

**IN THE MATTER OF THE JOINT
APPLICATION OF ENTERGY
ARKANSAS, INC., MID SOUTH
TRANSCO LLC, TRANSMISSION
COMPANY ARKANSAS, 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**

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JUNE 2013

1 **Q1. PLEASE STATE YOUR NAME.**

2 **A.** My name is Thomas W. Vitez.

3 **Q2. ARE YOU THE SAME THOMAS W. VITEZ WHO PREVIOUSLY FILED**
4 **TESTIMONY IN THIS PROCEEDING?**

5 **A.** Yes.

6 **Q3. ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?**

7 **A.** My testimony is filed on behalf of ITC Midsouth LLC.

8 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 **A.** Empire witness Mr. Warren states in his rebuttal testimony that he agrees with a recent
10 filing by the General Staff of the Arkansas Public Service Commission (“APSC”) in Docket 12-
11 069-U suggesting that the transaction that is the subject of this proceeding is not in the public
12 interest. Mr. Warren attached the APSC General Staff filing as Schedule BKW-2 to his rebuttal
13 testimony. While ITC believes that the Commission should not consider Mr. Warren’s Schedule
14 BKW-2 and that it should be excluded from the record as unsworn hearsay evidence and as
15 irrelevant to the standards and circumstances applicable to Missouri, my testimony and the
16 testimonies of other ITC and EAI witnesses in the Arkansas proceeding thoroughly rebutted the
17 APSC Staff’s testimony and we will do so here in the event the Commission does not exclude
18 Schedule BKW-2. The purpose of my testimony is to therefore provide the relevant portions of
19 my Arkansas testimony that rebuts the portion of Mr. Warren’s Schedule BKW-2 that I rebutted
20 in Arkansas.

21 **Q4. WHAT IS THE PORTION OF YOUR ARKANSAS TESTIMONY THAT YOU**
22 **ARE PROVIDING?**

1 **A.** The excerpt of the responses in my Arkansas rebuttal testimony to Questions 16-18 are
2 attached hereto as Exhibit TWV-SR-1 and incorporated herein by this reference. This is
3 a true and correct copy of that portion of my rebuttal testimony in that proceeding.

4 **Q5. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A.** Yes.

**Excerpts from the Rebuttal Testimony of Thomas W. Vitez
on Behalf of ITC Holdings Corp. and ITC Midsouth LLC
Arkansas Public Service Commission Docket 12-069-U**

Q16. At p. 10 of his testimony, Mr. Peaco states that: "While the Applicants also claim that customers will benefit from the independence and broad regional view of ITC, the opportunities for economic transmission upgrades to reduce congestion lay primarily in areas other than Arkansas." Do you agree with this?

A. No, not necessarily. Until ITC has the opportunity to conduct a complete review of the EAI transmission system following completion of the Transaction, applying the ITC independent planning paradigm, I would not conclude this. As Mr. Pfeifenger indicates, there may be seams projects that could be of substantial value in reducing transmission congestion. Finally, conditions change all the time. For example, as utilities make retirement determinations in response to Clean Air Act regulations, or as fuel prices change (the market price of natural gas has roughly doubled over the past year) new opportunities for beneficial economic projects in Arkansas may arise.

Q17. Mr. Peaco also asserts that "while this provides the possibility that costs would be shared beyond the region, it also indicates that EAI would be required to pay for projects in excess of the benefits received." P. 10. Do you agree with this?

A. It is not clear to me what "this" is, but in my experience as a planner, MISO is required to ensure that the economic projects it approves have benefits in excess of costs across its footprint, and that the costs for economic projects are spread in a manner roughly commensurate with the benefits. For example, the first portfolio of MVP projects will have benefits ranging from 1.8 to 3.0 times the costs. These benefits include: enabling lower-cost generation to replace higher-cost generation, providing more efficient dispatch

of operating reserves, reducing transmission losses and future generation investment designed to serve those losses, and reduced future Planning Reserve Margin Requirements, which reduces installation of future generation to meet this requirement.¹

Thus, I do not believe it is correct that EAI could be required to pay for projects in excess of the benefits received as Mr. Peaco suggests, and as the La Capra Associates Report asserts on page 29.

Q18. The La Capra Associates Report accompanying Mr. Peaco's testimony asserts that "Applicants have not provided any evidence why ITC's experience or business model will enable it to identify regional transmission projects better than Entergy...." (P. 26) How do you respond?

A. This assertion ignores my direct testimony, that of Mr. Pfeifenberger and that of Mr. Welch, all of whom explain why ITC's independent transmission model, with its single focus on transmission, enables it to plan and construct the most beneficial transmission for customers. I have explained previously the difference between MISO's Planning Authority role as a facilitator, integrator and coordinator of transmission plans; and the role of the ITC as the Transmission Planner. The La Capra Report's discussion of this at pages 26 and 27 suffers from the same misunderstanding as does Mr. Marcus. As was the case with Mr. Marcus, there is no inconsistency between the descriptions of the MISO planning process offered by Mr. Riley and MISO witnesses. There is merely a misunderstanding of those descriptions and a failure to address the applicable, legally binding MISO Tariff provisions and the NERC functional model.

¹<https://www.midwestiso.org/Library/Repository/Communication%20Material/Power%20Up/MVP%20Benefits%20-%20Total%20Footprint.pdf>