BEFORE THE

MISSOURI PUBLIC SERVICE COMMISSION

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	))))))))))))))	**File No. EO-2013-0396**

DIRECT TESTIMONY AND EXHIBITS

OF

THOMAS W. VITEZ

ON BEHALF OF ITC MIDSOUTH LLC

APRIL 2013

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EXHIBIT LIST

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas W. Vitez. My business address is 27175 Energy Way, Novi, Michigan 48377.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by ITC Holdings Corp. as its Vice President of Planning.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.

A. I earned a Bachelor of Science Degree in Electrical Engineering from the University of Cincinnati in 1986, and a Master of Business Administration Degree from the University of Michigan in 1992.

Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL QUALIFICATIONS.

A. I have been involved in the utility industry for the past thirty-one years. I began my career in 1981 as an intern at the Cleveland Electric Illuminating Company (now a subsidiary of FirstEnergy Corp.). In 1986, as an Underground Engineer, I was responsible for residential development of distribution systems. In 1992, I joined The Detroit Edison Company ("***Detroit Edison***") in its Professional Opportunity Program – a two year developmental program with a variety of assignments, including Transmission Planning. In 1994, I was assigned to the Demand Side Management section of the Marketing Department where I analyzed demand side management options. In 1995, I returned to Transmission Planning

where I performed studies of Detroit Edison's transmission system. In 1998, I was promoted to Principal Engineer in Transmission Projects.

When Detroit Edison formed a separate transmission subsidiary, I was appointed Principal Engineer in Transmission Projects. In 2003, I joined ITC Holdings Corp. as its Director—Transmission Planning. I subsequently was promoted to Director—Reliability Planning in 2006, and to my current position in 2007. I am responsible for all transmission system planning in my current position.

Q5. DO YOU PARTICIPATE IN ANY INDUSTRY WORKING GROUPS OR OTHER PROFESSIONAL ORGANIZATIONS?

A. Yes. I have served on a variety of industry working groups and panels. Most recently, I served on Michigan's Wind Energy Resource Zone Board representing independent transmission companies. I am the past Chairman of the East Central Area Reliability Council's ("***ECAR***") Future System Study Group as well as the ECAR Transmission System Performance Panel Working Group. I also served on the North American Electric Reliability Corporation ("***NERC***") Distribution Factors Task Force. With respect to the Midwest Independent Transmission System Operator, Inc. ("***MISO***"), I am the past Chairman of MISO's Expansion Planning Group and currently serve as an active participant on MISO's Planning Advisory Committee. Finally, I served as Chairman of the Transmission and Distribution Group for the Michigan Public Service Commission's Capacity Needs Forum.

Q6. PLEASE DESCRIBE YOUR GENERAL JOB RESPONSIBILITIES AS VICE PRESIDENT OF PLANNING.

A. As Vice President of Planning, I oversee the planning and expansion of the transmission system for the corporate operating companies, including International Transmission Company ("***ITCT***"), Michigan Electric Transmission Company, LLC ("***METC***"), ITC Midwest LLC ("***ITCMW***"), and ITC Great Plains, LLC ("***ITCGP***") (along with ITC Holdings Corp., collectively referred to as "***ITC***"). I plan expansions to the transmission system by developing planning models, performing assessments of expected future system performance, and studying requests to interconnect load and generation. I also oversee compliance with applicable planning standards, set internal transmission planning related policies, and work with stakeholders on transmission planning related issues. Load forecasting and economic analysis are also part of my transmission planning organization.

Q7. PLEASE DESCRIBE YOUR PLANNING DEPARTMENT'S ORGANIZATIONAL STRUCTURE.

A. I report directly to the company's Executive Vice President and Chief Operating Officer, Mr. Jon Jipping, who also is a witness in this proceeding. Currently my organization is comprised of approximately thirty-six employees, including myself. My direct reports include five Managers (a Manager of Michigan Planning, Manager of Midwest Planning, Manager of Regional Planning, Manager of Planning Policies, and Manager of ITCGP), a Senior Staff Engineer, and an administrative assistant. We have several types of positions that report to

the Managers, including Principal Engineers, Senior Engineers, Engineers, Associate Engineers, a Senior Economic Analyst, an Economic Analyst, an Engineering Tech, a Senior Programming Analyst, and a Co-Op student. A copy of my group's organizational chart is attached as **Exhibit TWV-1**.

Q8. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE REGULATORY COMMISSIONS OR IN COURT PROCEEDINGS?

A. Yes. I testified before the Iowa Utilities Board in Docket No. SPU-07-11 and before the Minnesota Public Utilities Commission in Docket No. E-001/PA-07-540, both in support of ITMW's 2007 acquisition from Alliant Energy of the transmission assets of Interstate Power & Light Company. I also testified before the Michigan Public Service Commission in the following cases:

1) Case No. U-14861, concerning the application of ITCT for a certificate of public convenience and necessity for the construction of a transmission line running from and through Genoa, Oceola, Hartland, Brighton, and Milford Townships in Livingston and Oakland Counties in Michigan.

2) Case Nos. U–12780 and U-12781, concerning actions taken by ITCT to expand the firm commercial import capability of Michigan's transmission system by 2,000 MWs to accommodate new projects identified in a "Joint Report" filed with the Michigan Public Service Commission by ITCT, Consumers Energy Company, and Great Lakes Energy Cooperative in December 2000.

3) Case No. U-16200, requesting a transmission line siting certificate for ITCT's "Thumb Loop Project".

I also testified in Docket No. ER09-681-000 at the Federal Energy Regulatory Commission ("***FERC***") where I explained the technical analysis that led to and supported our Green Power Express (***"GPE"***) project, the purpose of which was to significantly increase the amount of power that can be moved from regions with favorable renewable resource attributes to load centers.

Additionally, I am testifying in Texas, Louisiana, the City of New Orleans, Arkansas, and Mississippi regarding the transaction that is the subject of this proceeding.

Q9. ARE YOU SPONSORING ANY EXHIBITS AS PART OF THIS FILING?

A. Yes. I am sponsoring the following Exhibits:

Exhibit TWV-1	**ITC Planning Department Organizational Chart**
Exhibit TWV-2	**Transmission Planning Criteria**
Exhibit TWV-3	**MISO Entity Organizational Chart**

II. PURPOSE AND SUMMARY OF TESTIMONY

Q10. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. On December 4, 2011, Entergy Corporation and ITC entered into a definitive agreement under which the Entergy Operating Companies[1] will separate and then merge their electric transmission business into a subsidiary of ITC ("***Transaction***"). This is a multi-state transaction involving the Entergy transmission operations in Louisiana, Arkansas, Mississippi, Texas, New Orleans, and a small portion of Missouri. The Transaction is subject to approval of the retail jurisdictions, FERC, and other federal agencies. In support of this Transaction, the parties are filing a joint application for change of control and any other necessary regulatory approvals in each of the respective regulatory jurisdictions.

My testimony is filed on behalf of ITC Midsouth LLC. I will discuss ITC's independent transmission planning process and how the process is superior to transmission planning within a vertically integrated utility. My testimony will explain how ITC's singular focus on transmission and its independence from market participants allow it to collaborate with others and plan the transmission system with a broad regional view that facilitates wholesale markets. In particular, I will describe and explain:

(1) the transmission planning processes used by MISO;

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[1] The Entergy Operating Companies are Entergy Arkansas, Inc. ("EAI"), Entergy Louisiana, LLC ("ELL"), Entergy Gulf States Louisiana, L.L.C. ("EGSL"), Entergy Mississippi, Inc. ("EMI"), Entergy New Orleans, Inc. ("ENO"), and Entergy Texas, Inc. ("ETI").

(2) the transmission planning processes used by ITC and how they align with the MISO transmission planning processes;

(3) the benefits of ITC, as an independent transmission company, engaging in transmission planning;

(4) how ITC's ownership of EAI's transmission assets will provide benefits in excess of what could be expected from EAI's participation in an RTO planning process; and

(5) ITC's plans with respect to the current Entergy transmission projects.

Q11. PLEASE SUMMARIZE YOUR TESTIMONY.

A. First, ITC has a proven track record of planning its transmission systems to: (1) address local, state, and regional reliability needs; (2) increase the economic efficiency of the overall grid; and (3) respond to transmission needs identified in state and regional processes. When deficiencies are identified on the transmission system, such as inadequate capacity to meet load under certain contingency conditions, ITC's transmission planners develop transmission system reinforcements to address those deficiencies. The reduction of transmission system constraints can result in more economic dispatch of generation, ultimately reducing energy costs to end-use customers. These practices expand market access and also confer value through the planning and operation of a more robust, reliable transmission grid. ITC has followed through on the projects that come out of this transmission planning approach by making significant investment in its transmission systems.

Second, ITC is committed to planning its transmission system in an open and transparent manner. As such, ITC has its own processes that supplement the already-robust open and transparent processes used by MISO. Together, the MISO and ITC processes provide ITC with an opportunity to solicit feedback from regulators and stakeholders[2] about identified and perceived transmission planning needs and potential solutions.

Finally, the Transaction enhances customer benefits beyond what could be achieved through the Entergy Operating Companies' MISO membership. MISO has historically employed a bottom-up planning process that depends on the local knowledge and requirements of each Transmission Owner to identify projects required to support both local and regional needs. MISO, as an RTO, has no ability or mandate to build transmission facilities to meet the demands of the wholesale market. ITC has proven it has the expertise, resources, and capital not only to plan but also to construct needed investment. In addition, ITC's regional approach to transmission planning will enhance deliverability of generation throughout the region to provide a more economic source of energy for customers.

III. TRANSMISSION PLANNING UNDER AN RTO

[2] Examples of stakeholders include industrial customers, electric cooperatives, municipal utilities, communities, marketers, generators, load serving entities, business groups, legislators, and energy advocacy groups.

Q12. DOES ITC PARTICIPATE IN AN RTO PLANNING PROCESS?

A. Yes, ITC participates in MISO's and Southwest Power Pool's FERC approved open and transparent planning processes. In Order No. 890[3], FERC set forth nine planning principles associated with transmission planning: coordination, openness, transparency, information exchange, comparability, dispute resolution, regional coordination, economic planning studies, and cost allocation. Further, FERC required that a coordinated, open and transparent planning process be utilized on the local and regional level, and that the planning process be described in the tariff.

Q13. PLEASE PROVIDE A HIGH LEVEL DESCRIPTION OF THE MISO REGIONAL PLANNING PROCESS IN WHICH ITC PARTICIPATES.

A. MISO is registered with NERC as a Planning Authority.[4] In this capacity, MISO performs regional planning of the transmission systems by evaluating and planning for the reliability of the transmission system in accordance with NERC's Reliability Standards and other criteria, as explained in Attachment FF of MISO's tariff. Although MISO performs planning functions collaboratively with its

[3] *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

[4] MISO is the FERC-approved RTO which has functional control over transmission assets of ITCT, METC, and ITCMW rated 69 kV and above.

Transmission Owners, MISO also provides an independent assessment and perspective of the transmission system's overall needs.

Each year, MISO and its members report the outcome of its annual planning cycles to the MISO Board of Directors, resulting in the annual MISO Transmission Expansion Plan ("***MTEP***"). The project information exchange cycle starts when stakeholders submit newly proposed projects, usually in early September. Throughout the MTEP process, Planning Advisory Committee, Planning Subcommittee, Subregional Planning Meetings ("***SPM***") and other more local meetings such as the Michigan Technical Task Force ("***MITTF***") are held. The purposes of the meetings are to provide MISO, Transmission Owners, stakeholders and regulators with an opportunity to discuss study results, the future needs of the transmission system, and the transmission projects proposed to meet those needs. MISO then spends approximately one year evaluating the projects for inclusion in the MTEP. Then, by the following September (approximately one year after the start of the planning cycle), MISO submits a proposed MTEP to the MISO Board of Directors. The MISO Board subsequently evaluates the MTEP and determines whether approval of the plan is warranted (typically within the December timeframe)[5].

[5] A copy of the latest MTEP can be accessed at: https://www.midwestiso.org/Planning/TransmissionExpansionPlanning/Pages/MTEP12.aspx

The projects listed in Appendix A of the MTEP constitute the essential transmission projects recommended to the MISO Board of Directors for review and approval. MISO believes, in aggregate, that the Appendix A projects will:

- Ensure the reliability of the transmission system;
- Provide economic benefits such as increased market efficiency;
- Facilitate public policy objectives such as integrating renewable energy; and
- Address other issues or goals identified through the stakeholder process.

The projects listed in Appendix B of the MTEP Report represent proposed projects for which a need has been identified, but require additional analysis. Appendix C of the MTEP Report contains more conceptual projects for which the need has not been verified. This MISO planning process assures that the transmission projects developed by individual Transmission Owners, such as ITC, will be properly integrated with other proposed projects within MISO and that these projects will be fully vetted in an open and transparent manner.

The Transmission Owners in the MISO region, including ITCT, METC, and ITCMW, typically perform the initial planning for their individual transmission systems by detecting deficiencies, selecting the alternatives that they want to advance as proposed projects, and submitting the proposed projects into the MISO planning process. MISO does not typically initiate transmission projects to be built by the Transmission Owners unless the projects are regional in nature and affect several pricing zones and other MISO member Transmission

Owners. More recently, MISO has submitted regional projects to the MTEP for future study consistent with the thrust of FERC Order 1000. Under FERC Order 1000, RTOs are directed to take a more active role in regional planning.

Q14. HOW DO THE MULTIPLE SUBREGIONAL AND LOCAL MEETINGS HELD THROUGHOUT THE MTEP PROCESS ENSURE SUFFICENT INPUT FROM STAKEHOLDERS AND REGULATORS?

A. As mentioned above, MISO holds SPM's and more local meetings throughout the MTEP process in addition to the regional Planning Advisory Committee and Planning Subcommittee meetings. While the regional Planning Advisory Committee and Planning Subcommittee meetings typically focus more on the higher level issues that impact MISO as a whole, the local meetings are typically held close to the regions they focus on and allow for more detailed discussions around specific projects in each local region. The meetings provide a forum for stakeholders and regulators to comment on the project proposals and submit additional project proposals for consideration in the MTEP process.

Q15. WHAT INPUTS TYPICALLY ARE CONSIDERED IN THE REGIONAL PLAN ADOPTED BY MISO?

A. MISO generally considers:

- Transmission needs identified by the Transmission Owners in connection with their planning analyses, in accordance with their local planning process, to provide reliable power supply to their connected load customers and to expand trading opportunities, better integrate the grid and alleviate congestion;
- Transmission planning obligations of a Transmission Owner imposed by federal or state laws or regulatory authorities;
- Transmission needs identified from studies carried out in connection with specific transmission service requests;

- Transmission needs associated with generator interconnection service;
- Plans and analyses developed by the Transmission Provider to provide for a reliable transmission system and to expand trading opportunities, better integrate the grid and alleviate congestion;
- Inputs from Planning Advisory Committee; and
- Inputs provided from state regulatory authorities having jurisdiction over any of the Transmission Owners and by the Organization of MISO States ("***OMS***").

Q16. PLEASE DESCRIBE MISO'S GOVERNANCE STRUCTURE AND HOW IT ALLOWS OTHERS TO PARTICIPATE IN MISO'S PLANNING PROCESSES.

A. MISO, as approved by FERC, uses a process that is open, transparent and coordinated. From an overall corporate governance perspective, MISO is managed under the direction of an independent Board of Directors, which establishes broad corporate policies and authorizes various types of transactions. The MISO Board of Directors consists of seven independent directors elected by the membership, plus the President/Chief Executive Officer of MISO. MISO Board of Directors meetings occur six times a year and are open to the public.

The Advisory Committee is important to the stakeholder governance structure at MISO. The committee reports directly to the MISO Board of Directors and contains voting representatives from a number of sectors including: state regulatory authorities, independent power producers/exempt wholesale generators, transmission owners, transmission-dependent utilities, power marketers, public consumer advocates, environmental advocates, eligible end-use customers and coordinating members. Subcommittees focused on planning,

market, reliability, cost allocation, finance, and governance issues provide updates to the Advisory Committee. A copy of the MISO Entity Organization Chart is attached as **Exhibit TWV-3**.

To facilitate planning collaboration specifically, MISO has developed a number of forums in which staff, transmission owners, stakeholder entities, and policy makers participate, or contribute to, the planning process. Those forums include the Planning Advisory Committee, the Planning Subcommittee, the Interconnection Process Task Force, the Loss of Load Expectation Working Group, the Reliability Subcommittee, and the Market Subcommittee.

Specific to retail regulators, the OMS was formed in 2004 as a non-profit, self-governing organization of representatives from each state with regulatory jurisdiction over entities participating in the MISO. As indicated on its website, the purpose of the OMS is to coordinate regulatory oversight among the states, including recommendations to MISO, the MISO Board of Directors, FERC, other relevant government entities, and state commissions as appropriate. In connection with the integration of Entergy into MISO, an enhanced transmission planning role for the OMS has been proposed by MISO in Docket No. ER13-708 at FERC.

IV. ITC'S TRANSMISSION PLANNING PROCESSES

Q17. WHAT IS ITC'S OVERALL VIEW OF TRANSMISSION PLANNING?

A. ITC believes transmission planning is essential to a reliable and efficient transmission system. Effective transmission planning is the most important tool to address system limitations, which are major drivers of reliability issues and

higher energy costs to customers. In order to facilitate planning, ITC employs a robust planning process that purposefully engages stakeholders and regulators, effectively and efficiently identifies issues and solutions, and implements those solutions in a cost-effective and timely manner. ITC believes it is critical that the right infrastructure solutions be implemented and the transmission system be appropriately sized to benefit end-use customers. ITC also believes in planning the transmission system through an open and transparent process, on a forward looking basis, and in a way that considers a broad range of needs. The consequences of not doing so can be detrimental as there can be a significant time between issue identification and solution implementation.

Q18. PLEASE DESCRIBE ITC'S TRANSMISSION PLANNING SYSTEM PERFORMANCE OBJECTIVES.

A. ITC plans its transmission systems to address local, state, and regional reliability needs, allow for the interconnection of generation sources, and increase the economic efficiency of the overall grid. When deficiencies are identified on the transmission system, such as inadequate capacity to meet load under contingency conditions, ITC's transmission planners develop transmission system reinforcements to address those deficiencies. ITC also contemplates transmission projects with a view to increasing the economic efficiency of the overall grid. For example, the reduction of transmission system constraints can result in more economic dispatch of generation, ultimately reducing energy costs to end-use customers. It has been our experience that these practices expand market access

for customers, and also confer value through the existence of a more robust, reliable transmission grid. Finally, ITC also plans its transmission systems to address transmission needs identified in state and regional processes. A copy of each ITC operating subsidiary's "Transmission Planning Criteria" is attached as **Exhibit TWV-2**.

Q19. DOES ITC FOLLOW THE SAME APPROACH AS EAI AND THE OTHER ENTERGY OPERATING COMPANIES FOR RELIABILITY PLANNING?

A. The two businesses plan their transmission systems to meet the same NERC Reliability Standards. However, the two businesses implement the requirement to include planned (including maintenance) outages differently. Using the planning requirement to perform single contingency analysis, EAI and the other Entergy Operating Companies only consider planned outages identified in the immediate future in combination with the other single contingencies. Whereas planning at ITC's Michigan Operating Companies considers the possibility that any element may be taken out of service as a planned outage even if those outages are not yet specifically identified. This N-1-1 analysis results in a broad encompassing of the possible combinations of any single contingency occurring during any planned outage for the ITC Michigan Operating Companies. This analysis is done for load levels up to 85% of peak load with the assumption that planned outages will not generally be scheduled during times of peak usage. The N-1-1 analysis results in a system with additional flexibility to obtain facility outages for maintenance or upgrades.

Q20. PLEASE DECRIBE A TYPICAL PLANNING CYCLE AT ITC.

A. I will use the planning of the ITCT and METC transmission systems (i.e., the Michigan system) as an example in this response.

The analysis begins with the development of a load forecast. This forecast contemplates a range of future scenarios, for which the primary drivers are economic and demographic projections. This forecast is then incorporated into system models used for planning assessments of the transmission system.

In the assessments, any potential constraints on the existing system are identified. An important part of the assessment is simulating system performance under peak load conditions. Thus, these assessments are performed at load levels from the 50^{th} and 70^{th} percentile of the peak load forecast distribution. The 50^{th} percentile case represents the base analysis and is what is used in the MISO planning processes. The 70^{th} percentile forecast is used as a sensitivity analysis. This sensitivity analysis is reflective of the fact that planning for a 70^{th} percentile peak forecast (a higher load level than the 50^{th} percentile forecast) helps to ensure projects are developed to meet the long-term needs of the system in a cost-effective manner. The planning process at ITC entails the simulation of all of the various contingencies as required by the regional and local planning criteria (at a baseline 50^{th} percentile peak load forecast and a higher 70^{th} percentile peak forecast case). While the peak load conditions are an important part of the assessments, it is also important to assess expected system performance under off-peak load conditions.

In the assessments for Michigan, the system is divided into geographic areas that share common growth patterns, facilities, and system issues. Along with assessing the system using a 70th percentile peak load forecast as a sensitivity, the system is also tested by considering various power transfers across the system from west to east, east to west, north to south and south to north. These sensitivities further help ensure that projects are developed so as to allow for a range of possible future scenarios. The annual near-term and long-term assessments describe the nature of the system problems identified, the limiting elements giving rise to the problems, the possible impact of the issues on system operations, and, ultimately, proposed solutions. The proposed solutions are derived by ITC's transmission planners through their knowledge of the system, communications with ITC's operations department, communications with regulators and stakeholders and general engineering expertise.

Results that indicate a need for new infrastructure in the near term, or that would require multiple years for implementation, are then submitted to the MISO MTEP process for inclusion in the MTEP as Appendix A projects (meaning approval is requested at the conclusion of the MTEP cycle).

As described in further detail elsewhere in my testimony, this planning cycle is subject to the MISO and ITC stakeholder processes where information is both solicited and shared.

Q21. PLEASE EXPLAIN WHAT YOU MEAN WHEN YOU SAY ONE OF ITC'S OBJECTIVES IS TO PLAN THE SYSTEM TO INCREASE THE ECONOMIC EFFICIENCY OF THE OVERALL GRID.

A. As mentioned above, in addition to obtaining compliance with NERC's Reliability Standards, ITC's planning process also considers the economic efficiencies that may be realized by planning, and ultimately constructing, additional transmission. For example, when it is found to be economically justified, ITC develops projects to reduce costs associated with generation dispatch patterns that are more costly than what could be achieved in the absence of certain transmission system constraints.

Q22. WHY IS ANALYZING SYSTEM CONSTRAINTS IMPORTANT FOR ENSURING SYSTEM RELIABILITY?

A. A transmission constraint arises when an element or part of the system is at a limit and cannot reliably handle more power flow. Because of the transmission constraint, no more power can be allowed to flow through that constraint. Consequently, the element or part of the system that is limited by the constraint can no longer meet incremental needs by utilizing resources in the portion of the system that is not bound by the constraint. This means that load affected by a constraint is limited to a smaller pool of resources, and thus the load that is on the limiting side of the constraint is at an increased risk for a power outage due to a generator or transmission line failure. Likewise, in a case where all the generation resources bound by the constraint are already deployed, it may not be possible to serve additional load in this portion of the system. In other words,

there are fewer options available to compensate for the effects of the loss of a facility or increased power demand in the area of the system for which the constraint is active. All else being equal, the removal of transmission constraints makes it less probable that load loss (power outage) will occur.

Q23. CAN SYSTEM CONSTRAINTS ALSO HAVE ECONOMIC IMPLICATIONS?

A. Yes. Transmission system constraints can also have undesired economic impacts because system limitations may decrease overall grid efficiency. For example, by preventing the most economic dispatch of generation to be used to serve load, a system limitation may lead to an increase in total cost of energy. In other words, the transmission constraint prevents a dispatch pattern that could provide lower costs. Remedying a constrained transmission system can allow the lower cost generation to serve load when needed, thereby resulting in reduced purchased power costs to end-use customers.

Q24. WHAT OPTIONS ARE GENERALLY AVAILABLE TO MITIGATE TRANSMISSION CONSTRAINTS?

A. In the short-term, flow through constraints must be managed to adhere to system limitations through methodologies such as re-dispatch or, in extreme cases, load shedding. Some constraints are the result of temporary conditions on the system and can be mitigated through returning the system to its more permanent configuration. Those temporary conditions may be the result of an unusual or unexpected condition such as the unavailability of parts of the transmission

system or generators in the vicinity of the constraints. While temporary conditions are important and should be assessed, ITC planners typically are more interested in recurring constraints. In the long-term, transmission constraints (which, as described above, can cause reliability concerns and increased economic costs) can be alleviated by: (1) reducing electricity demand in the area limited by the constraint through energy efficiency and demand-side management programs; (2) building more generation capacity in the area limited by the constraint; (3) building additional transmission capacity to either alleviate the constraint or provide another transmission path to enable more power to get to the area for which the constraint is limiting; or (4) continuing to rely on the short-term operating practices if other more cost-effective solutions are not available.

Q25. DOES ITC'S PLANNING PROCESS CONSIDER NON-TRANSMISSION SOLUTIONS TO MITIGATE TRANSMISSION CONSTRAINTS?

A. As an independent transmission-only entity, ITC provides transmission solutions to mitigate transmission constraints. However, non-transmission solutions (e.g. demand side management and reconfiguration of load on the lower voltage systems) may be identified by others and considered in MISO's open and transparent planning forum and therefore in ITC's planning process.

Q26. IN YOUR OPINION, HOW WELL DO THE ITC AND MISO PLANNING PROCESSES WORK TOGETHER?

A. These processes work well together and are integrated appropriately. They also bring together a good aggregation of core competencies. MISO is not designed to

have the in-depth knowledge, data, and experience that local Transmission Owners possess about their own systems. This expertise is a key driver behind each project proposed by Transmission Owners. MISO, however, is in a better position to coordinate and facilitate the extensive MTEP processes.

Q27. PLEASE PROVIDE EXAMPLES OF WHERE ITC'S TRANSMISSION PLANNING BROUGHT CUSTOMER BENEFITS.

A. The Jewell to Spokane Project, which is located in southeast Michigan, is a good example of how a relatively small investment in transmission resulted in significant cost savings to customers by relieving transmission constraints. The project consisted of: (1) a new 13-mile long 230 kV transmission circuit; (2) a 345-230 kV transformer installed at Jewell; (3) a 230-120 kV transformer installed at Spokane, and (4) approximately 2.9 miles of 1431 ACSR conductor installed from a tower position to Jewell Station thus creating a new Adams-Jewell 120 kV circuit. The Project had a one-time cost of $10.2 million. It was determined that this investment was reasonable in light of the economic efficiencies this project brought to the overall grid. The economic benefits metrics used in this analysis resulted in estimated annual net benefits of over $60 million.

Likewise, ITCMW is in the process of constructing a new 80-mile 345 kV line in Iowa intended to improve reliability in eastern Iowa and improve market efficiency by reducing transmission congestion. When completed, the Salem-Hazelton transmission line will connect ITCMW's Hazleton Transmission Substation in Buchanan County, Iowa to ITCMW's Salem Transmission

Substation in Dubuque County, Iowa. The Salem-Hazleton Line was modeled in 2006 as a solution to transmission constraints in eastern Iowa in MISO's Eastern Iowa Study. MISO found that the construction of the Salem-Hazelton line would reduce annual load and production costs by approximately $108 million. The total capital cost of the line is currently projected to be $123 million, which will be collected over the 60-year depreciable life of the line. The need for the line was recognized for several years prior to 2006 but was not built until after ITC's acquisition of ITCMW.

Q28. CAN YOU PROVIDE AN EXAMPLE OF HOW ITC ALSO PLANS ITS TRANSMISSION SYSTEMS TO ADDRESS TRANSMISSION NEEDS IDENTIFIED IN REGIONAL AND STATE PLANNING PROCESSES?

A. Yes. For example, ITCT is making a significant investment in Michigan's high voltage electric grid by developing a new 140-mile transmission line and four new substations which, taken together, will help increase transmission system reliability, reduce system congestion, provide more efficient transmission of energy and serve as a "backbone" for future interconnection of new generation sources. MISO approved the Thumb Loop Project as the first Multi-Value Project ("***MVP***") with regional benefits beyond just the accessing of new renewable generation. ITCT has received siting approval for this project and currently is undertaking construction activities.

In addition, on December 8, 2011, ITC received approval from MISO to construct portions of four other MVPs. The portions of these projects that ITC

will build, own, and operate will be located in parts of Iowa, Minnesota, and Wisconsin.

Finally, ITCMW has been upgrading the existing 34.5 kV system to a 69 kV system in Iowa. The 34.5 kV lines primarily serve rural Iowa and the age, condition, and limited capacity on these lines limits economic development in rural communities. ITCMW is committed to upgrading the 34.5 kV system so portions of rural Iowa can effectively connect ethanol and other biodiesel plants which typically locate in these areas, thus advancing state and local economic development.

Q29. DOES ITC HAVE ITS OWN STAKEHOLDER PROCESSES FOR SOLICITING AND SHARING PLANNING INFORMATION?

A. Yes, ITC considers its stakeholder engagement to be as important as the aforementioned ITC system performance objectives for planning. As such, ITC also has its own regulator and stakeholder processes for planning purposes in addition to the MISO stakeholder processes.

For example, ITCT, METC and ITCMW hold meetings with regulators and stakeholders where ITC presents its views on system planning, detailed descriptions of capital plans, load forecasts, rates, and a general review of the regulatory environment. With respect to planning, these meetings are intended to give stakeholders details of ITC's project plans, keep them apprised as to what ITC will be submitting for MTEP consideration, keep them informed on the need each project is intended to address, and inform them of emerging planning issues. The meetings also are used to solicit feedback from regulators and stakeholders

including retail regulators, large retail industrial customers connected at transmission level voltages, electric cooperatives, municipal utilities, community leaders, marketers, generators, load serving entities, business groups, legislators, and energy advocacy groups.

ITC also makes an extra effort to keep regulators and policy makers informed and aware of emerging planning issues. For example, ITC meets separately with regulators to discuss its plans for transmission development, to share ideas about transmission issues, and to gather input from the regulators' perspective. In fact, as described by ITC witness Mr. Thomas Wrenbeck, ITC has dedicated individuals in each jurisdiction responsible for meeting the needs of regulators, including soliciting input and providing information on transmission plans.

Likewise, ITC also has a dedicated "Stakeholders Relations" group. Among its other duties, this group works with ITC planners to facilitate one-on-one meetings with affected customers, stakeholders, and regulators. ITC witness Mr. Thomas Wrenbeck provides a more detailed description of this group in his testimony.

Further, ITC's planning group participates in industry forums established to discuss and consider transmission needs. For example, the State of Michigan initiated a "Capacity Needs Forum," under which I chaired the Transmission and Distribution Group, where meetings were held with transmission-dependent utilities and state regulators to discuss transmission and distribution issues.

Q30. BASED ON THE COLLABORATIVE PROCESSES DESCRIBED ABOVE, HAS ITC BEEN SUCCESSFUL IN CONSIDERING THE NEEDS OF INTERCONNECTION CUSTOMERS?

Yes. ITC works to interconnect new customers and generation efficiently, economically, in a timely manner, and to design and plan transmission that meets customer needs. Given ITC's sole focus on transmission, its operating subsidiaries have the time and the resources to sit down with customers or generators wishing to interconnect and walk them through the MISO interconnection process. In part, based on these practices, ITC has had significant success in interconnecting new generators to its transmission systems. ITCMW alone has interconnected over 16 new generators in the last four years, adding approximately 2,150 MW of energy production capacity to the grid.

Q31. HOW DOES ITC ENSURE THAT THE ITC PLANNING PROCESSES RESULT IN PRUDENT TRANSMISSION PROJECTS?

A. ITC actively participates in the MTEP process, which is a FERC-sanctioned process for reviewing and approving projects. The MISO planning forum is a transparent and participatory process, which, as described above, allows for ample opportunity for input from regulators and stakeholders including transmission developers and customers. Within this process, anyone is free to introduce alternatives to a proposed transmission project. MISO conducts its own review of proposed projects and will inform the sponsoring operating company and involved stakeholders of any concerns. Projects are evaluated based on modeled reliability improvements, estimated costs, performance using MISO-specified economic metrics, and assessed ability to meet public policy objectives. MISO

also determines whether correcting a constraint in one area of its region could impact transmission congestion in another area. In some cases, MISO may propose another alternative for improving reliability or relieving a constraint that it believes is more economic or effective. When differences arise, the transmission planners at the MISO member company and the planners at MISO often will work together to develop a collaborative solution to an identified problem. If a solution cannot be agreed upon, MISO makes the final determination as to what project should be proposed for inclusion in Appendix A to be reviewed and voted on by the MISO Board of Directors.

As described above, ITC also meets regularly with affected stakeholders and regulators. This provides another opportunity to identify system needs and discuss optimal solutions for those needs, ensuring efficient coordination between the transmission and distribution systems. Moreover, almost all jurisdictions have siting processes for infrastructure such as transmission. This provides yet another forum and means to discuss ITC's proposed projects

Further, given ITC's commitment to professional integrity, as well as ITC's status as a FERC-regulated utility, it is incumbent upon ITC to advance only prudent projects. ITC's reputation and credibility would be seriously harmed if it proposed inappropriate or imprudent projects. As testified to by ITC witness Mr. Joseph Welch, ITC is unique in the industry as an independent, transmission-only utility. The merits of the independent transmission business model and the future role it will play in the U.S. utility industry rests very much on the

company's performance and the extent to which ITC's business model is shown to be desirable for customers.

Finally, ITC has grown its business, in part, by acquiring other transmission systems from existing vertically integrated utilities that ultimately become its customers and stakeholders. If ITC developed a poor reputation due to its unwillingness to comply with the wishes of affected regulators and stakeholders in its current jurisdictions, growth by acquisition would be impossible.

V. TRANSMISSION PLANNING ON THE ENTERGY SYSTEM POST-TRANSACTION

Q32. WILL THE NEW ITC OPERATING COMPANIES PARTICIPATE IN THE MISO PLANNING PROCESS IF THE TRANSACTION IS APPROVED?

A. Yes. Participation in the MTEP process assures that projects identified by the New ITC Operating Companies[6] will be integrated and consistent with the plans of other transmission entities within the region. Further, it ensures that projects are consistent with the needs of the existing and emerging energy markets in the region served by EAI and the other Energy Operating Companies. It also provides

[6] The term "New ITC Operating Companies" refers to the newly created operating companies that will own electric transmission assets as part of the ITC Holdings Corp. corporate structure. The New ITC Operating Companies will be a direct subsidiary of ITC Midsouth LLC, which in turn will be a direct subsidiary of ITC Holdings Corp.

a forum for those projects to be vetted in an open and transparent process inclusive of interested stakeholders.

Q33. YOU HAVE DISCUSSED HOW ITC INTERACTS WITH THE OMS AS PART OF ITC'S PLANNING EFFORTS. CAN YOU PLEASE DESCRIBE HOW THE NEW ITC OPERATING COMPANY WOULD EXPECT TO INTERACT WITH THE E-RSC IN ITC'S PLANNING PROCESS AFTER THE TRANSACTION?

A. ITC witness Mr. Joseph Welch addresses this issue directly, but my understanding is that ITC has committed to support retention of the ERSC's existing authority over cost allocation and the construction of transmission upgrades for the five year transition period after EAI and the other Entergy Operating Companies join MISO.

Q34. DO THE ENTERGY OPERATING COMPANIES HAVE AN ESTABLISHED EXPANSION PLAN FOR THE TRANSMISSION SYSTEM?

A. Yes. The Entergy OASIS website posts various documents relating to transmission plans for the Entergy Region. One of these documents is the current Construction Plan ("***CP***"). The CP also considers the needs of the transmission system over a five year period. The Entergy CP may contain more than reliability-driven projects. The latter portion of this document is the Year 6 through 10 projects, referred to as the Horizon Projects ("*HP"*).

Q35. HAVE YOU REVIEWED THE PROJECTS INCLUDED IN THE CURRENT ENTERGY CP?

A. Yes. ITC will consider the projects in the current Entergy CP. As ITC witness Mr. Joseph Welch explains, ITC would generally expect to complete any in-progress transmission projects, as well as follow through on near term planned projects in order to make sure that none of the New ITC Operating Companies fail to meet any reliability requirements. Likewise, Mr. Welch explains that ITC would not want to disrupt any established project schedules, or fail to honor any then-existing contractual obligations.

Q36. WOULD THE NEW ITC OPERATING COMPANIES LOOK BEYOND THE CURRENT PROJECTS IDENTIFIED IN THE CURRENT ENTERGY CP?

A. Yes. Once the Transaction closes, the New ITC Operating Companies will engage regulators and stakeholders through processes similar to those described above, to help us determine the future needs of the transmission system in the Entergy footprint.

Q37. FROM A TRANSMISSION PLANNING PERSPECTIVE, HOW WOULD THE TRANSACTION ENHANCE CUSTOMER BENEFITS BEYOND WHAT COULD BE ACHIEVED THROUGH MISO MEMBERSHIP?

A. MISO has been very successful in implementing FERC's open access policies in its current footprint. This success, coupled with the growth in competitive wholesale markets, has led to improvements in economic dispatch of the grid by increased usage of the grid at a time when more investment in, and expansion of, the grid is critically necessary. As the Entergy Operating Companies seek to move into MISO, with its efficient, transparent, and successful regional energy

market, the demands placed on the transmission system for the Entergy Region likely will increase, along with market transactions. MISO has no ability or mandate to undertake the construction of transmission facilities to meet the demands of the wholesale market. Instead, the member Transmission Owners must plan, attract the necessary capital, and build the transmission facilities approved as part of the MTEP. Further, as I previously testified, MISO generally uses a bottom-up stakeholder-driven process in which the Transmission Owners address deficiencies and explore the opportunities on their own systems. Transmission Owners identity alternatives to solve any deficiencies and capture economic opportunities by recommending projects to the MISO for inclusion in the MTEP. Typically, if a project is not brought forward by a Transmission Owner, regulator or other stakeholder, it is less likely to have the necessary study and development required to be considered in the MTEP planning process.

ITC's singular focus on maintaining, operating, and enhancing the robustness of the transmission grid is essential during this time when the Entergy Operating Companies are planning a move into the MISO market and use of the grid for market transactions is likely to increase. ITC has the expertise, resources, and capital to plan and construct the needed investment. Moreover, ITC's independence assures that market participants, regulators and stakeholders have confidence in how the system is planned and that an open and transparent planning process is utilized.

Likewise, ITC has no internal competition for capital across functions or operating companies, so the New ITC Operating Companies will have capital

available to make the necessary investment. ITC's regional approach to transmission planning will also facilitate enhanced deliverability of generation throughout the region to provide economic sources of energy for its customers or advance policy goals of the retail jurisdictions it serves. In that regard, the New ITC Operating Companies will plan and build transmission to improve the overall efficiency of the market and to enhance economic dispatch at the RTO level.

Q38. DO YOU ANTICIPATE THAT THE ORGANIZATIONAL STRUCTURE FOR ITC'S PLANNING GROUP WILL CHANGE SUBSTANTIALLY IF THIS TRANSACTION IS APPROVED?

A. No, I don't anticipate that the organizational structure will change substantially. We are still in the process of determining the post-transaction organizational design. However, I anticipate that I will continue to report to the Executive Vice President and Chief Operating Officer, that the Planning functions for the newly created operating companies will also report to a high ranking executive officer (likely Mr. Richard Riley), and that the overall positions and functions will remain the same (*i.e*, we still will have Managers, Principal Engineers, Senior Engineers, Engineers, Associate Engineers, Economic Analysts, Programming Analysts, and Engineering Technicians functions). Importantly, as described in ITC witness Mr. Jon Jipping's testimony, ITC's New Operating Companies will employ an organizational structure that augments the performance accountability of a traditional line reporting structure with corporate-level governance and oversight for the Operations, Planning, Engineering, and Asset Management functions.

Q39. WILL END-USE CUSTOMERS BENEFIT FROM ITC'S APPROACH TO TRANSMISSION PLANNING IF THIS TRANSACTION IS APPROVED?

A. Yes. For example, because ITC is independent and has no generation affiliations with competitive interests, developers are comfortable sharing their generation plans with ITC. This open communication was key to the transmission planning that resulted in the Thumb Loop and GPE projects described above. ITC believes its GPE project, based on a regional approach to planning, helped advance the regional planning process and ultimately resulted in several MVPs being submitted to MISO for consideration.

Likewise, ITC's independent business model has allowed it to successfully participate in statewide and federal initiatives to consider transmission development. For example, in Michigan, ITC was an active participant in the Michigan Wind Working Group, which served as a technical committee for the Michigan Public Service Commission's Michigan Renewable Energy Program. Goals of the Wind Working Group included continuing efforts to inform and educate the public, farmers, businesses, institutions, and political leaders about wind energy opportunities as well as providing forums and assistance to foster wind energy development. In years 2008 through 2009, the group considered the transmission needs for various locations of wind generation across Michigan, which ultimately led to the identification of Michigan's Thumb Loop project.

Similarly, when the carbon dioxide emissions standards were being considered by the Environmental Protection Agency, at the request of various

stakeholders, ITC's independence allowed it to lead a study effort that considered the transmission needs in Michigan associated with various generation requirement scenarios driven by the new standards.

The processes ITC will use to value potential upgrades are intended to find and appropriately size beneficial transmission investments in order to, amongst other things:

- enhance customer reliability by improving the transmission system's ability to serve load through upgrades that increase thermal capacity and keep the system within acceptable voltage, stability and short circuit limits as well as improve storm hardening and create additional paths for generation to reach load;
- increase economic efficiency of the overall grid such as
  - reducing energy costs by removing transmission constraints that cause congestion and must-run commitments, particularly during challenging load, outage, and market conditions;
  - reducing resource adequacy and operating reserve costs by decreasing system congestion and reducing the need for isolated areas to hold additional reserves and by broadening the pool of generating capacity that is accessible to meet resource adequacy requirements;
  - reducing transmission line losses, resulting in less generation being needed to serve peak load;
  - facilitating the development of competitive wholesale energy markets by increasing access to competing generation sources;
- improve optionality for utilities at a time of significant uncertainty with regards to new environmental regulations potentially impacting fossil-fuel-fired generation; and
- ensure adequate transmission capacity to advance state and federal policy objectives.

Q40. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes.