

DIRECT TESTIMONY

OF

CARL A. HUSLIG

ON BEHALF OF ITC GREAT PLAINS, LLC

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. Carl A. Huslig. My business address is 1100 SW Wanamaker Road, Suite 103,
4 Topeka, Kansas, 66604.

5 Q. By whom and in what capacity are you employed?

6 A. I am President of ITC Great Plains LLC (“ITC Great Plains”), a wholly-owned
7 subsidiary of ITC Grid Development, LLC, which, in turn, is a wholly-owned
8 subsidiary of ITC Holdings Corp. (“ITC”).

9 Q. How long have you held that position?

10 A. I have served as President since July 2006.

11 Q. Please describe your educational background and previous work experience.

12 A. I hold a Bachelor of Science degree in electrical engineering from Kansas State
13 University. I have worked in the utility industry for over 19 years. In 1991, I began
14 working at Aquila, Inc., and worked in many capacities on the transmission side of
15 the company. Immediately before I moved to ITC Great Plains, I served as Vice
16 President of Aquila’s Transmission Operations, where I was responsible for day-to-
17 day activities such as planning, system operation, capital and maintenance budgets,
18 as well as working with regulatory and legislative affairs on transmission-related
19 matters.

20 Q. Have you provided testimony in prior regulatory proceedings?

21 A. Yes, I have. I have testified before the Kansas Corporation Commission (“KCC”)
22 and the Federal Energy Regulatory Commission (“FERC”) on behalf of Aquila.

1 Specifically, I appeared before the KCC in Docket No. 04-AQLE-1065-RTS,
2 testifying on transmission matters. I have testified before the KCC and FERC on
3 behalf of ITC Great Plains, LLC. I appeared before the KCC in Docket No. 09-
4 ITCE-729-MIS and Docket Nos. 08-ITCE-936, 937 and 938, testifying on
5 transmission policy. I appeared before the FERC in ITC Great Plains' formula rate
6 case, Docket No. ER09-548-000, filed January 15, 2009, 126 FERC ¶ 61,223.

7 I have also testified before the Oklahoma Corporation Commission,
8 specifically regarding ITC Great Plains' application to operate as a public utility in
9 Oklahoma.

10 **Q. What is the purpose of your direct testimony?**

11 A. The purpose of my testimony is to provide an overview of the filing.

12 II. OVERVIEW OF FILING

13 **Q. What is the purpose of this filing?**

14 A. ITC Great Plains is building the Kansas portion of a project authorized by the
15 Kansas Electric Transmission Authority ("KETA"), a transmission line from
16 Spearville, Kansas, to Axtell, Nebraska. ("KETA Project"). The Kansas portion of
17 the KETA Project is being constructed in two phases. The KCC previously granted
18 ITC Great Plains' application for a siting permit for Phase I of the KETA Project
19 from Spearville to a new 345-kV substation north of Hays, Kansas. In this filing,
20 ITC Great Plains is seeking siting authority for Phase II of the KETA Project from
21 the planned new Post Rock Substation, located near Midwest Energy, Inc.'s
22 ("Midwest Energy") existing Knoll Substation north of Hays, Kansas, to the
23 Kansas-Nebraska state border in Smith County.

1 The filing substantiates the need for Phase II and details the extensive
2 process that was used to select a preferred route for Phase II of the line. The filing
3 also includes testimony and exhibits that: (1) describe the proposed route for the
4 line, (2) list all affected land owners whose land would be crossed by the proposed
5 route or whose land lies within 1,000 feet of the center line of the proposed route,
6 (3) summarize the environmental characteristics of the area studied for starting the
7 line, and (4) explain the benefits of the proposed line to Kansas electric customers,
8 electric customers in the region and economic development within Kansas.

9 **III. DESCRIPTION AND BACKGROUND OF THE PROJECT**

10 **Q. Please describe the KETA Project that ITC Great Plains is planning to build.**

11 A. The KETA Project is an approximately 225-mile, 345-kV line from Spearville,
12 Kansas, to Axtell, Nebraska. The KCC-approved route for Phase I and the
13 proposed route for Phase II of the KETA Project include approximately 175 miles
14 of new transmission line in Kansas, as shown on the map at Exhibit 1 of my
15 testimony. Components of the KETA Project include Phase I of the KETA Project,
16 a 90-mile 345-kV transmission line, commencing at Sunflower Electric Power
17 Corporation's ("Sunflower") Spearville Substation located northeast of Dodge City
18 in Ford County, and running northeast through Hodgeman, Pawnee and Rush
19 Counties to Ellis County, where ITC Great Plains will construct the new Post Rock
20 Substation near Hays to interconnect with Midwest Energy's Knoll 230-kV
21 switchyard. The subject of this filing is Phase II of the KETA Project, a 345-kV
22 line running from Ellis County north through Rooks, Osborne and Smith Counties
23 to the Kansas-Nebraska state border. The project will terminate at the Axtell,

1 Nebraska, 345-kV substation owned by the Nebraska Public Power District
2 (“NPPD”). ITC Great Plains will construct the Kansas portion of the KETA
3 Project, and NPPD will construct the Nebraska portion.

4 **Q. What is KETA and how was the KETA Project developed?**

5 A. KETA was created in 2005 by the State of Kansas to improve the state’s electric
6 transmission infrastructure in order to ensure reliability, diversify and expand the
7 state’s economy, and facilitate the consumption of Kansas-produced energy. In
8 early 2007, KETA requested Southwest Power Pool, Inc. (“SPP”) to perform a
9 study of potential transmission improvements that would meet the needs of the state
10 of Kansas and future wind development, based on assumptions that by 2010,
11 Kansas would have installed wind capacity equal to 10 percent of native load, and
12 that wind capacity would increase to 20 percent of native load by 2020. The
13 resulting SPP study for KETA (“KETA Study”) considered several projects,
14 including the Spearville-Knoll-Axtell Project, to determine the economic benefits of
15 these projects for Kansas and the surrounding region. The KETA Study, attached
16 as Exhibit 1 to the testimony of Alan K. Myers in the Phase I docket, was
17 completed in April 2007 and showed that the Spearville-Knoll-Axtell Project was
18 beneficial and economical for the state of Kansas and the region.

19 Based on this study, KETA voted to issue a notice to proceed with
20 construction of the KETA Project at its July 25, 2007 meeting. A copy of the notice
21 is attached as Exhibit 2 to my testimony. The KETA enabling statute requires a
22 subsequent 90-day “open season” for private entities to commit to construct a
23 noticed project in place of KETA.

1 ITC Great Plains notified KETA of its intention to construct the project in
2 KETA's place on August 13, 2007. KETA's 90-day notice period expired in
3 November 2007 without the submission of any additional qualified notices of intent
4 to construct. ITC Great Plains, therefore, became the qualified constructor of the
5 KETA Project under the KETA process. KETA notified ITC Great Plains by letter
6 dated January 8, 2008 that it would look to ITC Great Plains to construct this
7 project. A copy of the KETA letter is attached to my testimony as Exhibit 3.
8 KETA has requested updates on ITC Great Plains' progress at each subsequent
9 KETA board meeting and regards ITC Great Plains as the party responsible for
10 constructing and owning the KETA Project.

11 **Q. Does ITC Great Plains have a certificate in Kansas to build the KETA**
12 **Project?**

13 **A.** Yes. On June 5, 2007, the KCC issued an Order which granted ITC Great Plains'
14 request for a certificate of convenience and authority for the limited purpose of
15 building SPP transmission projects in Kansas. Among other things, this Order
16 requires ITC Great Plains to obtain a specific authorization from the KCC for each
17 transmission project that it will build in Kansas. ITC Great Plains applied to
18 expand its Kansas certificate of convenience and authority for the purpose of
19 constructing the KETA Project on December 7, 2007, and was granted the
20 expanded certificate on March 12, 2008 in KCC Docket No. 08-ITCE-544-COC.

21 The KCC Order granting the expanded certificate explained that neither
22 Sunflower nor Midwest Energy, which are the only incumbent Transmission
23 Owners affected by the KETA Project, sought to construct the KETA Project, or

1 expressed interest in constructing the project. Sunflower, Midwest Energy and
2 Mid-Kansas Electric Company, LLC did not object to the expansion of ITC Great
3 Plains' Kansas certificate to construct the KETA Project.

4 **Q. Has SPP included the KETA Project in the SPP Transmission Expansion Plan**
5 **(“STEP”)?**

6 A. Yes. ITC Great Plains notified SPP of its commitment to construct the KETA
7 Project on July 31, 2007, and requested that the Project be included in the STEP.
8 See Exhibit 4, attached to my testimony. The SPP Board of Directors endorsed the
9 addition of the Spearville-Knoll-Axtell transmission project to the STEP as an
10 approved technically viable economic upgrade in October 2007, and it is included
11 in the 2010-2019 STEP as an economic upgrade in the Balanced Portfolio of
12 economic projects.

13 **Q. Has SPP provided cost allocation for the KETA Project under the SPP Open**
14 **Access Transmission Tariff (“OATT”)?**

15 A. Yes. Following extensive study and analysis by the SPP staff and stakeholders, the
16 SPP Board approved the KETA Project for 345-kV construction as an economic
17 upgrade in a Balanced Portfolio of economic projects. The FERC-approved SPP
18 tariff provides for regional “postage stamp” cost allocation for the KETA Project.

19 **Q. Has SPP issued Notifications to Construct the KETA Project?**

20 A. Yes. SPP issued the Notifications to Construct the KETA Project to Sunflower,
21 Midwest Energy and NPPD on June 19, 2009.

1 **Q. Have Sunflower and Midwest Energy designated ITC Great Plains to build**
2 **their respective Kansas portions of the KETA Project?**

3 A. Yes. On September 14, 2009, Sunflower sent a letter to SPP accepting the
4 Notification to Construct pertaining to the KETA Project, and providing notice to
5 SPP that Sunflower was designating ITC Great Plains to build its portion of the
6 KETA Project under Attachment O of the SPP OATT. Similarly, on September 17,
7 2009, Midwest Energy sent a letter to SPP accepting the Notification to Construct
8 pertaining to the KETA Project, and providing notice to SPP that Midwest was
9 designating ITC Great Plains to build its portion of the KETA Project under
10 Attachment O of the SPP OATT.

11 **Q. When do you anticipate that Phase II of the KETA Project will be completed?**

12 A. Although the current SPP Notifications to Construct issued on June 19, 2009
13 anticipate that Phase II will be completed no later than June 1, 2013, based on
14 discussions between ITC Great Plains and NPPD, ITC Great Plains currently plans
15 for construction to be completed and for Phase II to be placed in service by
16 December 31, 2012.

17 **Q. What is the status of the collaboration between ITC Great Plains and NPPD**
18 **regarding the KETA Project?**

19 A. ITC Great Plains has met regularly with representatives of NPPD to discuss the
20 KETA Project and interconnection agreements, and has worked diligently to
21 coordinate route selection study activities for the KETA Project. As discussed in
22 Alan K. Myers' testimony, ITC Great Plains and NPPD jointly commissioned an
23 economic study of the KETA Project.

1 NPPD and ITC Great Plains are both signatories to the SPP Membership
2 Agreement as Transmission Owners under the SPP OATT.

3 **Q. Under what cost allocation mechanism is ITC Great Plains moving forward**
4 **with constructing the KETA project?**

5 A. The KETA Project was approved by the SPP Board for the regional postage stamp
6 cost allocation methodology established for the Balanced Portfolio of economic
7 projects within SPP. This methodology will allocate the transmission revenue
8 requirement for the project across the SPP region.

9 **Q. Is the KETA Project in the public interest?**

10 A. As shown in the testimony of Alan K. Myers, the KETA Project will allow greater
11 access to wind generation resources, ease congestion between Kansas and Nebraska
12 and allow system resources to be used more efficiently. By issuing its 2007 notice
13 to proceed with construction, KETA has determined that the KETA Project will
14 improve Kansas' electric infrastructure and improve the State's economy by
15 facilitating the production of Kansas-produced energy.

16 **Q. How much will it cost to construct Phase II of the KETA Project?**

17 A. ITC Great Plains currently estimates the line will cost in the range of \$92.2 million.
18 This is an estimate that is subject to change as we move forward to the final design
19 of the line. Factors that could materially affect the final cost will be commodity,
20 equipment and labor cost fluctuations, as well as costs to procure rights-of-way,
21 among others.

1 non-discriminatory access to energy resources, including renewable resources. By
2 improving the reliability of Kansas' transmission system, ITC Great Plains will be
3 working to provide consumers in Kansas with equal access to competitively priced
4 electricity and to improve the reliability of the state's transmission system.

5 **Q. Is ITC Great Plains a member of the SPP?**

6 A. Yes. Shortly after it commenced operation, ITC Great Plains became a member of
7 SPP, and in 2009, ITC Great Plains executed the SPP membership agreement as a
8 transmission owner.

9 **Q. Does ITC Great Plains maintain an office in Kansas?**

10 A. Yes. ITC Great Plains has maintained an office in Topeka since its formation in
11 2006 and expects to do so as long as its efforts to bring needed transmission
12 investment to Kansas can result in the construction of projects.

13 **Q. What is ITC Great Plains' long-term perspective with respect to the
14 transmission facilities it will own in Kansas?**

15 A. ITC Great Plains will be focused on the ownership, operation and maintenance of
16 transmission assets in Kansas and the SPP region, making investments to support
17 and expand the SPP system. Since transmission assets are long-lived assets, ITC
18 Great Plains has a long-term commitment to meet the needs of Kansas and SPP
19 transmission customers.

1
2
3
4
5
6
7
8
9
10
11
12

V. CONCLUSION

Q. Do you have any concluding comments?

A. Yes. The Commission should grant ITC Great Plains a siting permit for Phase II of the KETA Project. ITC Great Plains' analysis demonstrates that:

1. The KETA Project as a whole is needed and Phase II provides a significant portion of the overall project benefits;
2. The line will provide substantial economic benefits to Kansas customers and the SPP region, and will support economic development in Kansas.
3. KETA and SPP support construction of the line; and
4. The siting process ITC Great Plains used was reasonable and appropriate.

Q. Does this conclude your testimony?

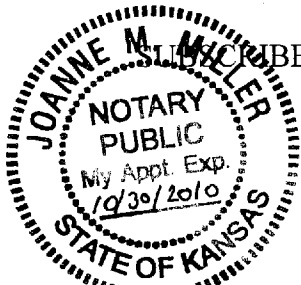
A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

I, Carl A. Huslig, of lawful age, being duly sworn upon my oath state that I am the President of ITC Great Plains, that I have read the above and foregoing Testimony and, upon information and belief, state that the matters therein appearing are true and correct.

Carl A. Huslig
Carl A. Huslig



SUBSCRIBED AND SWORN to before me on this 1st day of March, 2010.

Joanne M. Miller
Notary Public

My commission expires: 10/30/2010

EXHIBIT 1

**DIRECT TESTIMONY OF
CARL A. HUSLIG
ON BEHALF OF
ITC GREAT PLAINS, LLC**

**KS Electric
Transmission Authority
KETA**

August 2, 2007

*Representative Carl
Holmes, Chair*

*Earnie Lehman,
Vice-Chair*

*Tim McKee,
Secretary*

Senator Jay Emler

Les Evans

*Representative
Annie Kuether*

Senator Janis Lee

LEGAL NOTICE

The Kansas Electric Transmission Authority ("KETA") hereby provides notice of its intent to plan, develop and construct a 345 kV electric transmission line from the vicinity of Spearville, Kansas to the vicinity of Axtell, Nebraska with the option of terminating the line in the vicinity of Hays, Kansas. Additional information can be obtained at <http://kansas.gov/keta>.

Private entities willing and able to finance, own and construct the facilities described above have until 5:00 PM November 13, 2007 to notify KETA in writing of their intention and ability to finance and construct such facilities. Instructions for providing notice may be found at <http://kansas.gov/keta>.

**KS Electric
Transmission Authority**
KETA

*Representative Carl
Holmes, Chair*

January 8, 2008

*Earnie Lehman,
Vice-Chair*

*Tim McKee,
Secretary*

Senator Jay Emler

Les Evans

*Representative
Annie Kuether*

Senator Janis Lee

Carl A. Huslig, President
ITC Great Plains
1100 SW Wanamaker Road, Suite 103
Topeka, KS 66604

Dear Mr. Huslig:

The KETA Board of Directors at its December meeting adopted a motion recognizing that ITC Great Plains had provided the only fully responsive notice of intent to construct the Spearville-Knoll Axtell transmission line. With this letter, the Board is notifying you that it will continue to monitor ITC Great Plains' progress toward commencement of that project pursuant to the Kansas Electric Transmission Authority Act.

The Board received your notice of intent on August 13, 2007. Pursuant to the Act, ITC Great Plains has 180 days from that date within which to commence the project. The Board invites you to keep it apprised of your activities on the project and will not proceed with the project during that 180 day period. To that end, the Board requests that you provide it with a thorough briefing regarding the steps ITC Great Plains has taken to commence the project. The Board's next scheduled meeting is February 8 beginning at 1:30 PM.

The Board requests that you provide it with a chronology of ITC Great Plains' activities on this project, including specific filings made with regulatory entities, progress with respect to line siting, a copy of any economic analysis performed and a description of any economic or other analysis yet to be completed, and any other pertinent information. In addition, the Board asks that ITC identify a timeline to completion of the project including critical milestones. The Board will

appreciate receiving those materials for review prior to the February 8 meeting. Please submit the requested information by January 31.

If you have questions or need additional information, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Carl D. Holmes".

Carl D. Holmes, Chairperson

Carl A. Huslig Testimony
Exhibit 4



July 31, 2007

Mr. Carl Monroe
Sr. Vice President and Chief Operating Officer
Southwest Power Pool
415 North McKinley
Suite 800
Little Rock, AR 72205-3020

Dear Carl:

Please accept this letter as an official request to include the project described below in the Southwest Power Pool Transmission Expansion Plan ("STEP").

Project description: Addition of a 345 kV transmission line from the existing Sunflower Electric Cooperative, Inc. Spearville 345 kV switchyard, terminating in Nebraska Public Power District's Axtell 345 kV switchyard. The project will include the addition of an interim Substation near Hays, Kansas connecting into Midwest Energy, Inc.'s Knoll 230 kV switchyard. The line route will be generally north to the termination points near Hays and Axtell. The line length is presently estimated at 185 miles. A current initial estimate places the cost of the project at approximately \$170 million, assuming 345 kV construction. However, ITC Great Plains will work with SPP to construct this project at 765 kV where prudent to do so. In addition, the current initial cost estimate is preliminary and likely will be adjusted based on the completion of detailed engineering design and future actual cost of material, labor, and other expenses.

The Project was identified by the Kansas Electric Transmission Authority ("KETA") at its meeting of July 25, 2007. ITC Great Plains believes this request to include the Project in the STEP illustrates its interest and commitment to the Project. ITC Great Plains hereby expresses its commitment to fund, construct, own and operate the Project upon and subject to the receipt of all appropriate regulatory approvals, including successful inclusion of the Project in the STEP, certificate and siting approvals from the Kansas Corporation Commission, appropriate ITC Great Plains transmission rate and other approvals from the Federal Energy Regulatory Commission ("FERC"), and any other appropriate regulatory approvals.

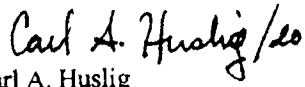
Subject to the completion of detailed engineering design, the Project is expected to be rated at a minimum of 1200 MVA with terminal equipment at 3000 amperes. ITC Great Plains will utilize its strategic partners to engineer and maintain the project. The primary partners on

the project are anticipated to be Black & Veatch and Asplundh. The vendors for equipment and construction will be determined based on a competitive bid process.

ITC Great Plains expects to be compensated for electric transmission service provided over facilities constructed as part of the Project through an open access transmission tariff service rate, which must be approved by the FERC. That rate would be based on ITC Great Plains transmission-related costs and investments and is expected to be included in the tariff administered by SPP, which would functionally control those facilities as the regional transmission organization. ITC Great Plains understands that this Project would be eligible for any SPP-adopted or other FERC-approved regional cost allocation methodology for economic projects in SPP. ITC Great Plains anticipates constructing the Project using a combination of debt financing, which it anticipates raising through access to debt capital markets, and equity. By comparison, ITC Great Plains' parent company, ITC Holdings Corp., and both of its operating utility affiliates ITC *Transmission* and Michigan Electric Transmission Company LLC, all maintain investment grade credit ratings from both Standard and Poor's and Moody's credit services.

It is ITC Great Plains' present intention to place the Project in service in late 2011 if all regulatory and siting approvals are obtained in a timely manner. Please advise of SPP's disposition of this matter as soon as practicable. We look forward to working with you on this most important regional project.

Very Truly Yours,


Carl A. Huslig
President
ITC Great Plains