmed the pre-qualified status of AEP and certain affiliates, including Transource, in a letter dated July 7, 2013. As required annually, Transource has reviewed this information and an Addendum to this posted document was submitted to PJM on September 30, 2016. Additionally, PJM affirmed the pre-qualified status of AEP and certain affiliates in a letter dated October 27, 2016.



Transource will bring to bear the talents, resources, and capabilities of AEP, GPE, and their respective subsidiaries to execute the Project. These capabilities are detailed in Transource's prequalification submittal to PJM. Additionally, for the benefit of PJM, supporting information detailing the strength of financial ties between Transource Ohio, Transource Indiana and Transource, and Transource's direct parent companies, AEP Transmission Holding Company, LLC and GPE Transmission Holding Company, LLC, is provided below.

Overview of Capital Resources

Transource Ohio and Transource Indiana are anticipated to be the respective owners of the portions of the awarded project that lie within the state boundaries of Ohio and Indiana. Transource Ohio and Transource Indiana will follow the successful model of financing that is currently used by its affiliate sister companies. Transource Ohio and Transource Indiana will intend to use a combination of debt and equity financing to fund its ownership of the projects. Figure 1 below depicts the legal structure and financing arrangement for Transource Energy and its existing active subsidiary companies, including Transource Missouri, LLC, which currently owns and operates transmission assets in SPP, and Transource West Virginia, LLC, Transource Maryland, LLC and Transource Pennsylvania, LLC which are developing transmission projects in the PJM Interconnection.

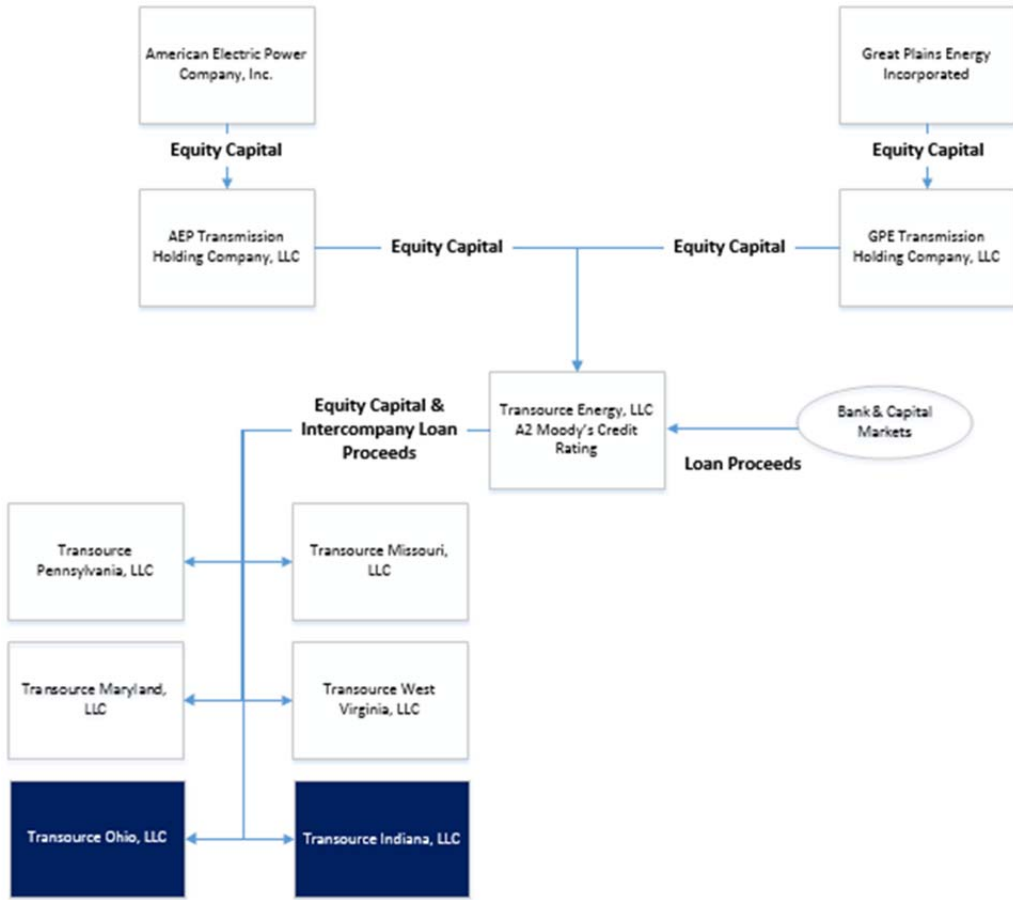


Figure 1. Transource, Transource Ohio, and Transource Indiana Financial Structure

B.3. Overview of Transource Energy

Transource was formed to pursue the development of competitive transmission projects in marketplaces initiated by the implementation of FERC Order No. 1000. AEP owns 86.5 percent of Transource, and GPE owns 13.5 percent. Transource owns 100% of its subsidiary companies, including Transource Ohio and Transource Indiana. The combined strengths of AEP and GPE in engineering, project management, procurement, project development, construction, operation and maintenance will result in effective and efficient delivery of transmission solutions that benefit transmission customers.

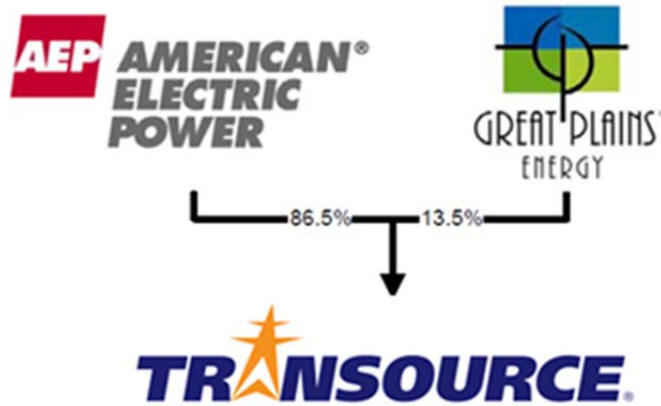


Figure 2. Summary of Transource Ownership Structure

Transource developed two Southwest Power Pool (SPP) approved transmission projects in the state of Missouri through its subsidiary Transource Missouri, LLC (Transource Missouri): The Iatan-Nashua 345 kV transmission project, placed into service in April 2015, and the Sibley-Nebraska City 345 kV transmission project, placed into service in December 2016.

Transource, in coordination with AEP affiliate Appalachian Power Company, is also developing a project in West Virginia through its subsidiary company, Transource West Virginia, LLC. The \$75 million project consists of building 25 miles of 138 kV transmission line and three substations, and upgrades to other transmission facilities in Roane and Kanawha counties of West Virginia. The project is expected to be in-service in 2019.

In addition to these projects in Missouri and West Virginia, Transource was awarded PJM’s largest-ever market efficiency project on the Pennsylvania-Maryland border in August 2016. Transource Pennsylvania, LLC and Transource Maryland are developing the respective portions of the project according to state boundaries. In January 2017, Transource Pennsylvania and Transource Maryland, through authorization from the Federal Energy Regulatory Commission (FERC), established formula rates and received approval for certain incentives.

The figure below provides a snapshot of the states in which Transource’s owners, AEP and GPE, currently own or are developing transmission assets, demonstrating the breadth and capabilities of Transource.

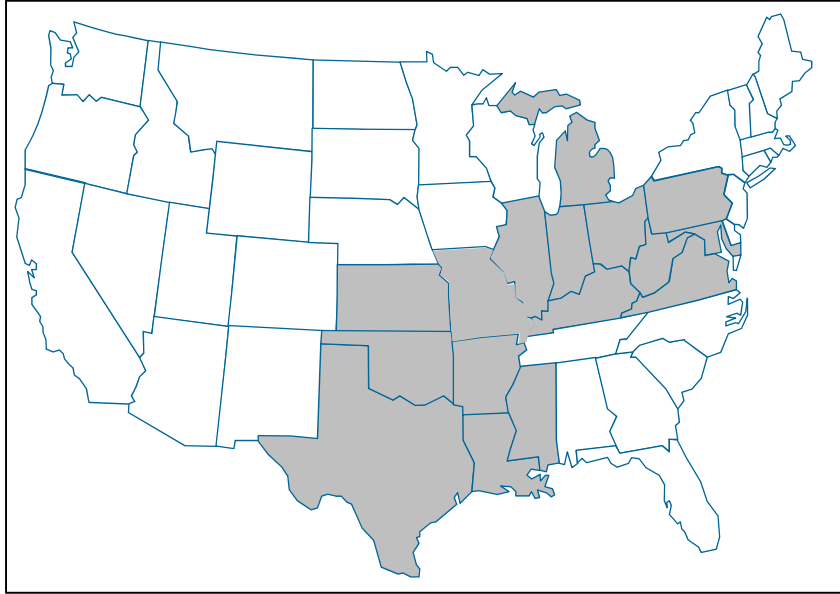


Figure 3. AEP and GPE Combined Transmission Presence

C. Proposed Project Constructability Information

[REDACTED]

D. Analytical Assessment

[REDACTED]

E. Cost

[REDACTED]

F. Schedule

[REDACTED]

G. Operations/Maintenance

For all Project components, Transource will maintain a reliable system and ensure safety and compliance with all applicable codes and standards. Transource will oversee the planning, maintenance, real-time operations and emergency response activities for the project.

G.1. Operational Plan

Transource is flexible regarding Project operations that can be provided using one of the following approaches:

- Transource can operate the new facilities directly using the capabilities of the AEP Transmission Operations (TOps) organization.
- Transource can work with the incumbent transmission owner to facilitate their operations of the new facilities.

The TOps organization operates from a state-of-the-art System Control Center (SCC) located in New Albany, Ohio. AEP TOps also operates five Transmission Operations Centers that coordinate transmission switch orders and interface with field personnel. The SCC and Transmission Operations Centers are staffed with NERC and PJM-Certified operators.

Operator tools include a State Estimator covering AEP's 11-state transmission system, real-time contingency analysis, and visualization and situational awareness tools. TOps has a back-up control center that can be staffed and fully functional within one hour from declaration of an emergency. TOps completes approximately 18,000 switching jobs totaling over 200,000 switching steps with an accuracy rate exceeding 99.99 percent annually.

G.2. Maintenance Plan

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