

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

In the Matter of Entergy Arkansas, Inc.'s)
Notification of Intent to Change Functional)
Control of Its Missouri Electric Transmission)
Facilities to the Midwest Independent)
Transmission System Operator Inc.)
Regional Transmission System Organization)
or Alternative Request to Change Functional)
Control and Motions for Waiver and)
Expedited Treatment)

File No. EO-2013-0431

SURREBUTTAL TESTIMONY

OF

RICHARD C. RILEY

ON BEHALF OF

ENTERGY ARKANSAS, INC.

JUNE 5, 2013

FAI Exhibit No. 4
Date _____ Reporter _____
File No. 0431

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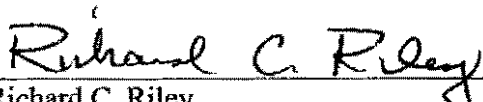
STATE OF MISSISSIPPI)
COUNTY OF Hinds) ss.

Affidavit of Richard C. Riley

Richard C. Riley, being first duly sworn, on his oath states:

1. My name is Richard C. Riley. I am employed by Entergy Services, Inc. as Vice President, Energy Delivery, having its principal place of business at 6540 Watkins Drive, Jackson, Mississippi 39213.

2. I hereby swear and affirm that my surrebuttal testimony on behalf of Entergy Arkansas, Inc., Mid South Transco LLC, and Transmission Company Arkansas, LLC. consisting of 28 numbered pages and two (2) exhibits, filed on June 5, 2013, is true and correct to my information and belief.


Richard C. Riley

Subscribed and sworn to before me this 10th day of June, 2013.


Notary Public

My Commission expires: August 28, 2016



1 **I. BACKGROUND**

2 Q. PLEASE STATE YOUR NAME AND CURRENT BUSINESS
3 ADDRESS.

4 A. My name is Richard C. Riley. My business address is 6540 Watkins
5 Drive, Jackson, Mississippi 39213.

6
7 Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

8 A. I am filing this testimony on behalf of Entergy Arkansas, Inc. ("EAI" or
9 the "Company").

10

11 Q. ARE YOU THE RICHARD C. RILEY WHO FILED DIRECT
12 TESTIMONY IN THIS CASE?

13 A. Yes.

14

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

16 A. The purpose of my testimony is to further support EAI's Notification of
17 Intent to Change Functional Control of Its Missouri Electric
18 Transmission Facilities to the Midwest Independent Transmission
19 System Operator, Inc. Regional Transmission Organization or
20 Alternative Request to Change Functional Control filed on March 21,
21 2013 ("EAI's MISO Notice")¹ by rebutting assertions raised by The

¹ Subsequent to the filing of this matter, "MISO" changed its name to the Midcontinent Independent System Operator, Inc.

1 Empire District Electric Company ("Empire") and Kansas City Power &
2 Light Company and KCP&L Greater Missouri Operations Company
3 (collectively, "KCPL") regarding the integration of EAI's limited
4 transmission facilities located in Missouri into MISO. Specifically, I will
5 support EAI's position that none of the issues raised by KCPL or
6 Empire is jurisdictional to the Commission; for example, their costing
7 complaints arise under and relate to FERC tariffs. Further, my
8 testimony explains that neither KCPL nor Empire has specified how its
9 allegations in this matter bear any relevant relationship to the very
10 limited miles of transmission facilities in Missouri that are the subject of
11 EAI's MISO Notice. Thus, those allegations, even if they were true, do
12 not provide a reasonable basis on which to find that the integration of
13 EAI's limited transmission facilities in Missouri into MISO presents a
14 detriment to the public interest in Missouri. Further, in the alternative,
15 and to the extent applicable, even KCPL and Empire implicitly
16 recognize that Missouri load serving entities such as Ameren could
17 benefit as a result of the integration.

18
19 **II. RESPONSE TO EMPIRE**

20 Q. IN HIS TESTIMONY ON BEHALF OF EMPIRE, MR. WARREN TAKES
21 ISSUE WITH YOUR DESCRIPTION THAT EAI'S FACILITIES IN
22 MISSOURI ARE USED TO FURNISH WHOLESALE ELECTRIC

1 SERVICE IN MISSOURI TO VARIOUS CITIES AND ELECTRIC
2 COOPERATIVES.² HOW DO YOU RESPOND?

3 A. Mr. Warren clarifies that Empire is an investor-owned utility. Although I
4 inadvertently misclassified Empire's corporate structure, this does not
5 affect the point I was making, which is that EAI provides only
6 wholesale service in Missouri and does not have any retail customers
7 in Missouri. Mr. Warren's testimony does not dispute these
8 fundamental points.

9
10 Q. MR. WARREN ASSERTS THAT HE IS CLARIFYING YOUR
11 TESTIMONY BY NOTING THAT EAI'S TRANSMISSION SERVICE
12 CERTAINLY IMPACTS A GREAT NUMBER OF MEMBERS OF THE
13 GENERAL PUBLIC IN MISSOURI.³ DO YOU AGREE?

14 A. No because Mr. Warren misses the point of my testimony. EAI does
15 not have retail customers in Missouri, a fact that Mr. Warren does not
16 dispute. Additionally, Mr. Warren's testimony does not refute that
17 Empire takes transmission service under the Entergy Open Access
18 Transmission Tariff and that the tariffs under which this service is
19 provided and will be provided upon MISO integration are subject to the
20 jurisdiction of the Federal Energy Regulatory Commission ("FERC").

² Warren Rebuttal Testimony at 4 – 5.

³ *Id* at 5.

1 Moreover, as I discuss later, the cost increase concerns that he raises
2 will occur as a result of the EAI facilities in Arkansas integrating into
3 MISO and occurs regardless of whether the limited facilities in Missouri
4 integrate into MISO.

5

6 Q. MR. WARREN DISCUSSES EMPIRE'S INTEREST IN THE PLUM
7 POINT COAL-FIRED STATION.⁴ IS THAT STATION LOCATED IN
8 MISSOURI?

9 A. No. It is located near Osceola, Arkansas as Mr. Warren also
10 acknowledges.

11

12 Q. DO YOU AGREE WITH MR. WARREN'S ASSERTIONS THAT ITS
13 PLUM POINT STATION TRANSMISSION SERVICE WILL BE
14 AFFECTED BY EAI'S INTEGRATION OF ITS MISSOURI ASSETS
15 INTO MISO?

16 A. I agree that the price of Empire's transmission service to deliver power
17 from Plum Point may change, but I do not agree that issue is relevant
18 to this case. It is my general understanding that Empire may see an
19 increase in interstate transmission costs related to the capacity and
20 associated energy it purchases from Plum Point. However, it is my
21 further understanding that Empire is not entitled to frozen wholesale

⁴ *Id.* at 6-8.

1 rates, but instead the transmission rates that Empire must pay are
2 those determined to be just and reasonable by the FERC. Additionally,
3 this change in Empire's transmission rates will occur regardless of
4 whether the Missouri facilities are integrated into MISO, and instead
5 will occur as a result of EAI's transmission facilities in Arkansas – not
6 Missouri – being integrated into MISO. It is the Arkansas transmission
7 facilities to which the Plum Point generation resource is
8 interconnected. As I previously explained, the integration of EAI's
9 Arkansas facilities into MISO has been approved by the Arkansas
10 Public Service Commission ("APSC") in Order No. 76 in APSC Docket
11 No. 10-011-U, a case in which Empire intervened to represent its
12 interests. Empire's assertions in this proceeding with respect to its
13 Plum Point station are substantially the same as those Empire
14 presented to the APSC in Docket No. 10-011-U. (See attached Exhibit
15 A for a copy of Empire's petition to intervene in the APSC docket.)
16

17 Q. DOES MR. WARREN SPECIFY WHICH TARIFFS FORM THE
18 SOURCE OF EMPIRE'S COST INCREASE ALLEGATIONS?

19 A. Yes, he alleges that the pricing for the Plum Point firm transmission
20 service is based on the "FERC accepted Schedule 7 of Entergy
21 Services Open Access Transmission Tariff" and further that Empire's
22 transmission service for Plum Point "would be immediately converted
23 to MISO's Schedule 7 through and out transmission service" at a

1 higher rate than what is currently in the Entergy OATT.⁵ Significantly,
2 these are federal tariffs that, I understand, are subject to the exclusive
3 jurisdiction of FERC. Yet, Mr. Warren seems to suggest that this
4 Commission should assert authority over a FERC tariff.

5

6 Q. DOES MR. WARREN ACKNOWLEDGE THAT EMPIRE ALREADY
7 WAS HEARD ON THIS COSTING ISSUE BEFORE THE APSC?

8 A. Yes. He readily admits that "Empire believes the conditions required
9 by the APSC did not go far enough in requiring EAI to protect non-EAI
10 Missouri retail customers from increased production and transmission
11 costs due to EAI membership in MISO."⁶ It appears that Empire
12 improperly is attempting to take a second bite at the apple by retrying
13 here the issue of EAI integrating its Arkansas assets into MISO and
14 having this Commission second guess the APSC's decision, a decision
15 that I understand was not appealed by Empire. That Empire voluntarily
16 chose to join the Southwest Power Pool ("SPP") RTO and chooses to
17 remain a member of that RTO is the responsibility of Empire. The
18 concerns that Empire raises here again, just as it already did in Docket
19 No. 10-011-U, relate primarily to the fact that Empire will now have to
20 pay MISO's through and out rate, a rate that Empire argues will be

⁵ *Id* at 8.

⁶ *Id* at 11.

1 higher than the rate Empire currently pays to transmit power from the
2 Plum Point Station. However, the requirement for Empire to pay the
3 MISO through and out rate occurs as a result of the integration of EAI's
4 Arkansas transmission assets into MISO, which integration has already
5 been approved by the APSC. So, even assuming arguendo that an
6 increase in a FERC-jurisdictional rate for Empire would be a basis for
7 concluding the proposed MISO integration is detrimental to the public
8 interest in Missouri, Empire has provided no evidence to show that it
9 will experience a higher transmission rate as a result of the integration
10 of the limited EAI Missouri facilities into MISO. In no event do Empire's
11 cost allegations serve as a basis for this Commission to conclude that
12 EAI's integration of its limited Missouri facilities into MISO presents a
13 detriment to the public interest in Missouri.

14

15 Q. MR. WARREN ALSO STATES THAT EMPIRE IS EXPECTING AN
16 INCREMENTAL INCREASE IN THESE INTERSTATE WHOLESALE
17 TRANSMISSION RATES AS A RESULT OF THE ITC
18 TRANSACTION.⁷ PLEASE COMMENT

19 A. When EAI transfers functional control of its transmission facilities to
20 MISO pursuant to the APSC order I just explained, transmission
21 customers using EAI's facilities would pay transmission rates based on

⁷ *Id.*

1 the MISO Open Access Transmission, Energy and Operating Reserve
2 Markets Tariff ("MISO Tariff"). If the ITC Transaction is closed, these
3 transmission customers also would take service under the MISO Tariff.
4 If Empire believes that its transmission rate is not just and reasonable,
5 the FERC is the proper forum to address that issue. Mr. Warren's
6 assertions as to ITC's capital structure and return on equity have no
7 place in this case and should be addressed at FERC.

8
9 I note that Mr. Warren's testimony on this point does not rebut any part
10 of my direct testimony in this case in which I explained that matters
11 pertaining to the transfer of EAI's limited transmission assets in
12 Missouri to ITC are part of the separate case in File No. EO-2013-
13 0396. These matters are not part of EAI's integration into MISO, and
14 EAI's integration into MISO is scheduled to occur with EAI's
15 termination of its participation in the Entergy System Agreement,
16 regardless of the outcome of the ITC Transaction. Mr. Warren's
17 assertions as to ITC's capital structure and return on equity have no
18 place in this instant case.

19
20 Q. HOW DO YOU RESPOND TO MR. WARREN'S STATEMENT ON
21 PAGE 9 OF HIS TESTIMONY THAT "THIS COMMISSION HAS YET
22 TO CONSIDER THE ISSUES AND CONCERNS REFERRED TO BY

1 MR. RILEY REGARDING HOW MUCH SEAMS AND COST IMPACT
2 ISSUES AFFECT MISSOURI RETAIL CUSTOMERS.”
3 A. I reiterate that the application of the MISO through and out rate is
4 triggered by the integration of EAI's Arkansas assets into MISO, a
5 matter that has already been heard and decided by the APSC. Further,
6 as to Empire's alleged seams and congestion issues, it is my
7 understanding that those matters are under FERC's exclusive
8 jurisdiction and accordingly were not presented to this Commission for
9 a determination. In particular, as to Mr. Warren's assertions as to loop
10 flows⁸, the APSC rightly determined that those are matters for FERC.⁹
11 Thus, Empire seems to be attempting to forum shop FERC matters
12 before this Commission. Indeed, on page 11 of his rebuttal testimony,
13 Mr. Warren states his belief that the resolution of certain matters
14 between MISO and SPP seems “to be headed to resolution at FERC
15 and the Circuit Courts.” Regardless of whether EAI agrees with
16 Empire's assumption, the point is that Empire appears to recognize
17 that these matters are issues for appropriate federal authorities, and

⁸ *Id.* at 9.

⁹ See, e.g., APSC Docket No. 10-011-U, Order No. 54 at 103-04 (2011) (“Several of the issues discussed above that have been raised by the Parties in opposition to EAI's possible MISO membership are outside [the Arkansas] Commission's jurisdiction or scope of this docket. For example, concerns associated with the Joint Operating Agreement (“JOA”) [between SPP and MISO], its renegotiation and any resulting compensation associated with loop flows pursuant to the JOA are FERC matters on which [the Arkansas] Commission will not comment. ... The [Arkansas Commission] finds that the concerns raised in this Docket regarding transmission seams are, generally speaking, FERC jurisdictional.”)

1 Empire provides no basis that they may also properly be heard by this
2 Commission.

3

4 Q. MR. WARREN SAYS THAT THE COMMISSION SHOULD TAKE
5 CERTAIN ACTIONS TO PROTECT MISSOURI RETAIL
6 CUSTOMERS FROM EAI'S POTENTIAL MEMBERSHIP IN MISO.¹⁰
7 HOW DO YOU RESPOND?

8 A. Mr. Warren suggests that the Commission should withhold approval in
9 this proceeding "subject to the negotiation of an acceptable Joint
10 Operating Agreement between MISO and SPP that includes resolution
11 of unaccounted market flows/loop flows, and other issues/concerns
12 raised by Missouri jurisdictional utilities, SPP, and other SPP
13 stakeholders at FERC." He also suggests that this Commission should
14 investigate and report on the Joint Operating Agreement ("JOA") as
15 part of this proceeding.¹¹ These assertions are inappropriate and
16 should be rejected. As I have noted previously, Empire has failed to
17 demonstrate how its assertions of harm pertain directly to the limited
18 Missouri transmission facilities at issue in this case; Empire's testimony
19 does not establish that the act of placing the limited Missouri facilities
20 into MISO itself presents any detriment to the public interest in

¹⁰ *Id* at 11.

¹¹ *Id* at 12.

1 Missouri. Moreover, Mr. Warren's own testimony establishes that the
2 costing issues and loop flow concerns that Empire introduces before
3 this Commission are subject to FERC tariffs and oversight. Further,
4 Empire's asserted relief pertains to entities who are not even parties to
5 this case. In short, Empire improperly requests that this Commission
6 allow Empire to use this proceeding to retry decisions of the APSC and
7 to undermine matters its witness readily acknowledges are currently
8 being heard before FERC or federal authorities.

9
10 Q. WHAT OTHER RELIEF DOES EMPIRE REQUEST?

11 A. Mr. Warren states that Empire should be held harmless as to all "non-
12 MISO Missouri retail consumers."¹² The fact that Empire voluntarily
13 chose to join and remains a member of the SPP RTO is the
14 responsibility of Empire and should not undermine EAI's voluntary
15 choice to join the MISO RTO. Mr. Warren does not dispute that EAI
16 has no retail customers in Missouri and fails to demonstrate that EAI
17 owes any contractual or tariff obligation as to other utilities' retail
18 customers. I also do not believe that Empire has established that it
19 has any right to frozen interstate wholesale transmission rates, which it

¹² *Id.*

1 seems to be suggesting.¹³ To the extent that Empire believes that it
2 may experience an unjust or unreasonable increase in interstate
3 wholesale transmission rates for its portion of the Plum Point station in
4 Arkansas, it should seek relief at the FERC and may pursue a rate
5 case before this Commission as to issues related to its own retail
6 customers. However, to suggest that EAI should "hold harmless"
7 Empire with respect to interstate wholesale rates that are subject to
8 FERC tariffs and that have been found to be just and reasonable by
9 FERC is without merit.

10

11 Q. YOU NOTED ABOVE THAT MR. WARREN SAID THAT EMPIRE
12 REPRESENTS THAT IT SHOULD BE HELD HARMLESS AS TO ALL
13 "NON-MISO MISSOURI RETAIL CUSTOMERS."¹⁴ PLEASE
14 RESPOND FURTHER TO THAT POINT.

¹³ I also note that in testifying on behalf of KCPL, Mr. Carlson seems to imply that these parties have some vested interest in stagnant or frozen wholesale market forces. In particular, Mr. Carlson states that "the Entergy market has been a favorable market for KCP&L to make off-system sales." (Carlson Rebuttal Testimony at 7.) There is no reasonable basis for suggesting that changes in the wholesale market necessarily present some detriment to the public interest in Missouri. Although Mr. Carlson attempts to draw a strained retail impact by noting that off-system sales are used to reduce power supply costs for Missouri retail customers (Carlson at p 10), he neither demonstrates how such a result occurs solely by virtue of EAI's limited transmission facilities located in Missouri integrating into MISO nor how Empire or KCPL is entitled to wholesale market pricing that is frozen at a point in time. If the situation were as Mr. Carlson suggests, then any change in off-system sales would necessarily prompt a transaction review by this Commission which suggestion is illogical. KCPL and Empire are entitled, if anything, to purchase wholesale service at the rates that FERC approves as just and reasonable in EAI's interstate transmission tariffs.

¹⁴ *Id.*

1 A. It seems curious that Empire specifically ties its claim to alleged harm
2 to "non-MISO" Missouri retail customers. This would seem to me to
3 imply that Empire recognizes that the proposed MISO integration could
4 result in benefits to retail customers in Missouri of MISO member
5 entities such as Ameren. KCPL makes a similar implication as to
6 Ameren, and in the alternative, in the event that the Commission
7 determines that such benefits are relevant, I address both of Empire's
8 and KCPL's suggestions a little later in my testimony.

9
10 **III. RESPONSE TO KCPL**

11 Q. DID KCPL FILE REBUTTAL TESTIMONY IN THIS DOCKET?

12 A. Yes. But KCPL did not file separate testimony between File No. EO-
13 2013-0396 related to EAI's application to spin off and merge its
14 transmission assets to ITC Holdings, Inc. and this case involving EAI's
15 integration of its transmission facilities in Missouri to MISO. Instead,
16 KCPL simply referenced both file numbers on its witnesses' testimony.
17 That makes it difficult for me to respond to their testimony in each
18 case, but I will attempt here to respond to KCPL's primary arguments
19 pertaining to EAI's integration into MISO.

20
21 Q. DO MR. LOCKE AND MR. CARLSON MISREPRESENT THAT THE
22 ITC TRANSACTION IN FILE NO. EO-2013-0396 AND EAI'S MISO

1 INTEGRATION IN THE INSTANT CASE ARE PART OF THE SAME
2 TRANSACTION?

3 A. Yes. On page 3 of Mr. Locke's rebuttal testimony, he alleges, "The
4 manner in which the Merger Application has been presented to the
5 MPSC does not allow the MSPC to consider the transaction without
6 the proposed transfer of the Entergy Operating Companies'
7 transmission facilities to the MISO Tariff." Mr. Carlson likewise asserts
8 the same.¹⁵ First, I note that the other Entergy Operating Companies
9 are not parties to this proceeding and do not own any property in
10 Missouri. Nevertheless, apparently in an attempt to disguise the fact
11 that many of KCPL's allegations pertain to issues outside of EAI and
12 Missouri (namely the Crossroads facilities in Mississippi), the KCPL
13 witnesses frequently use generic terms such as "Entergy" or the
14 "Entergy Operating Companies' transmission system"¹⁶ This
15 proceeding involves only EAI integrating into MISO its approximately
16 100 miles of interstate transmission lines in Missouri that are not used
17 to provide any EAI retail service in Missouri.

18 Second, Mr. Locke is mistaken in his belief that EAI's MISO
19 integration and the ITC Transaction are part of the same event. As I
20 previously testified, EAI's membership in MISO is scheduled to occur

¹⁵ Carlson Rebuttal Testimony at 3.

¹⁶ See, e.g., Locke Rebuttal Testimony at 4. Mr. Carlson also uses the generic term "Entergy footprint" on pages 3 and 4 of his Rebuttal Testimony in describing the sinking location for the Crossroads facilities in Mississippi; EAI does not operate in Mississippi.

1 simultaneously with EAI's termination of its participation in the Entergy
2 System Agreement, regardless of whether the ITC Transaction occurs.
3 Indeed, no other jurisdiction to consider these events has consolidated
4 them or treated them as part of one transaction. The APSC already
5 approved EAI's integration of its Arkansas transmission assets into
6 MISO in Docket No. 10-011-U, while the ITC Transaction remains
7 pending before the APSC in separate Docket No. 12-069-U. I also
8 understand that Mr. Locke's testimony appears inconsistent with this
9 Commission's Order clarifying that the two cases have not been fully
10 consolidated.

11

12 Q. IN MR. LOCKE'S TESTIMONY HE STATES THAT APPLICANTS IN
13 BOTH CASES HAVE NOT PRESENTED INFORMATION THAT
14 "RELATES TO POTENTIAL IMPACTS ON MISSOURI CUSTOMERS
15 DUE TO CHANGES IN TRANSMISSION RATES THAT WOULD
16 RESULT FROM EITHER THE MERGER AS CONTEMPLATED IN
17 FILE NO. EO-2013-0396 OR THE TRANSFER OF FUNCTIONAL
18 CONTROL TO AN RTO AS CONTEMPLATED IN FILE NO. EO-2013-
19 0431."¹⁷ HOW DO YOU RESPOND TO THAT ASSERTION AS IT
20 PERTAINS TO MATTERS IN THIS CASE?

¹⁷ Locke Rebuttal Testimony at 2 – 3.

1 A. I do not believe that Mr. Locke adequately reflects what must be shown
2 by EAI. My attorneys will discuss these issues as appropriate in legal
3 briefs.

4 Nonetheless, as a matter of fact, EAI has demonstrated that it
5 does not have any retail customers in Missouri and, therefore, that
6 there are no issues of bundled retail rates in this case. Further, EAI
7 has shown that any cost issues arising from EAI's move to MISO arise
8 under FERC tariffs and that the applicable wholesale transmission
9 rates will remain under FERC tariffs after the integration to MISO. I
10 note that no party, including Mr. Locke on behalf of KCPL, disputes
11 these points.¹⁸ The FERC rates are wholesale rates, not rates charged
12 to any EAI Missouri retail customers. EAI's provision of transmission
13 service to KCPL and other Missouri parties is currently subject to a
14 FERC tariff and will continue to be after EAI is integrated into MISO.
15 Similarly, Entergy Operating Company assets in other states including
16 those of EAI in Arkansas have already been approved to integrate into
17 MISO. The integration of these assets into MISO will not change as a
18 result of the integration of the limited EAI Missouri facilities into MISO.
19 In short, the alleged harms about which KCPL complains do not
20 implicate the public interest in Missouri. Further, the events on which
21 the allegations are based are unrelated to, and independent of, the

¹⁸ Mr. Carlson also recognizes that the rate issues relate to FERC tariffs. (See, e.g., Carlson Rebuttal Testimony at 4.)

1 integration into MISO of any EAI transmission assets located in
2 Missouri.

3
4 Q. HOW DO YOU RESPOND TO MR. LOCKE'S SUGGESTION ON
5 PAGE 4 OF HIS REBUTTAL TESTIMONY THAT THE "PLACEMENT
6 OF THE ENTERGY OPERATING COMPANIES' TRANSMISSION
7 FACILITIES (INCLUDING THOSE OF EAI) UNDER THE MISO
8 TARIFF WILL RESULT IN SUBSTANTIAL INCREASES IN
9 TRANSMISSION RATES FOR SERVICE ACROSS THE ENTERGY
10 OPERATING COMPANIES' FACILITIES" AND THAT "THIS HAS
11 RAMIFICATONS FOR THE COSTS TO BE BORNE BY RETAIL
12 CUSTOMERS IN MISSOURI, INCLUDING THOSE OF [KCPL] AS
13 WELL AS OTHER MISSOURI UTILITIES"?

14 A. First, I note again that the other Entergy Operating Companies are not
15 parties to this proceeding nor do they own property in Missouri.
16 Second, I note as I did above that KCPL seems to be attempting to use
17 this proceeding to have the Commission retry and undermine the
18 decisions of other state commissions as well as FERC. Third, KCPL
19 cannot demonstrate at this time that any increase in transmission rates
20 pertaining to its Crossroads facilities in Mississippi, even if subject to
21 this Commission's jurisdiction and not subject to the exclusive
22 jurisdiction of FERC, presents a detriment to the public interest in
23 Missouri for the reason that KCPL acknowledges it cannot currently

1 recover any of those transmission costs from its Missouri retail
2 customers. It is also for this reason that Mr. Carlson's testimony with
3 respect to increases of certain FERC tariff rates and schedules¹⁹ do not
4 merit detailed response. Mr. Carlson admits that "it is true that the
5 Entergy transmission for the Crossroads generating facility has not
6 been allowed in GMO's electric rates to-date."²⁰ Despite that Mr.
7 Carlson states KCPL's intention in the future to file for inclusion of this
8 transmission service in Mississippi in its Missouri retail rates, the fact
9 remains that currently KCPL does not recover any such costs from its
10 Missouri retail customers.²¹

11
12 Q. HOW DO YOU RESPOND TO MR. LOCKE'S ASSERTIONS AS TO
13 THE POWER FLOWS?²²

14 A. I respond to Mr. Locke in the same manner that I responded to Mr.
15 Warren for Empire. Power and loop flow issues relating to the
16 integration of EAI's limited transmission facilities in Missouri are
17 subject to FERC jurisdiction. Mr. Locke even acknowledges that "there
18 are a number of unresolved issues still pending before the FERC

¹⁹ See, e.g., Carlson Rebuttal Testimony at 5-6.

²⁰ Carlson Rebuttal Testimony at 6.

²¹ *Id.* This notion of some future alleged harm is also apparent in Mr. Carlson's discussion on page 7 of his rebuttal testimony where he carefully phrases his testimony in terms of assertions that he believes "could" happen.

²² Locke Rebuttal Testimony at 6.

1 related to compensation by the Entergy Operating Companies and
2 MISO for the use of facilities that are owned by non-MISO utilities and
3 for the transmission congestion that will result from the Entergy
4 Operating Companies' integration into the MISO market.²³ Although I
5 do not necessarily agree with the manner in which KCPL characterizes
6 the nature of the issues pending at FERC, what matters here is that
7 this statement demonstrates that even KCPL recognizes these are
8 FERC matters. Further, I note again that KCPL, like Empire, has not
9 shown how these loop flow assertions relate directly to the limited
10 Missouri facilities at issue in this proceeding. It is telling that Mr.
11 Locke's discussion on this point speaks generically to "the Entergy
12 Operating Companies' system" and not to EAI's Missouri facilities that
13 are at issue in this case.²⁴

14 Further, and in the alternative, in the event that the Commission
15 determines that these claims are relevant to the public interest in
16 Missouri, these claims overlook any potential benefits to Missouri retail
17 customers of MISO load-serving entities as I discuss in greater detail
18 below.

²³ *Id.* at 6 – 7.

²⁴ *Id.*

1 Q. DOES MR. LOCKE INDICATE WHETHER KCPL HAS AN INTEREST
2 IN OPPOSING EAI'S INTEGRATION INTO MISO?

3 A. Yes. He states that KCPL does not have an interest in impeding EAI's
4 integration into MISO yet he seeks for KCPL to be "held harmless." At
5 the outset, I would note that given KCPL's recognition of this
6 Commission's existing determination regarding the denial of recovery
7 of transmission costs from the Crossroads facility, KCPL is not
8 seeking to have the "public" or its retail customers held harmless, but
9 rather KCPL itself. In any case, KCPL's wants to use this proceeding,
10 which pertains only to limited interstate transmission facilities in
11 Missouri, to retry matters pertaining to the integration into MISO of
12 facilities owned by other Entergy Operating Companies, as well as
13 seams and tariff issues under FERC jurisdiction.²⁵ KCPL's actions in
14 this docket are plainly an attempt to impede EAI's integration into
15 MISO. In fact, Mr. Locke contradicts himself later on page 11 of his
16 testimony by asserting that this Commission should hold up this
17 proceeding until the matters relating to the "Entergy Operating
18 Companies' integration into MISO" have been investigated by this
19 Commission despite acknowledging that these issues are being
20 addressed by FERC.

²⁵ On page 11 of his testimony, Mr. Locke admits, "It is true that matters of wholesale transmission rates and the interstate power market, including RTO seams management, fall under the jurisdiction of the FERC."

1

2 My response to Mr. Locke's "hold harmless" arguments is the
3 same as my response to the similar arguments by Empire. That is,
4 KCPL's voluntary choice to join and remain a member of the SPP
5 RTO is KCPL's responsibility. Further, the fact that the FERC may
6 approve EAI's tariff rates in MISO as just and reasonable serves as
7 no basis for any alleged "hold harmless" claim by any party to this
8 proceeding.

9

10 Q. HOW DO YOU RESPOND TO MR. LOCKE'S STATEMENT ON PAGE
11 11 OF HIS TESTIMONY THAT IT IS INCUMBENT ON THIS
12 COMMISSION TO REVIEW WHETHER THE FERC TARIFFS AND
13 FERC'S RESOLUTION AS TO THE SEAMS ISSUES PROTECT THE
14 PUBLIC INTEREST OF RETAIL RATEPAYERS?

15 A. Mr. Locke severely confuses the issues as I understand them. What is
16 critical here is that EAI has no retail customers in Missouri and that this
17 Commission is not a retail regulator of EAI -- facts that are not disputed
18 by any party to this proceeding. FERC tariff issues are a matter for
19 FERC. Correspondingly, issues as to retail rate increases between
20 KCPL and its own retail ratepayers are a separate matter for KCPL
21 and its own retail regulator in its future rate cases before this
22 Commission. KCPL's suggestion that it may seek permission at some
23 future point to pass through transmission rate increases to its retail

1 customers in Missouri (retail customers who currently are not paying
2 the transmission charges from Crossroads) does not support that
3 EAI's MISO integration in Missouri currently presents any detriment to
4 the public interest in Missouri.
5

6 Q. IS IT YOUR UNDERSTANDING THAT KCPL ASSERTS THERE WILL
7 BE A DETRIMENT TO THE PUBLIC INTEREST IN MISSOURI
8 MERELY BY VIRTUE OF EAI'S LIMITED TRANSMISSION LINES IN
9 MISSOURI BEING INTEGRATED INTO MISO?

10 A. That is certainly what KCPL seems to assert but without providing any
11 evidence. However, I note that on page 7 of his rebuttal testimony, Mr.
12 Locke seems to recognize that there may be some exceptions to
13 KCPL's general contention, including his vague reference that
14 Ameren's retail customers may experience some benefits. As I noted
15 previously as to Empire, this is similar to Mr. Warren's qualified claim
16 about alleged harm as relating to "non-MISO" Missouri retail
17 customers²⁶ These qualified statements imply that KCPL and Empire
18 recognize that there may be benefits to Missouri retail customers of
19 MISO load serving entities such as Ameren. Further, I acknowledge
20 that Mr. Warren argues that Empire's Missouri retail customers will be

²⁶ *Supra.*

1 financially harmed by MISO's market business practices,²⁷ but he fails
2 to substantiate his contention. Indeed, as a participant in the APSC's
3 Docket No. 10-011-U, Empire may be aware of the MISO document
4 called "Entergy Integration Benefits All Members," which is attached
5 hereto as Exhibit B.

6 I address these benefits in the alternative, only in the event that
7 the Commission determines that the effects of the MISO integration on
8 Missouri load-serving entities- and the effects of the integration into
9 MISO of assets other than those EAI owns in Missouri – are somehow
10 relevant to the public interest determination. EAI disputes that such
11 matters are relevant, as I explain above, but I address them here in the
12 event the Commission determines otherwise.

13

14 Q. HAS THERE BEEN ANY ANALYSIS THAT DEMONSTRATES THE
15 ENTERGY OPERATING COMPANIES' INTEGRATION INTO MISO
16 WILL BENEFIT MISSOURI RETAIL CUSTOMERS?

17 A. Exhibit B, which I referenced earlier, contains an analysis that as I
18 understand it evaluates the impact on existing MISO members of the
19 Entergy Operating Companies' integration.²⁸ These positive impacts

²⁷ Warren Rebuttal Testimony.

²⁸ Attempts by KCPL and Empire to support their allegations of harm by raising issues outside Missouri and as to other Entergy Operating Companies are inappropriate. To the extent that KCPL and Empire have made these assertions generally as to the Entergy Operating Companies, I offer this rebuttal to specifically address and refute the intervenors' claims.

1 would include MISO members in Missouri such as Ameren, as the
2 testimony of both Empire and KCPL subtly concede. Specifically,
3 MISO conducted analysis of the impact that the integration of EAI and
4 the other Entergy Operating Companies into MISO would have on
5 existing MISO members and found that the integration of the Entergy
6 Region (which would include the applicable EAI facilities in Missouri)
7 would benefit existing MISO members by more than \$100 million
8 annually.²⁹ Approximately 9 percent of load in the existing MISO
9 footprint is located within Missouri, and assuming for the sake of
10 simplicity that the benefits identified by MISO are distributed
11 proportionally, this suggests that retail customers of MISO load serving
12 entities in Missouri could benefit by more than \$9 million annually
13 because of the Entergy Operating Companies' integration. The
14 analysis supports identification of four areas where benefits may be
15 expected in the EAI Region:

16 (1) more efficient commitment and dispatch;³⁰

²⁹ MISO, "Entergy Integration Benefits All Members", 2/1/13.

³⁰ Currently, resources in MISO and the EAI region are committed and dispatched independently of each other. The resources in MISO are committed and dispatched by the RTO as part of the integrated MISO "Day 2" energy markets. For the EAI region, each asset owner must make the commitment and dispatch decisions for its portfolio of assets to serve its load and wholesale obligations. When the EAI region is integrated into MISO, there will be a combined commitment and dispatch, resulting in overall savings associated with increased economies of scale and scope for the region as a whole.

- 1 (2) lower reserve margin requirements;³¹
- 2 (3) lower ancillary service requirements;³² and
- 3 (4) lower administrative fees.³³

These benefits are not captured in the existing wholesale trade between the regions because today, in order for a market participant in MISO to transact with a market participant in the EAI Region (e.g., a purchase by an LSE in MISO of energy from a generator in the EAI Region), two physical transmission reservations must be made—"out" service on one system and "in" service on the other (which may be in the form of Network Service for the MISO LSE). There is a process to make these transmission reservations and is subject to the availability of unused transmission capacity. Furthermore, such transactions are assessed a wheeling charge. The administrative burden, the intermittent availability of unused transmission capacity, and the wheeling charge are inefficiencies that inhibit the economic trade of energy between the two regions. After EAI's integration into MISO, these inefficiencies will be eliminated, and resources within the combined MISO footprint will be jointly committed and dispatched to serve load in the combined MISO footprint. MISO's analysis supports the theory that the elimination of inefficiencies and the joint commitment and dispatch of resources reduces production costs in MISO, and Missouri customers of load-serving entities in MISO can reasonably be expected to share in those benefits.

³¹ Load Serving Entities ("LSEs") in MISO are required to provide or purchase installed capacity in an amount equal to their share of the coincident peak load times one plus a reserve margin. An increased "load diversity" within the combined, and more geographically diverse, MISO footprint reduces the quantity of installed capacity that must be carried by LSE's in the combined region. "Load diversity" refers to the degree to which individual LSEs' peak loads differ from one another, and more diverse loads translate to lower reserve margins. For example, if a system has two LSEs that each have a peak load of 100 MW that occurs in the same hour, then the combined system must be planned to meet a peak load of 200 MW; whereas, if a system has two LSEs that each have a peak load of 100 MW, but the coincident peak is 180 MW, then the system must be planned to meet a combined coincident peak load of 180 MW. The integration of the EAI Region is expected to increase load diversity within the combined MISO footprint, and it is reasonable to expect that to result in a lower quantity of installed capacity being needed to meet the system peak. LSE's within the combined region can rely on each other's resources and the mutual support of a region wide resource adequacy construct. That lower reserve margin should directly translate into benefits for Missouri customers of load-serving entities in MISO.

³² MISO conducts a market-based procurement of ancillary services—regulation reserve, spinning reserve, and supplemental reserve—to reliably operate the system and meet NERC requirements. I understand that it is MISO's expectation that after the integration of the EAI Region, the megawatt-hour ("MWh") requirement of each of these ancillary services per MWh of load will decrease with a corresponding decrease in the dollars/MWh cost to provide ancillary services. It is not unreasonable to expect these savings to be shared by customers throughout MISO, including Missouri customers of load-serving entities in MISO.

³³ MISO recovers its costs through the assessment of administrative fees to market participants. The MISO analysis indicates that the total costs incurred by MISO will increase as a result of the Entergy Operating Companies' integration, but the per-unit fee will decrease by 15%. This should directly translate into savings for all MISO load-serving entities, including those with retail customers in Missouri.

1

2 MISO noted that the driver of benefits was the greater economies of
3 scale that would be realized upon integration of the Entergy Operating
4 Companies' Region, including the EAI Region.

5

6 IV. CONCLUSION

7 Q. CAN YOU PLEASE SUMMARIZE YOUR KEY RESPONSES TO THE
8 INTERVENORS' TESTIMONY?

9 A. The issues raised by KCPL and Empire relating to transmission rate
10 effects and loop flows are subject to FERC tariffs and oversight.
11 Neither KCPL nor Empire has specified how its allegations in this
12 matter relate directly to the very limited miles of transmission in
13 Missouri that are the subject of EAI's MISO Notice. Thus, those
14 allegations are not a reasonable basis to conclude that the integration
15 of EAI's limited transmission facilities in Missouri into MISO presents a
16 detriment to the public interest in Missouri. In fact, and to the extent
17 the Commission determines that they are relevant to the statutory
18 criteria in this case, there is evidence of benefits to Missouri retail
19 customers of MISO load serving entities like Ameren from lower
20 administrative costs in MISO as a result of the Entergy Operating
21 Companies' integration into MISO, which benefits seem to be implicitly

1 recognized by both KCPL and Empire and which otherwise serve to
2 dispute the intervenors' contention that EAI's MISO integration is
3 detrimental to the public interest in Missouri.

4

5 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

6 A. Yes.

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A SHOW CAUSE)
ORDER DIRECTED TO ENTERGY)
ARKANSAS, INC. REGARDING ITS)
CONTINUED MEMBERSHIP IN THE) DOCKET NO. 10-011-U
CURRENT ENTERGY SYSTEM)
AGREEMENT, OR ANY SUCCESSOR)
AGREEMENT THERETO, AND)
REGARDING THE FUTURE OPERATION AND)
CONTROL OF ITS TRANSMISSION ASSETS)

PETITION TO INTERVENE

Pursuant to Rule 3.04 of the Arkansas Public Service Commission's Rules of Practice and Procedure, The Empire District Electric Company ("Empire") hereby petitions the Commission for permission to intervene in this proceeding, and in support of its petition, states as follows:

1. Empire is a Kansas corporation with its principal place of business at 602 S. Joplin Avenue, Joplin, Missouri 64801. Empire is qualified to conduct business and is conducting business in Arkansas as well as the states of Missouri, Kansas and Oklahoma. Empire is engaged, generally, in the business of generating, purchasing, transmitting, distributing and selling electric energy in portions of said states and selling natural gas in the State of Missouri through a wholly-owned subsidiary, The Empire District Gas Company.

2. Empire is a member of the Southwest Power Pool Regional Transmission Organization ("SPP RTO"). Empire joined the SPP RTO Pursuant to Order No. 1 in Docket 05-132-U, entered on August 10, 2006.

3. On February 11, 2010, the Commission initiated the instant docket with the issuance of a Show Cause Order (Order No. 1). As stated by the Commission, "the intent of this

Order is to give notice to EAI and all interested parties that it is the Commission's stated purpose in opening this inquiry to conduct an investigation regarding the prudence of EAI entering into a successor ESA as opposed to becoming a stand-alone utility upon its exit from the ESA, and whether EAI, as a stand-alone utility should join the SPP RTO. It is the Commission's intention to render a decision regarding the prudence of EAI entering into a successor ESA as opposed to becoming a stand-alone utility upon its exist from the ESA, as well as EAI's RTO participation by the end of calendar year 2010." (Order No. 1 at 30).

4. Order No. 1 went further and scheduled two hearing dates, March 11, 2010 and May 11, 2010 to address these issues and also set a date by which interventions should be filed of February 26, 2010, presumably with the idea of having interveners identified by the March and May hearings.

5. Based upon the stated issues in the Commission's order, EAI's exit from the ESA and its possibility of joining of the SPP RTO, Empire made the determination to not participate because, as a member of SPP, the various membership and operating agreements would, in all probability, have protected Empire's interests and that of its customers, had EAI become a member of the SPP RTO.

6. No final determination on the issue of EAI joining the SPP RTO as a result of the hearings in 2010 has taken place at this time.

7. From a review of the record, it appears that the idea of EAI or the Entergy Operating Companies ("EOCs") exploring membership in the Midwest Independent Transmission System Operator ("MISO"), rather than the SPP RTO, first surfaced in the March 2010 Show Cause Hearing in the Testimony of Mr. Hugh T. McDonald. (March 2010 Show Cause Hearing, Tr. 170, 186-7). On May 2, 2011, Mr. McDonald filed testimony in which EAI

announced "EAI and the other EOCs' conclusion that "joining the Midwest Independent Transmission System Operation (MISO) Regional Transmission Organization (RTO) will provide meaningful, long-term benefits for EAI's customer." (McDonald Supplemental Direct Testimony at 3).

8. Prior to this time, Empire had limited knowledge that any serious consideration was being given to EAI or the EOCs joining MISO. Empire believes that the EAI proposal may have specific and harmful effects upon the Empire system that have not been addressed or considered in this proceeding. In short, EAI's or the EOC's joining of MISO is not a benign event to Empire and its customers. Empire would respectfully submit that the initiation of the issue of EAI joining MISO after the original time for intervention stated in the Commission's Order No. 1 is justification for Empire's request to intervene at this time. Neither the Commission nor EAI raised the MISO issue in time for Empire to intervene in a timely manner.

9. Empire, in the short time it has had to evaluate the EAI proposal, believes that, at a minimum, the following Empire arrangements could be negatively affected:

a. Deliveries from Plum Point Energy Station. Empire is a co-owner in Plum Point Energy Station, located in EAI's transmission area near Osceola, Arkansas. Empire's entitlements to Plum Point are base-load Designated Resources for Empire under the SPP Open Access Transmission Tariff. Plum Point is located in the PLUM Balancing Authority Area which is in the EAI transmission service area. Balancing Authority services for PLUM are provided by Constellation Energy Control and Dispatch, LLC. Currently, Empire purchases 100 MW of long-term firm point-to-point transmission service from EOC, and SPP network integration transmission service, in order to schedule its receipts of energy from PLUM to Empire's Balancing Authority Area within SPP. It is unclear how the arrangements for delivery

of the Plum Point entitlements (including transmission arrangements and interconnection facility rights) would be affected if EAI or EOC joins MISO. Neither EAI nor MISO has made any attempt to address the impacts to Empire and its customers.

b. Effects of EAI's Migration to MISO on the SPP Reserve Sharing Group.

SPP administers a Reserve Sharing Group ("RSG") comprising twenty-nine Balancing Authorities, including EOC. The RSG membership includes all the Balancing Authorities with load in the SPP Reliability Coordination footprint, plus EOC and three others. The rights and obligations of the participating entities are spelled out in SPP Criteria 6 ("Operating Reserve").

The RSG requirements reflect the results of SPP studies aimed at determining an appropriate level of operating reserves to ensure satisfaction of NERC Disturbance Control Standard requirements, taking account of such facts as generator type and size, annual seasonal peak demands and load durations, inter-system transmission transfer capability, generation and transmission outage factors and maintenance requirements, and other variables. The reserve requirements under SPP Criteria 6 reflect the aggregate effect of the foregoing factors as to all members; consequently, the withdrawal of any single RSG member, especially a member the size of EOC, including EAI, has the potential to materially increase the operating reserves that must be carried by the remaining members of the group. EOC/EAI's withdrawal from the SPP RSG would impact SPP members and other transmission providers. Specifically, it is vitally important for EOC and/or MISO to address (i) how EOC/ EAI will satisfy its operating reserve obligations (either independently or through MISO), and (ii) EAI's ability to reliably deliver and receive reserve power during system contingencies. To date, neither EOC/EAI nor MISO has addressed these matters, nor have they addressed the matter of appropriate compensation for EOC/EAI's continued use of SPP member systems' facilities to meet its contingency reserve

requirements. These matters must be satisfactorily resolved before the Commission may approve EAI's membership in MISO or any other RTO.

As yet, EAI has given no indication whether or how its decision to participate in MISO RTO will affect its continued participation in the SPP Reserve Sharing Group. Empire is concerned that EAI's decision may adversely affect the remaining RSG membership, not only because of the withdrawal of EOC/EAI's generation portfolio from the RSG but also because of the large, uncompensated, inter-regional power flows that EOC/EAI's integration into MISO's operations is likely to produce.

c. Transmission Planning and Cost Allocation for New Transmission Facilities. EAI's proposed participation in the MISO RTO has a number of potential impacts on the transmission planning cost allocation, but especially as it would affect planning and cost allocation for SPP's members. To date, neither EOC nor MISO has made any meaningful attempt to resolve cost allocation issues with SPP for mutually beneficial regional transmission projects. This, too, is a matter that must be resolved.

In detail, the Commission recently approved SPP's proposed implementation of a "highway-byway" cost allocation method that includes 100% regional cost-sharing for new transmission facilities rated at 300 kV and higher. SPP already has proposed to apply its new cost allocation method to a set of EHV transmission projects (the "SPP Priority Projects") being constructed primarily to integrate new wind generation that SPP expects to be brought on-line in the western and central parts of its footprint. It is precisely such higher-voltage facilities (as well as transmission facilities owned by the Nebraska entities, Kansas City Power and Light, KCPL Greater Missouri Operations and Empire) that are likely to carry a substantial amount of unscheduled power flows between MISO and EOC/EAI that traverse the SPP region. Yet,

neither EOC/EAI nor MISO has proposed to work with SPP to address reasonable and appropriate compensation or solutions for the SPP members that will bear the costs of those upgrades, including those members that will derive even less benefit from the upgrades than would EOC/EAI/MISO.

In addition, it is entirely foreseeable that the substantial parallel flows EOC/EAI's participation in MISO would impose on SPP and other adjacent transmission providers might necessitate the construction of new transmission capacity to mitigate (both for reliability and economic purposes) the congestion caused by those flows. Neither EOC/EAI nor MISO has attempted to address and develop mutually acceptable solutions, such as mechanism for allocating and recovering the costs of such upgrades from MISO or EOC/EAI. Absent such a mechanism, SPP's members and the consumers they serve would be forced to share in those costs and liabilities, thereby conferring an involuntary subsidy on MISO and EOC/EIA.

10. Empire has a substantial and direct interest in this proceeding, given the late introduction of the issue of EOC/EAI possibly joining MISO. The impacts upon Empire and its customers are unique and cannot be represented by any other party.

11. Empire agrees, if it is allowed to intervene, to comply with all established procedural schedules.

12. Pursuant to Rule 2.03 of the Arkansas Public Service Commission's Rules of Practice and Procedure, all pleadings, notices and correspondence should be addressed to:

Lawrence E. Chisenhall, Jr.
Chisenhall, Nestrud & Julian, P.A.
400 West Capitol, Suite 2840
Little Rock, AR 72201
Email: lchisenhall@cnjlaw.com

AND

Bary Warren
The Empire District Electric Company
602 S. Joplin Avenue
Joplin, MO 64801
Email: BWarren@empiredistrict.com

WHEREFORE, for the above-stated reasons, Empire respectfully requests that it be allowed to intervene in this proceeding beyond the previously fixed intervention date and that it be allowed to fully participate on the issues set forth above and any other relevant matter with the full rights of an intervener.

Respectfully submitted,

CHISENHALL, NESTRUD & JULIAN, P.A.

By: /s/ Lawrence E. Chisenhall, Jr.
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Attorneys for The Empire District
Electric Company

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., do hereby certify that I have served a copy of the foregoing instrument upon all parties of record via electronic mail this 6th day of July, 2011.

/s/ Lawrence E. Chisenhall, Jr.
Lawrence E. Chisenhall, Jr.



Entergy Integration Benefits All Members

Greater economies of scale from the addition of Entergy will create more value for MISO members, including a 15 percent reduction in administrative fees.

MISO creates value across our footprint by:

- Improving the reliability of the power grid;
- Making the most efficient use of existing transmission and generation assets; and
- Minimizing the need for investment in future grid assets.

Since MISO's market operations began in 2005, MISO's scalable operations, coupled with a collective, region-wide approach to grid planning and management, have progressively delivered billions in value to MISO's members and their customers.

The clear and measurable benefits that MISO's wholesale energy markets currently deliver to existing members and their customers will not change when Entergy integrates into MISO operations in December 2013. In fact, MISO's Midwest region will see even greater benefits through increased economies of scale.

Benefits to Existing Members

MISO's analysis of Entergy's integration shows that delivered benefits will increase by more than \$500 million per year, with MISO's existing members realizing additional annual benefits of more than \$100 million. The added benefits to existing MISO members result from the following:

- **Advantages of Fuel Diversity** – Folding in Entergy's 30,000 megawatts of capacity into MISO's market commitment and dispatch increases overall fuel diversity for the existing MISO region. Market-based dispatch every five minutes allows MISO to more efficiently manage power flows on the system in a more timely manner. Adding the Entergy companies increases the available pool of generation resources and expands MISO's lowest-cost dispatch options.
- **Footprint Diversity** – The shift from localized use of the system to regional use allows for more efficient sharing of generation assets. Because peak conditions vary geographically, expanding the footprint will result in a decrease in regional planning reserve margins. This, in turn, results in a reduced need for expenditures on future generation assets.
- **Consolidation of balancing authorities** – With the centralization of operating reserves and regulation requirements through MISO's Ancillary Service Markets, the overall requirements dropped significantly, freeing up low-cost generation units to serve energy needs of the region. Consolidating Entergy's balancing authorities into MISO's single balancing authority will further reduce each member's individual requirement – providing significant savings while maintaining reliability.
- **Reduced Administrative Fees** – MISO's administrative charges are based on a proportional use of the system. MISO's cost structure allows new member entry at little added cost. The net effect is that each member's administrative fees will decrease 15 percent with the Southern region integration.

Did you know?

- MISO's Midwest Region members will realize approximately \$143 million in benefits in the first year with the addition of Entergy.
- Administrative fees will decrease approximately 15 percent.
- Entergy will add 15,500 miles of transmission and 30,000 megawatts of generation capacity to the MISO footprint.

MISO Market Footprint with Entergy

