

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

In the Matter of the Joint Application of Entergy Arkansas, Inc.,)
Mid South TransCo LLC, Transmission Company Arkansas,) Case No. EO-2013-0396
LLC and ITC Midsouth LLC for Approval of Transfer of Assets)
and Certificate of Convenience and Necessity, and Merger and,)
in connection therewith, Certain Other Related Transactions.)

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) Case No. EO-2013-0431
Transmission System Operator, Inc. Regional Transmission)
System Organization or Alternative Request to Change)
Functional Control and Motions for Waiver and Expedited)
Treatment.)

**REPLY BRIEF OF THE MISSOURI JOINT MUNICIPAL
ELECTRIC UTILITY COMMISSION**

COMES NOW the Missouri Joint Municipal Electric Utility Commission (MJMEUC) by
and through their counsel, Douglas L. Healy, and for the Reply Post Trial Brief, make the
following arguments:

I. EO-2013-0431 – Should EAI be Granted Authority to Join MISO

While Entergy Arkansas, Inc. (EAI) may have received permission from the Arkansas
PSC to transfer functional control of its transmission assets to the Midcontinent Independent
System Operator, Inc. (MISO), it was done with a significant number of conditions that were
designed to protect Arkansas customers.¹ Whether conditions should be imposed on EAI's
request to transfer assets to MISO control is subject to the Commission; however, at a
minimum, Missouri customers should not be in a worse position after the transfer than before,
assuming that this Commission would find that sufficient conditions could be put in place to
avoid the transfer from being a detriment to the public. In this case, significant rate increases
will follow the transfer of assets to MISO, and neither EAI or ITC Midsouth LLC (ITC) has
demonstrated any benefit that will accrue to the benefit of Missouri customers from such a

¹ See Arkansas PSC Orders #68, #72, #73, #74, #75, and #76, in APSC Docket 10-011-U.

transfer of functional control of those assets. Instead, the benefits generally alluded to only apply to customers in other states, with some speculation as to what may possibly happen in the eastern side of the state. Again, as has often been the case in this proceeding, EAI and ITC failed to provide any basis or evidence to support their speculation and optimistic approach to this requested transfer. Both KCPL and Empire however have demonstrated known and measurable negative impacts based from existing rates, and from projected rates based on existing MISO tariffs. The negative impacts of granting transfer of functional control of EAI's Missouri transmission assets to MISO are not speculative, and outweigh the speculative benefits assumed by EAI.

II. EO-2013-0396 – Transfer of Assets to ITC

While EAI and ITC spent many pages in their reply brief reporting the favorable treatment at FERC of their application that resulted in a partial ruling on some topics related to the transfer (and two FERC Commissioners offering partial dissents of the issues that have been given initial consideration²), it is worth noting what the Louisiana Public Service Commission argued in their motion for rehearing:

“...finding that the rate increase resulting from an equity-rich capital structure will be offset by unspecified future "benefits" is bare speculation. A cost increase cannot be justified based on speculative future "benefits.”³

In this case, the Commission is faced with the same choice; known costs that will be paid by Missouri consumers versus unknown and speculative benefits that may or may not occur. ITC has not been able to quantify those benefits, or has quantified those benefits and declined to share their analysis with the Commission. Either outcome raises the question of whether this transaction is detrimental to the public interest.

EAI and ITC continue to point out the ability of ITC to build transmission upgrades if

² Comm. LaFleur and Norris dissented on the issue of the 60/40 capital structure requested by ITC. 143 FERC ¶61,256

³ *Request for Rehearing on Behalf of the Louisiana Public Service Commission*, p.2, Docket No. EL12-107, FERC

they are needed. However, in a post-FERC Order 1000 world, there are other viable entities that can build transmission upgrades aside from ITC or EAI in response to reliability or economic transmission needs. At this time, no transmission needs have been identified by either EAI or ITC in Missouri. As such, and with no pressing needs readily apparent, the value of ITC's ability to build additional assets is of questionable, if any, value. It is interesting to note that while ITC continues to compare itself against EAI as the better option, no party has suggested that ITC is the least-cost option available to Missouri customers for operating or upgrading Missouri transmission assets currently owned by EAI.

If this transaction is authorized, Missouri customers will have a re-named company with largely the same employees⁴ and ITC's admission that they will have a higher cost to operate the same assets. ITC's rate mitigation plan is not helpful; taking an additional dollar from a customer and then offering to return some of the change is not a rebate, but an increase in rates, followed by another increase in rates when the 'rebate' expires. If not for the transaction, ITC would not possess the customer's dollar to later refund a portion. Since the hypothetical additional dollar requested by ITC is not related to improved facilities, but only murky promised qualitative benefits that are not likely to be of any benefit to Missouri customers, most customers would likely prefer to keep the dollar in their pocket. Additionally, the details of the rate mitigation plan are still unknown as to what, if any, benefit it would have on Missouri wholesale customers.

In conclusion, MJMEUC's customers in Thayer would much rather simply keep the dollar in their pocket than give it to a company with the same employees and assets, but with a different name and a higher rate. The only definitive result from this proposed transaction is an increase in rates to accommodate ITC's leveraged capital structure. MJMEUC sees no benefit to Thayer of the proposed transfer of assets from EAI to ITC, and only detriment to the citizens of Thayer.

⁴ See Direct Testimony of Welch, pp. 54-56

Respectfully submitted,



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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to all counsel of record in this case this 2nd day of August, 2013.



Douglas L. Healy