

Exhibit No.:
Issue: MISO
Witness: Richard C. Riley
Type of Exhibit: Direct
Sponsoring Party: EAI
Case No.: EO-2013-0431
Date Testimony Prepared: April 25, 2013

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

DIRECT TESTIMONY

OF

RICHARD C. RILEY

ON BEHALF OF

ENTERGY ARKANSAS, INC.

APRIL 25, 2013

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

STATE OF MISSISSIPPI)
) ss.
COUNTY OF HINDS)

Richard C. Riley

GRACE W. WILSON
Notary Public
NOTARY PUBLIC
ID No. 100797
My Comm Expires
Dec 4, 2015
MADISON COUNTY
STATE OF MISSISSIPPI

My Commission expires: December 31, 2014

1 **I. BACKGROUND AND INTRODUCTION**

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. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

8 A. I am employed by Entergy Services, Inc. ("ESI")¹ as Vice President,
9 Energy Delivery.

10

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

12 A. I am filing this direct testimony on behalf of Entergy Arkansas, Inc.
13 ("EAI").

14

15 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
16 EXPERIENCE.

17 A. I graduated from Lamar University in 1985 with a Bachelor of Science
18 in Electrical Engineering. I received a Master of Engineering

¹ ESI is a service company subsidiary of Entergy Corporation that provides technical and administrative services to all the Entergy Operating Companies. The Entergy Operating Companies are 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").

1 Management degree from Lamar University in 1990, and earned a
2 Master of Business Administration from Tulane University in 2007.

3 Over the course of my career, I have been involved in various
4 aspects of engineering processes relating to transmission functions
5 and am familiar with the standards and practices of electric utility
6 transmission planning and operations. In 1985, I was hired by Gulf
7 States Utilities Company, Inc. ("GSU") to work in the Transmission and
8 Distribution Operations department. While employed at GSU, I also
9 worked in the Industrial Engineering group, as well as the
10 Transmission and Substation Design department. In 1990, I left GSU
11 to work in the petrochemical industry. I worked at Texaco Chemical
12 Company and Fina Oil and Chemical before joining ESI in 1995 as a
13 power quality engineer. Since May 1996, I have held managerial
14 positions in the System Protection, Market Management, Operational
15 Planning, and Transmission Policy groups. In January 2007, I
16 accepted ESI's Vice President of Transmission Regulatory Compliance
17 position. In August 2008, I was appointed Director of Distribution
18 Operations for EMI.

19 I accepted my current position in August 2010. As the leader of
20 the Energy Delivery organization, I am responsible for the planning and
21 operations of the Entergy Transmission System,² which comprises

² The Entergy Transmission System is comprised of the bulk transmission facilities of the Entergy Operating Companies.

1 approximately 15,400 circuit miles of transmission lines and
2 approximately 1,400 substations spread over approximately an
3 115,000 square-mile area spanning five states. Specifically, my
4 responsibilities include leadership and oversight of transmission and
5 distribution planning, asset and configuration management,
6 transmission operations, policy, regulatory compliance, transmission
7 design engineering, transmission project management, construction,
8 safety, and capital and operations and maintenance budgets.

9 I am a registered professional engineer in the states of
10 Arkansas, Louisiana, Mississippi, and Texas. I am also a member of
11 the Institute of Electrical and Electronics Engineers.
12

13 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE ANY
14 REGULATORY BODY?

15 A. Yes. Before the Arkansas Public Service Commission ("APSC"), I
16 sponsored testimony in Docket Nos. 06-150-U (Sale of Assets to
17 Associated Electric Cooperative, Inc.), 08-009-U (Edison Electric
18 Institute STEP Transformer Program), and 06-152-U (Ouachita Plant
19 Purchase). I also filed direct testimony with the Council of the City of
20 New Orleans ("Council") Docket No. UD-08-03 in which I sponsored
21 operations and maintenance costs and capital expenditures associated
22 with the Entergy transmission function. I also filed testimony in Council
23 Docket Nos. UD-07-03 and UD-11-01 on behalf of ENO, in which I

1 discussed various issues related to the Entergy Transmission System.
2 Specifically, I sponsored testimony describing the Entergy Operating
3 Companies' efforts to assess potential participation in a Regional
4 Transmission Organization ("RTO") and to assist in furthering the
5 understanding of the stakeholders who are affected by the operation of
6 ENO's transmission facilities and to address specific areas of concern
7 raised by the Council Utility Committee. I filed testimony which
8 discussed transmission costs and operations, in connection with
9 Entergy Gulf States, Inc.'s Unbundled Cost of Service filing, Public
10 Utility Commission of Texas ("PUCT") Docket No. 22356, as well as in
11 PUCT Docket Nos. 21984 (Competitive Energy Services), 24309
12 (Qualifying Power Region), 22344 (Rate design/class configuration),
13 24469 (Market Readiness), 25089 (Texas Retail Open Access
14 Protocols), 28818 (Independence Proceeding), 30123 (August 2004
15 Rate Case), and 38400 (September 2007 Rate Case). I also
16 sponsored testimony in Federal Energy Regulatory Commission
17 ("FERC") Docket No. ER04-35-002 relating to the Texas Retail Open
18 Access protocols.

19 I recently filed testimony in APSC Docket No. 10-011-U,
20 Louisiana Public Service Commission ("LPSC") Docket No. U-32148,
21 Council Docket No. UD11-01, Mississippi Public Service Commission
22 ("MPSC") Docket No. 2011-UA-976, and PUCT Docket No. 40346
23 supporting the applications of each Entergy Operating Company's

1 request to integrate its transmission assets into the Midwest
2 Independent Transmission System Operator, Inc. ("MISO") RTO. I
3 also filed testimony in APSC Docket No. 12-069-U, LPSC Docket No.
4 U-32538, Council Docket No. UD-12-01, MPSC Docket No. 12-UA-
5 358, PUCT Docket No. 41223, and PUCT Docket No. 41235 in support
6 of the proposed transaction with ITC Holdings Corp. I have also
7 testified before proceedings at FERC.

8

9 Q. ARE YOU THE SAME RICHARD C. RILEY WHO SUBMITTED
10 TESTIMONY IN FILE NO. EO-2013-0396 ON BEHALF OF EAI AND
11 ITS AFFILIATES?

12 A. Yes, I am.

13

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. The purpose of my testimony is to support EAI's Notification of Intent to
16 Change Functional Control of Its Missouri Electric Transmission
17 Facilities to the Midwest Independent Transmission System Operator,
18 Inc. Regional Transmission Organization or Alternative Request to
19 Change Functional Control filed on March 21, 2013 ("EAI's MISO
20 Notice"). My testimony addresses primarily the integration of EAI's
21 limited transmission facilities located in Missouri into MISO, the
22 reasons for the integration, and approvals related to the Entergy
23 Operating Companies decisions to join MISO including the decision by

1 EAI's retail regulator, the Arkansas Public Service Commission
2 ("APSC").
3

4 **II. DESCRIPTION AND JURISDICTIONAL NATURE OF EAI'S**
5 **TRANSMISSION FACILITIES IN MISSOURI**

6 Q. CAN YOU DESCRIBE EAI'S TRANSMISSION FACILITIES LOCATED
7 IN MISSOURI?

8 A. EAI, which also was more fully described in EAI's MISO Notice, has
9 limited high voltage transmission facilities located in Missouri, all within
10 Dunklin, New Madrid, Oregon, Pemiscot, and Taney Counties. A
11 description of these facilities was attached to EAI's MISO Notice as
12 Exhibit A.
13

14 Q. FOR WHAT ARE THESE FACILITIES USED?

15 A. EAI's transmission facilities in Missouri are used to furnish wholesale
16 electric service in Missouri to various cities and electric cooperatives
17 subject to the rate jurisdiction of the Federal Energy Regulatory
18 Commission ("FERC"). They do not serve any EAI retail customers in
19 Missouri and are not subject to any Commission approved tariffs.
20

21 Q. DID EAI PREVIOUSLY HAVE OTHER FACILITIES IN MISSOURI?

22 A. Yes. EAI previously served wholesale and retail customers in Missouri
23 in the 1980s and 1990s, doing business under the name of its

1 predecessor, Arkansas Power and Light Company ("AP&L"), a
2 subsidiary of Middle South Utilities ("MSU"), now Entergy Corporation.³
3 AP&L acquired the service territory and customers in Missouri as a
4 result of its 1981 acquisition of Arkansas-Missouri Power Company.
5 In 1991, AP&L sold the substantial portion of its Missouri assets to
6 Union Electric Corporation, now known as Ameren Missouri and to
7 Sho-Me Power Corporation. AP&L disposed of all of its Missouri retail
8 service assets used to serve retail customers in Missouri, and the
9 Missouri Public Service Commission (the "Commission") cancelled the
10 certificates of convenience and necessity of AP&L, to the extent any of
11 such certificates or portions thereof were not transferred to Union
12 Electric Company or to Sho-Me Power Corporation. EAI retained
13 certain transmission facilities used to furnish wholesale electric service
14 to various cities and electric cooperatives in Missouri subject to the
15 rate jurisdiction of the FERC. Additionally, limited distribution-facilities
16 were retained to provide retail electric service only to EAI customers in
17 Arkansas, subject to the retail rate jurisdiction of the APSC.
18

³ Entergy Corporation is the holding company that owns the Entergy Operating Companies, as well as System Energy Resources, Inc., the owner of Grand Gulf nuclear plant; and numerous other corporate subsidiaries that are engaged in competitive enterprises.

1 Q. DOES EAI HAVE ANY RETAIL CUSTOMERS IN MISSOURI THAT
2 ARE SERVED BY THE TRANSMISSION FACILITIES THAT ARE
3 BEING INTEGRATED INTO MISO?

4 A. No. EAI does not have retail customers in Missouri.
5

6 Q. DOES THE MISSOURI PUBLIC SERVICE COMMISSION
7 ESTABLISH THE RATES FOR EAI'S TRANSMISSION FACILITIES IN
8 MISSOURI THAT ARE BEING INTEGRATED INTO MISO?

9 A. No. As I indicated above, EAI's facilities in Missouri are not used to
10 serve any EAI retail customers in Missouri, and are not subject to any
11 Commission tariffs. Therefore, the Commission does not establish any
12 rates for EAI. Again, all EAI transmission service in Missouri is subject
13 to FERC jurisdiction.
14

15 Q. WITH RESPECT TO EAI'S LIMITED TRANSMISSION FACILITIES
16 LOCATED IN MISSOURI, IS EAI A MEMBER OF AN RTO?

17 A. EAI is not currently a member of an RTO, and the purpose of this
18 proceeding is to notify the Commission that EAI is in the process of
19 integrating into MISO.
20

21 Q. WHY IS EAI JOINING MISO?

22 A. On December 18, 2005, EAI issued notice that it was terminating its

1 participation in the Entergy System Agreement ("System Agreement")⁴
2 effective December 18, 2013. After extensive analysis and regulatory
3 review, EAI selected joining an RTO as its path for post-System
4 Agreement operations, and MISO is the selected RTO. The APSC
5 already has determined that EAI's joining the MISO RTO is in the
6 public interest for EAI's retail customers, and that EAI may discontinue
7 its pursuit of the other potential post-System Agreement operating
8 arrangements it was pursuing in order to focus all of its efforts on
9 integration into MISO.

10

11 Q. IS EAI'S DECISION TO JOIN MISO PART OF THE ITC
12 TRANSACTION THAT IS THE SUBJECT OF THE JOINT
13 APPLICATION IN FILE NO. E0-2013-0396?

14 A. No, it is not. As I explained in my testimony in that separate
15 proceeding, EAI's decision to join MISO is independent of its proposal
16 to spin off and merge its transmission assets with ITC Holdings, Corp.
17 (the "Transaction"). More specifically, EAI will join MISO regardless of
18 the outcome of the transaction with ITC, and as I mentioned, the APSC
19 has authorized EAI to discontinue its development of other potential
20 post-System Agreement operating arrangements and to focus its

⁴ The System Agreement is a rate schedule approved by the FERC and contract entered into among ESI and the Entergy Operating Companies, which requires the Entergy Operating Companies to plan, construct and operate their generation and bulk transmission facilities as a single, integrated electric system.

1 efforts on MISO integration, even though the Transaction is still
2 pending before the APSC, as well as other jurisdictions. I also note
3 that all of the retail regulators that have considered the Entergy
4 Operating Companies' integration into MISO, as well as the FERC,⁵
5 have treated the Operating Companies' integrations into MISO as
6 separate proceedings from the proceedings regarding their
7 transactions with ITC.⁶ None of these regulators consolidated their
8 respective MISO and ITC proceedings.

9
10 Q. WHAT STEPS DID THE ENTERGY OPERATING COMPANIES TAKE
11 AFTER THEY ANNOUNCED THAT THEY WERE PROPOSING TO
12 JOIN MISO?

13 A. In April 2011, the Entergy Operating Companies announced, after
14 extensive study, that they had voluntarily chosen MISO because that
15 RTO option would provide the greatest benefits and least risk to their
16 retail customers, including nearly \$1.4 billion in estimated production

⁵ FERC is an independent federal agency that regulates the interstate transmission of natural gas, oil, and electricity. FERC also regulates natural gas and hydropower projects.

⁶ The FERC has acknowledged that the ITC Transaction and MISO integration are "separate and distinct" events. *Midwest Independent Transmission System Operator, Inc.*, 139 FERC ¶ 61,056 at P 229 (2012) (finding that "[w]e agree" that "these two events are separate and distinct"), *reh'g denied*, 141 FERC ¶ 61,128 (2012), *reh'g pending*. Consistent with the fact that the two events are separate and distinct, the Entergy Operating Companies have filed separate change in control applications in each of their five retail jurisdictions concerning MISO integration, on the one hand, and the ITC transaction, on the other hand, and each of the five retail jurisdictions is processing them separately. In APSC Docket No. 10-011-U considering EAI's efforts to join MISO, the APSC held that if "Entergy and EAI intend to pursue the sale of its transmission assets to [ITC], then EAI forthwith shall file an application seeking Commission approval to divest its transmission assets to ITC." Order No. 68 at 32. EAI and ITC did so in separate APSC Docket No. 12-069-U.

1 cost savings (\$263 million to EAI's retail customers) and a proven track
2 record of operating Day 2 Markets throughout a large geographic
3 region. All five retail regulators of the Entergy Operating Companies
4 have now granted, subject to conditions, the requests to integrate their
5 respective transmission assets into MISO.⁷ The Entergy Operating
6 Companies also have submitted to the FERC requests for certain
7 authorizations related to the terms and conditions of their participation
8 in MISO pursuant to the MISO Open Access Transmission, Energy and
9 Operating Reserve Markets Tariff (the "MISO Tariff") and jurisdictional
10 agreements under the Federal Power Act. The Entergy Operating
11 Companies have requested action on certain of these filings prior to
12 June 1, 2013, which will allow the Entergy Operating Companies to
13 continue to meet the schedule to integrate all the Entergy Operating
14 Companies into MISO on December 19, 2013. Because EAI is the
15 only Operating Company terminating its participation in the System
16 Agreement on December 18, 2013, EAI must integrate with MISO on
17 December 19, 2013, so that it can operate its electric facilities outside
18 of the System Agreement.

⁷ See, APSC Docket No. 10-011-U, Orders No. 68 (August 3, 2012) and 72 (October 26, 2012); Council of the City of New Orleans Docket No. UD-11-01, Resolution R-12-439 (November 15, 2012); Louisiana Public Service Commission Docket No. U-32148, Order No. U-32148 (June 28, 2012); Mississippi Public Service Commission Docket No. 2011-UA-376, Order (November 15, 2012); and Public Utility Commission of Texas Docket No. 40346, Order (October 26, 2012).

1 Q. WITH RESPECT TO THESE ENTERGY OPERATING COMPANIES'
2 MISO PROCEEDINGS, DID THE RETAIL REGULATORS CONSIDER
3 OPPOSITION TO THEIR JOINING MISO?

4 A. Yes. For example, Kansas City Power & Light Company and KCP&L
5 Greater Missouri Operations Company (collectively, "KCPL") have a
6 longstanding opposition to the Entergy Operating Companies'
7 decisions to join MISO, an opposition that is shared by the Southwest
8 Power Pool ("SPP") and that has been expressed by SPP and/or
9 KCPL in multiple federal and state proceedings. However, each
10 regulator that has considered these objections has rejected them, and
11 each of the Entergy Operating Companies' retail jurisdictions have
12 determined, subject to certain conditions, that it is in the public interest
13 for the Entergy Operating Companies they regulate to join MISO.

14

15 Q. WITH RESPECT TO THE "LOOP FLOW" CLAIMS YOU MENTIONED,
16 DID EAI'S RETAIL REGULATOR CONSIDER ITS JURISDICTION
17 WITH RESPECT TO THESE CLAIMS?

18 A. My understanding is that the APSC determined that concerns relating
19 to loop flows and transmission seams are jurisdictional to the FERC. I
20 am aware that in its Order No. 54 in EAI's MISO Docket No. 10-011-U,
21 the APSC explained as follows:
22

23 Several of the issues discussed above that have been
24 raised by the Parties in opposition to EAI's possible
25 MISO membership are outside this Commission's

1 jurisdiction or the scope of this Docket. For example,
2 concerns associated with the JOA, its renegotiation and
3 any resulting compensation associated with loop flows
4 pursuant to the JOA are FERC matters on which this
5 Commission will not comment. That said, the
6 Commission is persuaded that FERC's policies toward
7 compensation for loop flow are clear and are tied not to
8 whether any loop flows will occur, but whether such
9 loop flows result in the congestion of flowgates.

10
11 The Commission similarly finds that the concerns
12 raised in this Docket regarding transmission seams are,
13 generally speaking, FERC jurisdictional.⁸
14

15 Q. HAVE THE ENTERGY OPERATING COMPANIES' RETAIL
16 REGULATORS, APPROVED THEIR RESPECTIVE ENTERGY
17 OPERATING COMPANYS' INTEGRATION INTO MISO?

18 A. Yes. The Entergy Operating Companies have received orders - from
19 all five jurisdictions that set their retail rates – granting, subject to
20 conditions, the Entergy Operating Companies' respective requests to
21 change functional control of their transmission facilities to MISO.⁹
22

23 Q. HAS THE APSC APPROVED EAI'S INTEGRATION INTO MISO?

⁸ APSC Order No. 54, Docket No. 10-011-U at 104-105 (October 28, 2011).

⁹APSC Order No. 76 may be found at http://www.apscservices.info/pdf/10/10-011-U_1003_1.pdf. The Council of the City of New Orleans issued Resolution R-12-439, dated November 15, 2012, in Docket No. UD-11-01. The Louisiana Public Service Commission order may be found at <http://lpscstar.louisiana.gov/star/ViewFile.aspx?Id=7d9a988e-e3f0-49c2-8e45-5e03ac8fb31d>. The Mississippi Public Service Commission order may be found at http://www.psc.state.ms.us/InsiteConnect/InSiteView.aspx?model=INSITE_CONNECT&queue=CTS_ARCHIVEQ&docid=298280. The Public Utility Commission of Texas order may be found at http://interchange.puc.state.tx.us/WebApp/Interchange/Documents/40346_410_740074.PDF.

1 A. Yes. With respect to EAI's retail customers, the APSC held that,
2 subject to certain conditions, joining MISO is consistent with the public
3 interest. More specifically, as discussed below, in Docket No. 10-011-
4 U before the APSC, the APSC issued Order No. 76 "find[ing] that EAI
5 and MISO have either complied or substantially complied with each of
6 the Order No. 68 conditions" and granting EAI's request to integrate its
7 transmission facilities, providing the conditions continue to be met.¹⁰
8 Additionally, the APSC granted EAI's motion to discontinue activities
9 related to EAI becoming a stand-alone utility for post-System
10 Agreement operations filed in that docket on January 23, 2013, which
11 also described the progress that EAI has made toward integrating into
12 MISO, including that it signed the MISO Transmission Owners
13 Agreement and submitted its MISO Membership Application on
14 October 31, 2012, that the MISO Board of Directors approved EAI as a
15 new transmission-owning member of MISO, and that current MISO
16 implementation milestones are in green-light status.¹¹

17
18 Q. BY INTEGRATING INTO MISO, IS EAI SELLING, ASSIGNING,
19 LEASING, TRANSFERRING, MORTGAGING, OR OTHERWISE
20 DISPOSING OR ENCUMBERING FACILITIES THAT ARE

¹⁰ APSC Docket No. 10-011-U, Order No. 76 at 12. (April 8, 2013).

¹¹ EAI's motion may be found at http://www.apscservices.info/pdf/10/10-011-U_983_1.pdf.

1 NECESSARY OR USEFUL IN PERFORMING EAI'S DUTIES TO THE
2 PUBLIC IN MISSOURI?

3 A. No. I am not a lawyer and understand that aspects of this question
4 may depend on legal analysis. Nevertheless, I do not believe that
5 integrating EAI's limited transmission facilities in Missouri into MISO for
6 operation by MISO may fairly be considered that type of transaction
7 nor do I believe that the transmission assets are the type of
8 jurisdictional assets contemplated. EAI also does not have any retail
9 customers in Missouri, does not maintain tariffs on file in Missouri, and
10 further does not hold itself out as offering service to the general public
11 in Missouri.

12

13 Q. IN ADDITION TO THE ITEMS YOU MENTION ABOVE, ARE THERE
14 OTHER FACTS WHICH YOU BELIEVE MAKE EAI'S SITUATION IN
15 MISSOURI DISTINCT?

16 A. Yes. As I mentioned, EAI does not have any retail customers in
17 Missouri, nor does EAI have an affiliate in Missouri that provides any
18 retail electric service to retail customers in Missouri. This case does
19 not involve any transmission component of any bundled retail service.
20 EAI's limited transmission facilities in Missouri are used to furnish only
21 wholesale electric service to various cities and electric cooperatives in
22 Missouri subject to the exclusive rate jurisdiction of the FERC and

1 electric service to EAI retail customers only in Arkansas subject to the
2 retail rate jurisdiction of the APSC.

3

4 Q. WHAT PARTIES HAVE INTERVENED IN THIS PROCEEDING?

5 A. KCPL, the Empire District Electric Company ("Empire"), and the
6 Missouri Joint Municipal Electric Utility Commission ("MJMEUC") have
7 intervened in this proceeding.

8

9 Q. WHAT IS THE RELATIONSHIP OF EAI'S LIMITED TRANSMISSION
10 FACILITIES IN MISSOURI TO THESE PARTIES?

11 A. Any transmission service these parties currently take from EAI is
12 subject to tariffs or agreements subject to FERC's exclusive
13 jurisdiction. For example, the transmission rates that Empire and
14 MJMEUC pay for transmission service from their Plum Point facility
15 located in Arkansas will be subject to a transmission rate proposal filed
16 before FERC in Docket No. ER13-948 to establish rates for
17 transmission service under the MISO Tariff. Similarly, KCPL has a
18 power purchase agreement associated with the Crossroads Energy
19 Center, which is located in Mississippi, and buys transmission service
20 from the Entergy Operating Companies under their FERC-approved
21 Open Access Transmission Tariff ("OATT").

22

1 Q. HAVE KCPL, EMPIRE, AND MJMEUC RAISED ISSUES RELATED
2 TO EAI'S JOINING MISO AT FERC?

3 A. Yes. At the FERC, these parties have either intervened, or had the
4 opportunity to intervene, to raise their concerns in the proceedings to
5 approve the transmission rates that the Entergy Operating Companies
6 will charge once they join MISO. For example, KCP&L has intervened
7 in both FERC Docket Nos. ER13-948-000 and EC12-1245-000 (and
8 associated dockets) and has been active in these and other dockets in
9 raising its concerns regarding loop flows at the FERC.

10

11 Q. ARE THERE ANY OTHER MATTERS PERTAINING TO THESE
12 FACILITIES THAT ARE NOT SUBJECT TO STATE TARIFFS OR
13 ARRANGEMENTS?

14 A. Yes. MISO would be the reliability coordinator for these facilities.¹² As
15 the reliability coordinator for EAI's transmission facilities, MISO would
16 have the authority to resolve any potential reliability conflicts related to
17 planned outages. MISO also serves in that role today as the
18 Independent Coordinator of Transmission for the Entergy Transmission
19 System. Similarly, issues regarding scheduling of transmission service
20 relate to FERC-jurisdictional agreements administered, and functions
21 performed, by MISO. Upon integration into MISO, EAI would take

¹² The North American Electric Reliability Corporation ("NERC") requires all transmission owners (including Empire) to designate a reliability coordinator.

1 transmission service under the MISO Tariff, and MISO would be
2 responsible for scheduling transmission service and performing any
3 security functions, such as transmission outage scheduling. In
4 summary, the relationship of EAI's transmission facilities in Missouri to
5 the intervening parties may best be described as matters subject to
6 FERC jurisdiction and none of which relate to state tariffs or
7 arrangements on file with or approved by this Commission.

8
9 **III. EAI'S ALTERNATIVE REQUEST TO INTEGRATE INTO MISO**

10 Q. IS THE INTEGRATION OF EAI'S LIMITED TRANSMISSION ASSETS
11 LOCATED IN MISSOURI INTO MISO SOMETHING THIS
12 COMMISSION SHOULD CONSIDER?

13 A. I do not believe so because EAI has no retail customers in Missouri, no
14 tariffs on file in Missouri, and does not hold itself out as serving the
15 general public in Missouri.

16
17 Q. IS EAI REQUESTING TO INTEGRATE ITS LIMITED TRANSMISSION
18 FACILITIES IN MISSOURI INTO MISO?

19 A. Yes, if the Commission believes it needs to take some action, I explain
20 why EAI's integration into MISO is not detrimental to the public interest
21 for the reasons set forth below.

22
23 Q. CAN YOU PLEASE DESCRIBE MISO?

1 A. As the Commission is aware, MISO is an independent, non-profit
2 RTO currently responsible for maintaining reliable transmission of
3 power in 11 U.S. states and the Canadian province of Manitoba.
4

5 Q. HOW WOULD TRANSMISSION SERVICE TO EAI'S CUSTOMERS IN
6 MISSOURI CHANGE AFTER EAI JOINS MISO?

7 A. EAI's transmission customers in Missouri currently take transmission
8 service under the terms and conditions of the Entergy OATT, a FERC-
9 jurisdictional tariff, or other FERC-jurisdictional arrangements.
10 Following EAI's integration into MISO, EAI's transmission customers
11 will take service under the MISO Tariff, also a FERC-jurisdictional tariff
12 (or other FERC-jurisdictional arrangements).¹³ What will not change as
13 a result of EAI joining MISO is the fact that the only tariffs or
14 arrangements at issue in Missouri either before or after EAI joins MISO
15 are FERC-jurisdictional tariffs.
16

17 Q. DOES EAI'S JOINING MISO MEAN IT IS SELLING ITS ASSETS TO
18 MISO?

19 A. No. There is no agreement between EAI and MISO to "sell" assets. The
20 agreement that is the subject of EAI's move to MISO is the "MISO
21 Transmission Owner Agreement," which can be found at:

¹³ See <https://www.midwestiso.org/Library/Tariff/Pages/Tariff.aspx>.

1 [https://www.midwestiso.org/Library/Repository/Tariff/Rate%20Schedul](https://www.midwestiso.org/Library/Repository/Tariff/Rate%20Schedules/Rate%20Schedule%2001%20-%20Transmission%20Owners%20Agreement.pdf)
2 [es/Rate%20Schedule%2001%20-](https://www.midwestiso.org/Library/Repository/Tariff/Rate%20Schedules/Rate%20Schedule%2001%20-%20Transmission%20Owners%20Agreement.pdf)
3 [%20Transmission%20Owners%20Agreement.pdf](https://www.midwestiso.org/Library/Repository/Tariff/Rate%20Schedules/Rate%20Schedule%2001%20-%20Transmission%20Owners%20Agreement.pdf)

4 Further, because there is no sale of assets, likewise there is no
5 purchaser of the assets. Similarly, EAI expects no impact on the tax
6 revenues of any political subdivisions.

7
8 Q. COMMISSION REGULATION PERTAINING TO CERTAIN
9 TRANSACTIONS REQUIRES A STATEMENT BY THE APPLICANT
10 ABOUT WHY THE PROPOSED SALE OF THE ASSETS IS NOT
11 DETRIMENTAL TO THE PUBLIC INTEREST. IS THAT STATEMENT
12 RELEVANT HERE?

13 A. No. As I explained above, EAI's integration into MISO does not involve
14 a sale, disposition, or encumbrance of these assets from EAI to MISO.

15 Even if such a statement were required, EAI's joining MISO is
16 otherwise not detrimental to the public interest. There is more than an
17 adequate basis on the public record to make such a finding, including
18 that all five retail regulators of the Entergy Operating Companies have
19 issued findings that joining MISO is in the public interest subject to
20 certain conditions. As each retail regulator has found, there will be
21 significant benefits to customers for many reasons, including lower
22 production costs, access to a larger geographic market, and MISO's
23 proven track record of operating FERC-approved Day 2 Markets. With

1 respect to EAI in particular, the APSC determined, after lengthy
2 proceedings, that EAI's joining MISO was consistent with the public
3 interest, subject to EAI's continued compliance with certain conditions
4 that the APSC found EAI had already met or substantially met. In
5 addition, FERC will review and approve any FERC-jurisdictional
6 transmission and wholesale rate agreements and tariffs that relate to
7 EAI's and the other Entergy Operating Companies' joining MISO.¹⁴

8
9 Q. IS IT APPROPRIATE FOR THE COMMISSION TO RECOGNIZE THE
10 ROLE OF THESE OTHER REGULATORS?

11 A. Yes. Because EAI does not provide retail service to any customers in
12 Missouri, it is appropriate for the Commission to take notice of the
13 APSC's approval of EAI's application to join MISO. In addition, EAI's
14 wholesale and transmission arrangements that relate to the limited
15 facilities in Missouri are subject to the exclusive jurisdiction of the
16 FERC.

17

¹⁴ APSC Order No. 72 at 15, noting compliance with Condition Nos. 6 and 7.

1 **IV. EAI'S REQUESTED RELIEF**

2 Q. WHAT IS IT THAT EAI IS REQUESTING THE COMMISSION DO IN
3 THIS CASE?

4 A. As explained more fully in EAI's MISO Notice, EAI is requesting, under
5 the unique facts presented many of which may not be and have not been
6 fairly disputed by any party, that the Commission issue an order affirming
7 that it has no jurisdiction over EAI's integration of its Missouri transmission
8 facilities into MISO. Alternatively, to the extent the Commission decides
9 to take some action, EAI asks that the Commission find that EAI's joining
10 MISO is not detrimental to the public interest and otherwise granted.

11

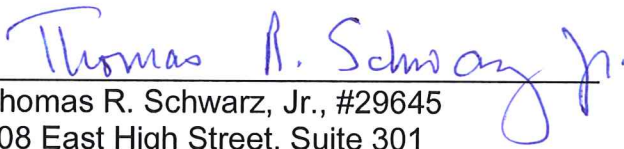
12 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

13 A. Yes.

Respectfully submitted,

BLITZ, BARDGETT & DEUTSCH, L.C.

By:

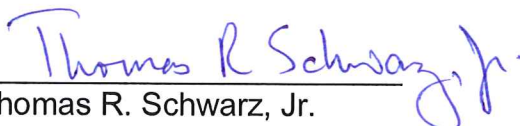


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Company Arkansas, LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon all parties of record by forwarding the same by electronic mail and/or first class mail, postage prepaid, this 25th day of April 2013.


Thomas R. Schwarz, Jr.