

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3
4 TRANSCRIPT OF PROCEEDINGS
5 Hearing
June 18, 2013
6 Jefferson City, Missouri
Volume 2

7
8 In the Matter of the Joint)
Application of Entergy Arkansas Inc.)
9 Mid South TransCo LLC, Transmission)
Company Arkansas, LLC and ITC) Case No.
10 Midsouth LLC for Approval of) EO-2013-0396
Transfer of Assets and Certificate)
11 of Convenience and Necessity and)
Merger and, in connection therewith,))
12 Certain Other Related Transactions.

13
14 In the Matter of Entergy Arkansas,)
Inc.'s Notification of Intent to)
15 Change Functional Control of Its)
Missouri Electric Transmission) Case No.
16 Facilities to the Midwest) EO-2013-0431
Independent Transmission System)
17 Operator, Inc. Regional Transmission)
System Organization or Alternative)
18 Request to Change Functional Control)
and Motions for Waiver and)
19 Expedited Treatment.)

20
RONALD D. PRIDGIN, Presiding,
21 SENIOR REGULATORY LAW JUDGE.
22 TERRY M. JARRETT,
WILLIAM P. KENNEY,
23 COMMISSIONERS.

24 REPORTED BY:
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1 P R O C E E D I N G S

2 (EXHIBIT NOS. 1 THROUGH 21 WERE
3 MARKED FOR IDENTIFICATION BY THE REPORTER.)

4 JUDGE PRIDGIN: All right. Good
5 morning. We are on the record. These are the
6 hearings in Case Nos. EO-2013-0396 and
7 EO-2013-0431.

8 I am Ron Pridgin. I'm the Regulatory
9 Law Judge assigned to preside over these hearings.
10 They're being held on June 18, 2013 in the Governor
11 Office Building in Jefferson City, Missouri. The
12 time is about 8:45 a.m.

13 I would like to get entries of
14 appearance from counsel, please. If we could begin
15 with the applicant, EAI.

16 MR. SCHWARZ: May it please the
17 Commission? Thomas R. Schwarz, Jr., Blitz,
18 Bardgett & Deutsch, 308 East High Street,
19 Suite 301, Jefferson City, Missouri 65102,
20 representing Entergy Arkansas, Inc. and its related
21 entities in the 0396 file as well as the 0431 file.

22 JUDGE PRIDGIN: Mr. Schwarz, thank
23 you. On behalf of ITC, please.

24 MR. LUMLEY: On behalf of ITC
25 Mid South, LLC, Carl Lumley and Brett Leopold in

1 the 396 case.

2 JUDGE PRIDGIN: Mr. Lumley, thank
3 you. On behalf of Kansas City Power & Light,
4 please.

5 MR. STEINER: On behalf of Kansas
6 City Power & Light Company and KCP&L Greater
7 Missouri Operations Company, let the record reflect
8 the appearance of Roger W. Steiner, my address is
9 on file with the court reporter, and Anne
10 Callenbach. Her address is also on file.

11 JUDGE PRIDGIN: Mr. Steiner, thank.
12 Ms. Callenbach, thank you. On behalf of Empire,
13 please.

14 MR. COOPER: Thank you, your Honor.
15 Dean Cooper from the law firm of Brydon,
16 Swearngen & England, P.C. on behalf of the Empire
17 District Electric Company. The court reporter will
18 have the address.

19 JUDGE PRIDGIN: Mr. Cooper, thank
20 you. On behalf of MJMEUC, please.

21 MR. HEALY: Doug Healy, law firm of
22 Healy & Healy, 939 Boonville, Suite A, Springfield,
23 Missouri 65802, appearing on behalf of MJMEUC in
24 cases 0391 (sic) and 0431.

25 JUDGE PRIDGIN: Mr. Healy, thank you.

1 On behalf of the Office of the Public Counsel,
2 please.

3 MR. MILLS: Appearing on behalf of
4 the Office of the Public Counsel and the public, my
5 name is Lewis Mills. My address is Post Office
6 Box 2230, Jefferson City, Missouri 65102.

7 JUDGE PRIDGIN: Mr. Mills, thank you.
8 On behalf of the Staff of the Commission, please.

9 MR. THOMPSON: Thank you, Judge.
10 Kevin Thompson and Nathan Williams on behalf of
11 Staff of the Missouri Public Service Commission,
12 Post Office Box 360, Jefferson City, Missouri
13 65102.

14 JUDGE PRIDGIN: Mr. Thompson, thank
15 you. Mr. Williams, thank you.

16 I'm looking at a notice that EAI
17 filed a few days ago which said it accepted the
18 order of opening statements, order of witnesses and
19 order of cross and then has a list of those
20 statements, order of witnesses and order of cross.
21 I assume we have an agreement on those. Please
22 notify me if I'm mistaken. Mr. Lumley?

23 MR. LUMLEY: Judge, I believe there's
24 an agreement. One point I would make is that if
25 you refer to the list in the 396 case, it will be

1 all-encompassing. 0431 would not have our
2 witnesses on it.

3 JUDGE PRIDGIN: All right. Thank
4 you. Anything further before we proceed to opening
5 statements? All right. In that case, Mr. Schwarz,
6 when you're ready, sir.

7 MR. SCHWARZ: Good morning. May it
8 please the Commission?

9 JUDGE PRIDGIN: Mr. Schwarz.

10 MR. SCHWARZ: My name is Tim Schwarz.
11 I represent Entergy Arkansas, Inc. in both of the
12 cases that are being heard this morning. Entergy
13 Arkansas, Inc., EAI, is one of the joint applicants
14 in Commission File EO-2013-0396, which is being
15 heard concurrently with EO-2013-0431.

16 EA filed its separate action in 0431
17 when proposed intervenors in the 0396 file raised
18 issues concerning EAI's integration into the
19 Mid-Continent System Operator, Inc., the MISO
20 regional transmission organization in their motions
21 to intervene.

22 Because the two issues are -- in the
23 files are separate and distinct, EA filed its
24 notice of intent to integrate its interstate
25 transmission assets into MISO in the 0431 file. I

1 will address the issues raised in the 0431 file.
 2 Mr. Lumley will address the issues in the 0396 file
 3 for the joint petitioners.

4 EAI's MISO notice pertains to
 5 73.53 miles of transmission lines in the bootheel,
 6 2 miles in Oregon County, Missouri, and 11.81 miles
 7 in Taney County with associated equipment that EAI
 8 uses to provide only interstate wholesale
 9 transmission service in Missouri. EAI has no
 10 retail customers in Missouri, and this case does
 11 not contain any issue related to bundled retail
 12 rates.

13 The intervenors do not dispute these
 14 facts. To the contrary, the intervenors make
 15 allegations regarding wholesale rate effects and
 16 congestion issues that they fully acknowledge are
 17 subject to resolution in the FERC jurisdiction.

18 Consequently, EAI stated in its
 19 notice and maintains here today that EAI's
 20 integration into the MISO marketplace is not
 21 properly heard before this Commission despite
 22 efforts by the intervenors to have the Commission
 23 do so. In the alternative --

24 COMMISSIONER JARRETT: Mr. Schwarz?

25 MR. SCHWARZ: Yes, sir?

1 COMMISSIONER JARRETT: Why did you
2 file here, then?

3 MR. SCHWARZ: Which? The move to
4 MISO?

5 COMMISSIONER JARRETT: Yes.

6 MR. SCHWARZ: Because it -- we did
7 not initially file it here. Initially we filed a
8 joint application with ITC for the transfer of
9 assets from EAI to ITC. Didn't implicate the move
10 to MISO at all.

11 That issue was raised by intervenors
12 in their motions to intervene. EAI filed a motion
13 to limit the scope of the transfer case. The
14 Commission denied it. And once it became apparent
15 that the issues were going to be addressed, we
16 filed a separate case because, in fact, the two
17 issues are separate and distinct, although the
18 property involved is the same.

19 COMMISSIONER JARRETT: All right.
20 But now you also claim that, don't you, in your
21 pleadings that we don't have any jurisdiction
22 really over Entergy at all because these are
23 wholesale transmission lines and you don't sell to
24 retail customers?

25 MR. SCHWARZ: That's correct.

1 COMMISSIONER JARRETT: Then why --
2 why did you -- why did Entergy come in here and
3 seek a certificate of convenience and necessity
4 years ago?

5 MR. SCHWARZ: Last year, I think.
6 The Commission's jurisdiction over siting is
7 something that's acknowledged in the FPA. It was
8 acknowledged in the FERC's Order 888, and that FERC
9 acknowledgement was picked up by the U.S. Supreme
10 Court in New York v. FERC.

11 So the Commission may under the
12 FPA not be preempted from actions involving the
13 siting of transmission facilities.

14 COMMISSIONER JARRETT: What about
15 health and safety?

16 MR. SCHWARZ: Frankly, I'm not
17 familiar with the full scope of the FPA allowances
18 for state authority, but I would suggest that
19 that's the place you first need to look.

20 COMMISSIONER JARRETT: We don't have
21 authority in Missouri to make sure that our
22 citizens are kept safe by lines that run in our
23 state?

24 MR. SCHWARZ: The Commission derives
25 its jurisdiction only from the -- from the

1 authorizing statutes in Chapters 386 and 393 in
 2 this instance. And 386.030 makes plain that that
 3 is -- that that grant is subject to the limitations
 4 imposed by the interstate commerce powers of the
 5 federal government.

6 The extent of those powers at least
 7 in the MISO transaction that I'm speaking to are
 8 not implicated. That is, the transfer of
 9 operational coordination within MISO does not
 10 affect health, safety, reliability. Those are
 11 issues that may be raised in other cases. They're
 12 not implicated in certainly the 0431 case, and I
 13 see absolutely no reason for the Commission to
 14 inject them into that case.

15 COMMISSIONER JARRETT: But Entergy
 16 owns lines today that are running in Missouri?

17 MR. SCHWARZ: As they have since at
 18 least 1991.

19 COMMISSIONER JARRETT: Right. And if
 20 one of those lines falls down and kills somebody,
 21 you don't think we have any authority to make sure
 22 that those lines are maintained safely?

23 MR. SCHWARZ: The -- I don't know.
 24 As I say, I haven't --

25 COMMISSIONER JARRETT: Well, Entergy

1 came in here and sought voluntary certificate of
2 need?

3 MR. SCHWARZ: Convenience and
4 necessity.

5 COMMISSIONER JARRETT: Convenience
6 and necessity. So you acknowledge -- you
7 acknowledge we have jurisdiction by coming in and
8 filing for that, don't you?

9 MR. SCHWARZ: I acknowledge that in
10 the limited circumstances of the siting of
11 interstate transmission lines, the states have been
12 carved out authority under the FPA. Not my
13 particular area of practice, but I don't see
14 that -- in my MISO case, I don't see that as
15 affected at all.

16 On the other hand, when they're
17 constructing new lines in Missouri, the siting
18 issue does become relevant. And to the extent that
19 the Missouri statutes authorize it and the federal
20 statutes don't prohibit it, yes, this Commission
21 would have jurisdiction over siting.

22 And as I say, it's not my bailiwick.
23 It's something that we can address in the Briefs
24 because it's a federal law. It's not a fact issue,
25 and we can do so.

1 COMMISSIONER JARRETT: Thank you.

2 Thank you, Mr. Schwarz. Sorry to interrupt.

3 MR. SCHWARZ: The Missouri courts
4 have held since 1918 that mere ownership,
5 operation, control or management of an electric
6 plant is insufficient in itself to attach the
7 Commission's regulatory jurisdiction. The electric
8 plant must be devoted to a public use before it is
9 subject to public regulation.

10 In 1991, subject to the approval of
11 this Commission, EAI's predecessor in interest sold
12 and transferred all of its Missouri property that
13 was devoted to providing service to the general
14 public of Missouri. Since that time, EA's property
15 in the Missouri geographical footprint has been
16 used to provide only interstate transmission
17 service in Missouri subject to the jurisdiction of
18 the FERC.

19 EAI has owned, operated, controlled
20 and managed this electric plant since 1991 on an
21 interstate basis without offering to serve any
22 member of the general public in Missouri, as indeed
23 it does today. During this entire period, EAI has
24 provided interstate transmission service in
25 Missouri pursuant to federal tariffs approved by

1 the FERC.

2 As noted, there is no allegation
3 supporting that EAI uses the Missouri properties to
4 perform any duty that EAI has undertaken to serve
5 the general public in Missouri.

6 Further, the restraints on alienation
7 imposed by the General Assembly in Section
8 393.190.1 do not apply to the integration of EAI
9 including its Missouri property into the MISO RTO.
10 That section pertains to a sale, assignment, lease,
11 transfer, mortgage or other such disposition or
12 encumbrance of assets.

13 However, after EAI's integration into
14 MISO, MISO will have neither property interest nor
15 right of possession in any franchise, work or
16 system of EAI. There is no bill of sale, no deed
17 of trust, no mortgage, no assignment, no lease
18 involved to initiate EAI's participation in MISO.

19 Rather, EAI continues to own,
20 operate, manage and control its interstate
21 transmission system subject to federal regulation.
22 No one has alleged much less proved that the
23 integration into MISO constitutes a transaction
24 within the ambit of Section 393.190.

25 If the Commission, however,

1 determines that it needs to make a finding in this
2 matter, then the Commission should find and
3 conclude that the proposed MISO integration of
4 EAI's Missouri properties is not detrimental to the
5 public interest in Missouri.

6 The property at issue in Missouri is
7 2 percent of EAI's interstate transmission lines.
8 The testimony of Richard Riley supports and
9 confirms what this Commission already knows, that
10 participation in an RTO provides benefits to the
11 public.

12 Intervenors assert they're private
13 interests, not the public interest, as a bar to
14 EAI's integration into MISO. They suggest that
15 this Commission should require EAI to hold them
16 harmless from the consequences of EAI choosing an
17 RTO different from the one that they voluntarily
18 chose.

19 They suggest that this Commission
20 should require EAI -- excuse me. They should --
21 they allege as detriment to their possible
22 individual problems with seam congestion and loop
23 flow, none of which occur as a result of EAI's
24 facilities in Missouri being integrated into MISO,
25 and all of which are being actively addressed by

1 the FERC pursuant to its exclusive federal
2 jurisdiction over interstate transmission
3 facilities.

4 To bring the matter into focus,
5 consider the kinds of actions the intervenors
6 suggest that the Commission take. Can this
7 Commission order EAI to provide discounts from
8 FERC-approved rates to intervenors? No.

9 Can this Commission order EAI not to
10 join MISO? No.

11 Can this Commission order EAI to
12 operate its fewer than 100 miles of interstate
13 transmission facilities in Missouri separate and
14 apart from the balance of its interstate
15 transmission plant? No.

16 Can this Commission order EAI to
17 modify or undo EAI's MISO integration in Arkansas?
18 No.

19 Can this Commission order another
20 Entergy operating company, who aren't parties to
21 this proceeding, to modify or undo its MISO
22 integration in another state such as Mississippi?
23 No.

24 In conclusion, EAI has undertaken to
25 serve the general public in Missouri, and it is

1 undisputed that EAI provides only interstate
2 wholesale transmission service in Missouri. These
3 matters are subject to FERC jurisdiction as
4 recognized by the intervenors.

5 In the alternative, there has been
6 presented nothing to demonstrate that the
7 integration of EAI's limited transmission
8 facilities in Missouri into MISO presents a
9 detriment to the general public in Missouri.

10 Mr. Lumley will address the issues in
11 the joint petition in 0396. Thank you.

12 JUDGE PRIDGIN: Mr. Schwarz, thank
13 you. Mr. Lumley, when you're ready.

14 MR. LUMLEY: Thank you, Judge. Good
15 morning, Commissioners. Carl Lumley representing
16 ITC Mid South.

17 Case No. EO-2013-0396 concerns the
18 joint application that's been submitted by ITC and
19 several Entergy entities. It's presenting a
20 separate transaction from EAI's proposed
21 integration into MISO which Mr. Schwarz has made
22 plain Entergy is pursuing in any event regardless
23 of this second transmission.

24 It is the same limited set of assets,
25 100 miles of transmission lines split up into

1 various segments along the southern border between
2 Missouri and Arkansas serving wholesale customers.
3 And as Mr. Schwarz has gone over, EAI wants to move
4 those into the MISO system of supervision and
5 planning.

6 As for ITC and its family of
7 companies, it's a known entity. It's already
8 successfully operating transmission in many states,
9 including on an extremely limited basis in Missouri
10 currently along the northern border.

11 The transaction is a multi-step
12 transaction involving a tax-free Reverse Morris
13 Trust or a spin merge. I'm not going to go into
14 all the details of it in opening statement, but the
15 important thing is the end result would be a
16 transfer of the assets to ITC.

17 Additionally, the application seeks
18 certificates of authority commensurate with the
19 transaction with the end result being ITC holding
20 the certificate that the Commission wants it to
21 have to continue to operate these assets and
22 Entergy actually has a few distribution assets left
23 that only serve customers Arkansas but they are
24 physically in Missouri, and so it's asking that its
25 certificate be adjusted accordingly.

1 We've also sought some waivers of a
2 few Commission regulations, all in Chapter 3.
3 Section 145 concerns the filing of intrastate
4 tariffs. Section 165 concerns filing of annual
5 reports regarding intrastate revenues. 175
6 concerns depreciation studies that are used for
7 ratemaking in the state. And then Section 190,
8 subsections 1 and 3 concern some additional
9 reporting mostly regarding generation.

10 In Staff's position statement, they
11 took issue with paragraph E of subsection 3 which
12 concerns transmission outage reports. We don't
13 have a problem withdrawing the request to waive
14 that particular subparagraph. We had simply asked
15 for waivers that had been seemingly routinely
16 granted in similar instances, but we understand
17 Staff's point and it's not a problem.

18 They mention in their position
19 statement some concerns about subparagraphs 4
20 through 10, and we've not sought a waiver of those.
21 So to my knowledge, we're on the same page with
22 Staff on the waiver of regulations.

23 This is a multi-state transaction
24 with limited Missouri assets, but they're
25 nonetheless important mile for mile just as any

1 other asset. It's just sort of the unusual
2 circumstance of we don't have it on some of the
3 boundaries of the state because of the rivers, but
4 Iowa and Arkansas, things kind of wander back and
5 forth across the lines a little bit.

6 The agreements were entered in
7 December of 2011, and the parties are certainly
8 trying to close as reasonably possible in a
9 seamless manner for customers.

10 On the question of jurisdiction, as
11 Mr. Schwarz noted, we are talking about assets that
12 are used for interstate service, so they're clearly
13 subject to FERC regulation, including rate-setting
14 authority.

15 Nonetheless, ITC is buying these
16 assets. In Missouri we have a statute 393.190
17 that's fairly draconian. It says if you don't get
18 required approval of an asset transfer in advance,
19 then the transaction is void, and as we know from
20 some Court of Appeals opinions, there's nothing you
21 can do to fix it after the fact.

22 We understand that the Commission's
23 made pretty clear in its orders that it believes it
24 has jurisdiction. I think we all understand that
25 none of us can by agreement convey jurisdiction,

1 but the Commission certainly is the first
2 decision-maker on that topic. So ITC obviously
3 prefers the clarity and certainty of a Commission
4 order given this statute and the Commission's
5 position on its jurisdiction, and so we're
6 proceeding accordingly.

7 ITC presents extensive evidence in
8 support of this transaction demonstrating its
9 benefits to the public and that it will not have a
10 detrimental impact on the public interest in the
11 state, not on a simplistic mathematical equation
12 basis but on an analysis of both qualitative and
13 quantitative benefits that show the real impacts of
14 this transaction.

15 The limited opposing evidence does
16 not address the public interest but rather
17 allegations of individualized interest. These
18 allegations actually pertain to the separate
19 integration of the assets into MISO under the other
20 case or the transfer of much more, you know,
21 substantial systems in other states to ITC.
22 They're not alleging Missouri-specific impacts.

23 So ITC presents testimony from six
24 witnesses, and these witnesses are not only
25 experienced and knowledgeable, but they're actually

1 the highest officers of the holding company who
2 have the authority and the responsibility to make
3 sure that the benefits described in their testimony
4 are actually delivered.

5 Our first witness, Mr. Joseph Welch,
6 is the ITC Holdings president and CEO. He provides
7 an overview of the transaction and its benefits for
8 the Commission, and he identifies the key
9 categories of benefits.

10 Namely, first, ITC is an independent
11 transmission owner that can serve the public
12 interest of the region.

13 Second, that ITC has a superior
14 business model and has the required capabilities
15 and financial strength to be a successful
16 transmission owner.

17 Third, ITC can deliver a grid that
18 meets the future needs and challenges of the nation
19 and the region.

20 And fourth, that ITC is positioned to
21 take full advantage of the MISO membership that EAI
22 is separately putting into place.

23 Mr. Welch testifies that the
24 transition grid is critical as the backbone of
25 national power delivery, it's key to economic

1 growth in the region, and it's essential to
2 efficiency and reliability.

3 There have been many improvements in
4 transmission in our country, with open access and
5 the development of RTOs and FERC's Order 1000, but
6 the most important factor remains having strong
7 transmission owners that can make the systems work
8 on a reliable basis.

9 Mr. Welch demonstrates that ITC is
10 the industry leader, it's financially strong, it's
11 capable, has a proven track record, has strong
12 credit, has a lower cost of capital and it has
13 access to it. He shows ITC's sole focus on
14 transmission results in reliability, maintenance,
15 compliance, safety, efficiency, investment,
16 improvements and strong storm response, which we
17 all know is critical.

18 ITC has a singular focus on
19 transmission. It is 100 percent transmission.
20 Typically transmission constitutes 10 percent of an
21 electric company's business.

22 Mr. Welch provides the Commission
23 with ITC's independence policy, which assures that
24 ITC addresses the transmission needs of all
25 stakeholders without any bias towards generation or

1 types of generation or distribution needs. They
2 solely focus on the transmission needs of the
3 stakeholders. He describes how the regional view
4 of the company benefits and involves all
5 stakeholders.

6 Mr. Welch explains that ITC already
7 successfully operates 15,000 miles of transmission
8 lines in seven states and two RTOs, serving 26,000
9 megawatts of peak load. He testifies to his top
10 performance, skilled work force and economies of
11 scale.

12 He explains that ITC has made over
13 \$3 billion of investment in transmission from 2003
14 to 2012, which constitutes 60 percent of all
15 investments in MISO. He provides specific examples
16 of these investments in his testimony showing how
17 needs are met and benefits are delivered.

18 He testifies that ITC will make at
19 least \$500 million in investments each year across
20 the new region after approval of the transaction,
21 again, meeting transmission needs without any
22 internal competition to spend on generation or
23 distribution.

24 He shows how ITC achieves more robust
25 results as a MISO member than retail utilities and,

1 as a result, enhances the benefits of wholesale
2 markets, reduces the delivered cost of energy,
3 eliminates congestion, increases reliability and
4 increases access to generation.

5 And finally, he testifies that ITC
6 and EAI will be able to accomplish the transition
7 smoothly and that ITC will become even stronger by
8 adding approximately 700 existing Entergy employees
9 and taking a best practices approach to the merger
10 of the systems.

11 Next we present the testimony of Jon
12 Jipping. He's the executive vice president and
13 chief operating officer of ITC Holdings. He
14 oversees operations, planning, engineering,
15 information systems, supply chain, facilities and
16 securing.

17 He describes the current system in
18 even more detail and, like Mr. Welch, discusses
19 ITC's independence and singular focus. He
20 quantifies ITC investment levels at \$600 million in
21 2011 and \$800 million in 2012. Provides examples
22 of new projects and the advanced technology that
23 ITC is bringing to the system, like transformer
24 monitoring with synchrophasors for rapid data
25 collection and analysis. Don't ask me questions

1 about synchrophasors. Save those for him.

2 Mr. Jipping describes ITC's
3 commitment to safety which places it at the top of
4 the industry. He goes over the robust maintenance
5 program which importantly focuses on proactive
6 preventive maintenance, not reactive repairs. And
7 he also provides details of the replacement
8 programs as well as vegetation management, and he
9 testifies to the company's high performance in
10 terms of reliability.

11 He explains when ITC's reliability is
12 compared to the industry median, it demonstrates
13 savings of \$150 million per year for end users. He
14 discusses ITC's commitment to achieving full
15 compliance with NERC reliability standards and
16 candidly discusses details of ITC's compliance
17 program.

18 Goes over ITC's ability to handle
19 storm restoration, the procurement program which
20 uses competitive bidding, and shows how it results
21 in lower costs for the new region.

22 Like the other witnesses, he
23 discusses ITC's commitment to open communications
24 with all stakeholders and regulators and his
25 promotion of customer service and economic

1 development.

2 Mr. Jipping reviews the ongoing hard
3 work of ITC and Entergy teams to assure a seamless
4 transition and integration of this transmission
5 business into ITC, reiterating the addition of
6 approximately 700 employees, the incorporation of
7 best practices and goes over the company's
8 transition services agreements which are in place
9 to assure continuity even after closing.

10 Finally, he explains how ITC will be
11 able to take greater advantage of MISO membership
12 resulting in better performance of the system.

13 Our next witness, Mr. Thomas Vitez,
14 is the ITC Holdings vice president of planning. He
15 testifies to ITC's superior planning process and
16 its proven track record in transmission planning.
17 He goes over the planning cycle and its focus on
18 reliability and elimination of constraints.

19 He discusses in detail how ITC's
20 process integrates well with MISO's and how both
21 are open to stakeholders and regulators. And he
22 goes over how ITC not only plans well but then
23 makes needed investments to implement those plans.

24 He discusses ITC's regional approach
25 and how it develops -- or results in cheaper

1 delivered energy and goes over examples that have
2 achieved annual benefits of 60 to \$100 million in
3 connected needed new generation.

4 Next we present Mr. Thomas Wrenbeck,
5 director of ITC regulatory strategy. He explains
6 how ITC Arkansas, which will be the ultimate new
7 name of the entity, will use the formula rate from
8 MISO's FERC tariff with a projected revenue
9 requirement and then a true-up process.

10 He explains how the process is open
11 to stakeholders with proposed rates being filed
12 well in advance of the January 1st effective date
13 each year. He explains how customers will be
14 trained so they understand this new rate process.
15 Will achieve, therefore, a seamless change.

16 Mr. Wrenbeck testifies that after
17 closing, Entergy's rates will be used for the
18 balance of 2013 for simplicity but again with a
19 true-up process to the ITC numbers.

20 In his surrebuttal he clarifies that
21 the concerns expressed by intervenors who have
22 facilities in other states, such as the Crossroads
23 facility in Mississippi and the Plum Point
24 generation plant in Arkansas, relate to Entergy
25 integrating into MISO, which has already been

1 approved in those other states.

2 Similarly, Mr. Jipping explains that
3 Mr. Locke's concerns about new power flows are also
4 matters related to MISO membership that are being
5 addressed at the FERC already.

6 Mr. Wrenbeck testifies there's only a
7 minor impact on the through and out transmission
8 rates that are paid for regional transmission from
9 the ITC transaction because that rate averages the
10 costs of all MISO members, all the transmission
11 owners.

12 And finally he confirms that ITC is,
13 of course, willing to honor EAI's existing
14 interconnection agreements, such as the one from
15 1941 with Empire that's described by Mr. Warren.

16 Witness Cameron Bready is the
17 executive vice president and CFO of ITC Holdings.
18 He testifies he's responsible for identifying new
19 opportunities for transmission development. He
20 discusses how ITC is able to make sustained capital
21 investments in transmission to meet regional needs,
22 whether planned or on an emergency basis, because
23 of its strong cash flow, its access to capital and
24 liquidity that's provided by strong revolving
25 credit facilities.

1 He discusses ITC's solid credit
2 quality which allows financing at lower rates and
3 how it projects to get even better with the
4 transaction. Specifically, he compares ITC's
5 ratings of A1 and A with Moody's and S&P
6 respectively versus EAI's ratings of A3 and A-.

7 Mr. Bready estimates that the
8 resulting debt cost savings will be 127 to
9 \$151 million in net present value in the entire
10 Entergy region over the first five years with
11 \$20 million of that in the Arkansas and Missouri
12 area.

13 He explains how customers benefit
14 from the ability of the companies to achieve the
15 transaction on a tax-free basis. He reviews ITC's
16 \$3.4 billion in investments in transmission from
17 2003 to 2012, which averages two times cash flow.

18 He describes how ITC was able to
19 continue with its capital programs even during the
20 national financial crisis. He discusses the
21 importance of the MISO formula rate to the
22 continued ability to make these capital
23 investments.

24 With regard to that rate formula, he
25 explains that ITC plans to use the same ROE as

1 Entergy, 12.38 percent, the same number that
2 Entergy would use upon entering MISO. He explains
3 that ITC plans to have a 60 percent equity capital
4 structure consistent with other transmission
5 entities and how that achieves the appropriate
6 balance of risks and impacts.

7 Mr. Bready testifies that any modest
8 rate impact is more than offset by the qualitative
9 and quantitative benefits that ITC brings to the
10 table from this transaction and beyond what would
11 result from EAI joining MISO.

12 Specifically, he testifies that in
13 the ITC pricing zone which incorporates these
14 Missouri assets, there will be an 8.1 percent
15 increase over Entergy rates in 2014 as a result of
16 the combination of the different capital structure
17 and some offsetting benefits of the lower debt
18 cost. And he reiterates that the ROE does not have
19 an impact because it's the same for either company.

20 Finally, Mr. Bready introduces the
21 rate mitigation plan that ITC and EAI have offered
22 for the Arkansas pricing zone, again including
23 Missouri.

24 Douglas Collins is our final witness.
25 He's the president of ITC Midwest and vice

1 president of ITC Holdings. He's in charge of the
2 ITC Midwest operations, which include the very
3 limited assets along the Iowa border.

4 His testimony provides real world
5 confirmation of what ITC achieves once it acquires
6 a system. He reviews the benefits that ITC has
7 delivered after acquiring the IPL system in 2007
8 which consists of 6,600 miles of transmission lines
9 and 261 substations.

10 He goes over the proactive
11 maintenance and vegetation management of that
12 system and reviews \$891 million in investments
13 through March of last year to upgrade that system,
14 improve its reliability, add interconnections, and
15 all that has resulted in decreased outages,
16 superior results and excellent storm restoration
17 work.

18 He demonstrates how ITC was able to
19 improve performance over IPL, including by taking
20 full advantage of MISO membership for that system,
21 all the while working with stakeholders and
22 regulators up there.

23 He discusses how investments continue
24 and describes major projects that are under way
25 today and confirms the significant benefits that

1 ITC has delivered, eliminating congestion costs and
2 promoting economic development.

3 So the ITC witnesses show that ITC
4 has done it before and will do it again with the
5 Entergy system, including the 100 miles of lines in
6 southern Missouri. At the end of the day, it is
7 important to keep in mind that this case only
8 concerns those 100 miles of lines that come out of
9 Arkansas into southern Missouri.

10 But the only way that the Missouri
11 assets and the customers served by them get the
12 benefits of the transaction is for these 100 miles
13 to also be acquired along with the Arkansas system.
14 Otherwise, the Missouri lines would be on an island
15 essentially.

16 Missouri will benefit from ITC
17 becoming more involved in the state. Wholesale
18 customers will benefit. It's in the public
19 interest for a company like ITC to be more
20 interested in our state in the future.

21 On the other hand, the individual
22 concerns raised by intervenors have nothing to do
23 with ITC acquiring these assets, but instead are
24 related solely to the integration into MISO and
25 transactions in other states.

1 it's also plain from the evidence
2 that the acquisition of these 100 miles cannot have
3 the impacts that are alleged by these intervenors.
4 The evidence will show that no detriment will
5 result from the transaction, but rather overall the
6 public will benefit from ITC acquiring these
7 assets.

8 Based on the evidence, the joint
9 applicants request the Commission to grant the
10 leave that's requested in their application. Thank
11 you.

12 COMMISSIONER JARRETT: Mr. Lumley,
13 just a quick question.

14 MR. LUMLEY: Yes.

15 COMMISSIONER JARRETT: When you were
16 going over the witnesses, which witness was the
17 witness that's going to testify about the
18 maintenance program?

19 MR. LUMLEY: I think Mr. Jipping
20 would be a good witness to ask about those
21 questions, but also Mr. Collins with regard to what
22 they do up in ITC Midwest.

23 COMMISSIONER JARRETT: And then you
24 talked about having a good regulatory relationship.
25 Who's the witness that's going to talk about the

1 regulatory and the stakeholder outreach and
2 participation?

3 MR. LUMLEY: They all touch on it.
4 Mr. Vitez and Mr. Wrenbeck would both be witnesses
5 for that, but they all touch on that.

6 COMMISSIONER JARRETT: Okay. Thank
7 you, Mr. Lumley.

8 JUDGE PRIDGIN: Commissioner, thank
9 you. Mr. Lumley, thank you. Mr. Steiner.

10 MS. CALLENBACH: Good morning,
11 Commissioners, Judge. My name is Anne Callenbach.
12 I'm appearing here today on behalf of Kansas City
13 Power & Light Company and KCP&L GMO. I may refer
14 to those two companies throughout my opening as
15 just the company.

16 It is the company's position that
17 joint applicants' proposed transmission asset
18 transfer and EAI's voluntary choice to place its
19 facilities under the functional control of MISO
20 will both have direct and substantial impacts on
21 the companies dependent on the facilities at issue
22 here in Missouri and on the company's cost of power
23 delivered to its retail customers.

24 Both parties giving openings before
25 us have alleged that the two transactions are

1 entirely separate. However, it's the company's
2 position that the outcome of both transactions will
3 essentially be the same, that the Entergy system in
4 Missouri will be under MISO rates.

5 And when evaluating a proposed asset
6 transfer or encumbrance, which the companies
7 maintain applies to both transactions at issue
8 today, this Commission employs the not detrimental
9 to the public interest standard. This legal
10 standard requires a cost/benefit analysis in which
11 all of the benefits and detriments in evidence must
12 be considered, and any approval should be based on
13 a finding of no net detriment.

14 As the applicants, joint applicants
15 and EAI bear the burden to prove that the requested
16 asset transfer or encumbrance are not detrimental
17 to the public interest. The companies have alleged
18 and will show throughout this hearing that
19 applicants have not met this burden.

20 Specifically, the companies will show
21 that applicants have not provided an estimate to
22 the Missouri Commission of the expected power flows
23 across Missouri transmission facilities that would
24 result from the integration of EAI's facilities
25 into MISO.

1 They have not quantified for the
2 Missouri Commission the expected increase in
3 transmission rates affecting Missouri utilities,
4 instead relying upon vague assertions of
5 qualitative benefits.

6 They have not documented how
7 reliability and safety issues resulting from the
8 integration of EAI's facilities into MISO will be
9 addressed, and they have not provided any evidence
10 to indicate that compensation will be provided to
11 Missouri utilities for this substantial increase in
12 use of the Missouri transmission facilities as a
13 result of these transactions at issue today.

14 Further, joint applicants and EAI
15 have both attempted throughout these proceedings to
16 assert that other state regulatory bodies and the
17 FERC have already or are in the process of
18 evaluating the transactions, suggesting perhaps
19 that the Missouri Commission need not fully analyze
20 these matters today.

21 The companies disagree and would like
22 to note that the majority of other jurisdictions
23 are still in the process of analyzing these
24 matters.

25 A full analysis of all the

1 jurisdictional matters will appear in the
2 companies' post-hearing briefs. The companies
3 emphasize that Missouri law requires the Commission
4 to comprehensively evaluate the impact the proposed
5 transactions have on the Missouri public interest.

6 If joint applicants cannot
7 demonstrate that there is no detriment, the
8 application should be denied. Thank you.

9 JUDGE PRIDGIN: Ms. Callenbach, thank
10 you. Mr. Cooper.

11 MR. COOPER: Good morning. The
12 Empire District Electric Company has an electric
13 system interconnection with Entergy near Forsyth,
14 Missouri. Empire is a co-owner of the Plum Point
15 Energy Station, a coal-fired generating facility
16 near Osceola, Arkansas. Through its ownership
17 interest and long-term purchased power agreement,
18 Empire is entitled to approximately 100 megawatts
19 of Plum Point's capacity in associated energy.

20 The delivery of Plum Point Energy
21 Station capacity and energy relies directly on the
22 service availability of Empire's interconnection
23 with Entergy, and that interconnection is critical
24 to Empire's ability to supply safe and adequate
25 service to its Missouri customers.

1 Further, since Plum Point is
2 physically located on Entergy Arkansas's
3 transmission system, Empire contracts with Entergy
4 for transmission of this capacity and energy. This
5 transmission is provided through a long-term
6 point-to-point transmission service agreement with
7 Entergy Services.

8 The subject interconnection and
9 Empire's transmission costs are both implicated by
10 the cases before you today. The 0396 case concerns
11 ITC's possible responsibility for the
12 interconnection and transmission system upon which
13 Empire relies, as well as the costs associated with
14 that responsibility, which will increase for
15 Empire.

16 The 0431 case implicates functional
17 control for the interconnection and transmission
18 system, as well as increasing costs associated with
19 that transfer.

20 Empire has provided rebuttal
21 testimony in both cases identifying how these
22 proposals will impact Empire and cause actual
23 quantifiable detriment to the Missouri public
24 interest.

25 If in spite of these known detriments

1 the Commission should believe that it should
 2 approve the proposals, Empire believes that at a
 3 minimum it should attempt to mitigate these
 4 detriments by providing conditions on any such
 5 approvals, and those conditions should include:
 6 One, that ITC and EAI be required to negotiate a
 7 new interconnection agreement with Empire to ensure
 8 that responsibilities for Empire's critical
 9 interconnection with EAI are clearly addressed
 10 prior to the closing of the ITC transaction; that a
 11 joint operating agreement between the Southwest
 12 Power Pool and MISO addressing at a minimum the
 13 loop flows issues related to the Missouri seam
 14 between SPP and MISO be in place; and that Missouri
 15 customers be held harmless from all increased costs
 16 due to the potential transfer of functional control
 17 to MISO.

18 Thank you.

19 JUDGE PRIDGIN: Mr. Cooper, thank
 20 you. Mr. Healy.

21 MR. HEALY: If it pleases the
 22 Commission here, I'd like to proceed.

23 I'm going to briefly just touch on a
 24 couple of issues that have already been addressed
 25 by other counsel. I'm not going to repeat some

1 arguments that have already been made, but I think
2 the one thing when I examined this application that
3 jumped out at me is the focus on qualitative versus
4 quantitative analysis.

5 In my opinion, if dollars supported
6 this transaction is in the public benefit and
7 public interest, we would have seen quantitative
8 analysis from both EAI as well as ITC. We didn't
9 see that analysis. I think that speaks volumes.

10 Additionally, for RTO choice or
11 putting these assets into MISO, no quantitative
12 analysis. Again, if that analysis had supported
13 MISO was the appropriate RTO, we should have seen
14 that analysis.

15 So to bring me to my point without
16 repeat other arguments, we have unknown cost
17 attached to this transaction and basically
18 permission being asked from this Commission purely
19 on qualitative points. The value of those
20 qualitative points, in my opinion, have been
21 oversold and quantitative analysis have been
22 undersold.

23 We'd ask the Commission reject the
24 application as filed and consider the evidence in
25 that regards. Thank you.

1 JUDGE PRIDGIN: Mr. Healy, thank you.

2 Mr. Mills.

3 MR. MILLS: Judge, I'll waive opening
4 statement.

5 JUDGE PRIDGIN: Mr. Mills, thank you.
6 Staff, Mr. Thompson, Mr. Williams. Mr. Thompson,
7 when you're ready.

8 MR. THOMPSON: Thank you, Judge. May
9 it please the Commission?

10 On the question of jurisdiction,
11 Staff believes that the Commission does have
12 jurisdiction over both of the questions that are
13 before it today. In Missouri, jurisdiction is not
14 like a light switch. It's not either off or on
15 necessarily.

16 Instead, the proper question is,
17 jurisdiction to do what? Jurisdiction to do what?
18 The Commission has to have jurisdiction not only to
19 hear the matter but to grant the requested remedy.
20 That is subject jurisdiction as it's understood in
21 Missouri.

22 Mr. Schwarz referenced the Dansinger
23 case. He pointed out that EAI is not holding
24 itself out to serve the public in Missouri, and so
25 under Dansinger, well, you don't have jurisdiction.

1 But Dansinger was a case about a refusal to serve,
2 refusal to serve. And so you can see why the court
3 had recourse to the commonlaw of common carriage,
4 and they answered that refusal to serve case by
5 saying, well, the brewery owner who had the
6 generator, he never held himself out to serve
7 anybody in Westin, Missouri, just his friends. And
8 when the newspaper editor wasn't his friend
9 anymore, well, he had the right to cut him off.
10 That's the Dansinger case.

11 This case in either of its aspects
12 has nothing to do with Dansinger. Instead, EAI
13 owns electric plant in the state of Missouri. It
14 has to have a certificate of convenience and
15 necessity to do that lawfully, and, in fact, it
16 does.

17 It's now going to transfer, if you
18 approve, that electric plant to another entity, who
19 also has to have a certificate of convenience and
20 necessity in order to lawfully own that plant. And
21 they have come to you asking for just such a
22 certificate and various related permissions and
23 waivers to allow that transaction to go forward.

24 Staff believes you absolutely have
25 jurisdiction over that transaction and that you

1 should approve that application. Staff believes
2 that the various benefits will outweigh the
3 detriments that the intervenors are going to bring
4 to your attention, which are primarily monetary.

5 With respect to those monetary
6 detriments, the rates set by the FERC are just and
7 reasonable as a matter of law with respect to this
8 Commission's consideration and the various parties
9 here. We can't look through or behind the FERC
10 rates here. They can be -- yes, sir.

11 COMMISSIONER JARRETT: Let me stop
12 you right there, because I read that in Staff's
13 briefing. There is no requirement under law that
14 any utility join an RTO, is there?

15 MR. THOMPSON: No, sir.

16 COMMISSIONER JARRETT: So isn't it
17 relevant for us to look at those prices?

18 MR. THOMPSON: Absolutely.

19 COMMISSIONER JARRETT: And then look
20 at prices if the utility weren't in an RTO?

21 MR. THOMPSON: I think it is
22 relevant.

23 COMMISSIONER JARRETT: And if it is
24 more benefit for the utility not to be in an RTO,
25 we could tell that utility we're not going to

1 approve you joining any RTO or that RTO that you
2 want to join. So it -- so I understand those are
3 set by FERC and they're just and reasonable in the
4 context of an RTO, but they don't even have to join
5 an RTO and don't have to be subject to those
6 necessarily, right?

7 MR. THOMPSON: I believe that's true.

8 COMMISSIONER JARRETT: I mean, we do
9 at least have to indirectly consider that.

10 MR. THOMPSON: I think it is -- as
11 Ms. Callenbach said, it's a cost/benefit analysis.

12 COMMISSIONER JARRETT: Thank you,
13 Mr. Thompson.

14 MR. THOMPSON: The one last thought
15 I'll leave you with is, I think anyone who invests
16 in a power plant that is located distantly from
17 their system is gambling that the cost of getting
18 that power to where they need it is never going to
19 go up. May just be that they've lost that gamble.
20 Thank you.

21 JUDGE PRIDGIN: Mr. Thompson, thank
22 you. Have I overlooked anyone? All right. Let me
23 clarify with the parties, it looks like the non-ITC
24 witnesses will be testifying in both cases. That
25 is Riley, Carlson, Locke and Warren are testifying

1 in 0396 and 0431.

2 Do the parties have a preference or
3 an agreement on how to proceed? Do you want to
4 just stop and start one and then -- or just have
5 when the witnesses come up to be able to go back
6 and forth between cases? I mean, I notice we have
7 just one exhibit list. I don't know if the parties
8 have an agreement or disagreement. Mr. Lumley?

9 MR. LUMLEY: Judge, given that a few
10 of the witnesses filed testimony, one piece of
11 testimony in both cases, I would suggest that the
12 witnesses just take the stand and be subjected to
13 whatever questions are within the legitimate scope
14 of cross-examination.

15 MR. STEINER: We agree, Judge.

16 JUDGE PRIDGIN: Sounds like when the
17 witness comes up, that they'll be subject to both
18 cases they filed testimony on. Okay. Very good.
19 And I do -- I do see that the parties asked that
20 Mr. Warren be subject to cross today because of
21 travel needs, so I want to be mindful of that. Is
22 there -- Mr. Cooper? I'm sorry.

23 MR. COOPER: No. That's fine. I was
24 just going to agree with that. I guess my thought
25 was that we'd play it by ear and see how the

1 hearing progressed.

2 JUDGE PRIDGIN: Very good. Okay.

3 Then it looks like on the list of order of
4 witnesses, Mr. Riley would be first. Is there
5 anything further from counsel before he's called?

6 MR. THOMPSON: Judge, Staff would
7 just direct your attention to its motion that you
8 take administrative notice of certain items that
9 was included in our position statement.

10 JUDGE PRIDGIN: Thank you. Any
11 objection or comment?

12 MR. STEINER: Judge, can I take a
13 look at that and get back to you?

14 JUDGE PRIDGIN: Certainly. Anything
15 further?

16 (No response.)

17 JUDGE PRIDGIN: All right.
18 Mr. Riley, if you'll come forward to be sworn,
19 please.

20 (Witness sworn.)

21 JUDGE PRIDGIN: Thank you very much,
22 sir. Mr. Schwarz, when you're ready.

23 MR. SCHWARZ: Thank you, Judge.

24 RICHARD C. RILEY testified as follows:

25 DIRECT EXAMINATION BY MR. SCHWARZ:

1 Q. Would you state your name for the
2 record, please.

3 A. Richard C. Riley.

4 Q. And are you the same Richard C. Riley
5 who has prefiled testimony in both the 396 and 431
6 cases?

7 A. Yes.

8 Q. And your direct in 396 has been
9 identified as Exhibit 1. Your surrebuttal in 396
10 has been identified as Exhibit 2. Your direct in
11 0431 has been identified as Exhibit 3, and your
12 surrebuttal in 431 has been identified as
13 Exhibit 4. Are you --

14 A. Yes.

15 Q. -- comfortable with that?

16 As to each of those testimonies, were
17 the answers that you gave therein true and correct
18 to the best of your knowledge, information and
19 belief?

20 A. Yes, they were.

21 Q. If I asked you those same questions
22 today, would your answers be the same?

23 A. They would.

24 Q. Do you have any corrections to make
25 to your testimony?

1 A. I do not.

2 Q. Thank you. I've given you a copy of
3 the property list that was appended to the joint
4 application in 396. Have you looked at that?

5 A. Yes, I have.

6 Q. Is that information correct?

7 A. It is.

8 Q. I also gave you what has been marked
9 as Exhibit 6. There's an NP version, which is just
10 a cover page, and then an HC version which contains
11 some system maps of EAI's property in Missouri and
12 the Arkansas -- northern Arkansas region. Are you
13 familiar with those?

14 A. I am.

15 Q. Is that an accurate representation of
16 EAI's property in Missouri?

17 A. Yes, it is.

18 MR. SCHWARZ: Thank you. With that,
19 I would offer Exhibits 1, 2, 3, 4, 5 and 6 into the
20 record at this time.

21 JUDGE PRIDGIN: Thank you. Any
22 objections?

23 (No response.)

24 JUDGE PRIDGIN: All right. Hearing
25 none, Exhibit 1 is admitted, Exhibit 2, Exhibit 3,

1 Exhibit 4 and Exhibit 5 are all admitted, and
2 Exhibit 6 NP and HC are admitted.

3 (EAI EXHIBIT NOS. 1 THROUGH 6 WERE
4 RECEIVED INTO EVIDENCE.)

5 MR. SCHWARZ: Thank you, Judge. I
6 tender the witness for cross.

7 JUDGE PRIDGIN: Mr. Schwarz, thank
8 you. Mr. Lumley?

9 MR. LUMLEY: No questions, your
10 Honor.

11 JUDGE PRIDGIN: Mr. Healy?

12 CROSS-EXAMINATION BY MR. HEALY:

13 Q. Mr. Riley, just a couple of quick
14 follow-up questions. There was much talk in the
15 opening about 100 miles of transmission, also four
16 substations, correct?

17 A. That's correct. It's actually
18 87.34 miles if you want to know exactly.

19 Q. Two of those substations are in
20 Thayer?

21 A. Yes, they are.

22 Q. Those substations, they represent a
23 significant investment in capital?

24 A. Well, I wouldn't say they were a
25 significant investment in capital when you compare

1 to the remainder of our system. We have
2 15,413 miles of transmission and over 1,400
3 substations. So these little 69 KV stations in
4 Thayer, perhaps to the city of Thayer they are
5 significant, but not necessarily to the Entergy
6 transmission system.

7 Q. That's the answer I was looking for.
8 Thank you.

9 JUDGE PRIDGIN: Mr. Cooper?

10 CROSS-EXAMINATION MR. COOPER:

11 Q. Mr. Riley, do you have your testimony
12 in front of you?

13 A. I do.

14 Q. And I'm going to be looking at your
15 surrebuttal in the 0396 case and really talking
16 about some of your testimony that starts on page 5,
17 if you want to turn over to that.

18 A. Okay.

19 Q. There on page 5, I think starting on
20 line 4, you make a statement that the Empire
21 interconnection agreement provides that it may be
22 assigned without the consent of the parties and, as
23 a result, a new interconnection agreement is not
24 necessary. Is that a correct reading of your
25 testimony?

1 A. Yes, it is.

2 Q. And I think later on that same page
3 you state that the Empire interconnection agreement
4 will be assigned to ITC upon the close of the
5 transaction; is that correct?

6 A. That's correct.

7 Q. Now, I think right after that you go
8 on to state that EAI will retain and continue to be
9 responsible for the metering-related provisions of
10 the interconnection agreement because EAI will
11 retain ownership of its existing metering equipment
12 following transfer of its transmission facilities
13 to ITC, correct?

14 A. That's correct.

15 Q. I take it that's an exception to
16 what's going to be assigned to ITC; is that
17 correct?

18 A. It's not an exception. All of the
19 metering that ties the Entergy transmission system
20 today to external entities will be retained by
21 Entergy. Entergy will continue to be the local
22 balancing authority. There will be one in Arkansas
23 as well as for the rest of the system. So it's not
24 an exception to the standard practice that we will
25 have on our system.

1 **Q. But it's a piece of the**
2 **interconnection agreement that will not flow to**
3 **ITC, correct?**

4 A. That's correct. That agreement was
5 originally written in 1941, and there's a number of
6 provisions that probably could be cleaned up.

7 **Q. And I think this is consistent with**
8 **what you're saying. You also make provision for**
9 **any other non-transmission responsibilities under**
10 **the interconnection agreement staying with EAI,**
11 **correct?**

12 A. That's correct. But there's
13 really -- that's an encompassing statement that
14 really only applies to the metering, though.
15 That's really the only area that really would still
16 apply to EAI.

17 **Q. I think you also discussed that**
18 **Entergy and ITC are still working through this**
19 **process and are hoping to get customers comfortable**
20 **at some point in the future; is that correct?**

21 A. That's correct. This is a standard
22 interconnection agreement. We have them with all
23 of the entities that interconnect with us. We have
24 that one single tie with Empire, a 162 megawatt
25 limit on that particular tie. In the grand scheme

1 of things, it's very common to have an agreement
2 like this, and we will be able to get -- we are
3 fully comfortable that we will be able to get our
4 customers comfortable, including Empire.

5 **Q. And when do you envision that comfort**
6 **level coming?**

7 A. Well --

8 **Q. Prior to the closing or --**

9 A. Yes.

10 **Q. -- after the closing?**

11 A. Prior to the closing. Our goal would
12 be to have these agreements in place. In fact, we
13 have a number of agreements in the past that
14 historically Entergy has relied upon the network
15 service agreement to be the interconnection
16 agreement with some of our customers.

17 And ITC has realized that's a gap now
18 that the -- the customers that are network service
19 customers today will be network service customers
20 of MISO in the future, so there won't be an
21 agreement with ITC. So we're also looking at that
22 broader group of customers to get interconnection
23 agreements with.

24 **Q. Let's move on, over to page 7 of the**
25 **same piece of testimony, and starting on line 9,**

1 just follow along, see if I read this correctly.
 2 Some of the agreements to which ITC will succeed
 3 have obligations that will remain the
 4 responsibility of the Entergy operating companies
 5 following the close of proposed transaction, such
 6 as the provision of metering services. Those
 7 agreements will be amended and restated to identify
 8 ITC as the provider of transmission and
 9 transmission-related services and to identify the
 10 appropriate Entergy operating company as the
 11 provider of metering or other non-transmission
 12 services.

13 Did I read that correctly?

14 A. Yes, you did.

15 Q. And that's exactly the situation with
 16 the Empire interconnection agreement, isn't it?
 17 It'll need to be amended to address the fact that
 18 some responsibilities are planned to go to ITC and
 19 some responsibilities under that existing agreement
 20 will stay with Entergy?

21 A. That's correct.

22 Q. And you would agree with me that an
 23 amendment of an agreement can't be done
 24 unilaterally as you suggested an assignment could
 25 be done?

1 A. Well, I think the legalese with these
2 documents would have to be reviewed by our
3 attorneys as to what you can and can't do. I'm an
4 operations guy, and I know these type of agreements
5 are common. They're not hard to amend, and, you
6 know, as to who can do something unilaterally, I
7 will leave that up to the attorneys. But I believe
8 that Empire will be completely satisfied with the
9 new agreement that we come up with.

10 MR. COOPER: That's all the questions
11 I have.

12 JUDGE PRIDGIN: Mr. Cooper, thank
13 you. Ms. Callenbach or Mr. Steiner?

14 CROSS-EXAMINATION BY MS. CALLENBACH:

15 **Q. Good morning, Mr. Riley. How are**
16 **you?**

17 A. Fine. How are you?

18 **Q. Good. Thank you. I just have a few**
19 **questions for you on your 0431 surrebuttal. On**
20 **page 5 of your testimony, you talk about the**
21 **increase in interstate transmission costs of**
22 **Empire. Can you tell me, is this increase driven**
23 **by an increase in EAI's costs?**

24 A. Could you point me where I -- exactly
25 where you're talking about?

1 **Q. On page 5 of your 0431 surrebuttal.**

2 A. Which of the 21 lines are you
3 referring to?

4 **Q. Beginning on line 16.**

5 A. 16. Okay.

6 **Q. 16.**

7 A. The point is actually located on the
8 Entergy Arkansas system. So regardless of what you
9 do in Missouri, those assets, that's been approved
10 by the Arkansas Commission to go to MISO.

11 MISO has a different way of
12 calculating the point-to-point service rate than
13 currently Entergy does on our transmission system.
14 So the increase for Plum Point, that point-to-point
15 service that Empire has, is largely due to the MISO
16 transaction and the way that they calculate the
17 bill for point-to-point customers.

18 Tom Wrenbeck with ITC is more of an
19 expert in the MISO tariffs, and so he would be a
20 good individual to ask more detailed questions
21 about how their point-to-point service rates work.

22 **Q. Okay. Thank you. On page 24 and 25**
23 **of that same testimony, you introduced Exhibit B to**
24 **your testimony.**

25 A. Yes.

1 Q. And Exhibit B is captioned -- it's a
2 MISO document, correct?

3 A. That is correct.

4 Q. And it's captioned Entergy
5 Integration Benefits All Members?

6 A. Yes.

7 Q. And you say within your testimony
8 that the positive impact would include MISO members
9 such as Ameren; is that correct?

10 A. That's correct.

11 Q. Are you aware of any EAI study that
12 examines or demonstrates any benefits to any
13 entities besides Ameren of the MISO integration?

14 A. Yes. We did a comprehensive study
15 that we issued a report back in May of 2011, I
16 guess it was, where the Entergy operating
17 companies, includes Entergy Arkansas, will see
18 \$1.4 billion worth of benefits by joining MISO.
19 That well outweighs any cost for transmission
20 service.

21 We looked at a number of areas for
22 savings that actually tracked this particular
23 exhibit almost exactly. We looked at the trade
24 benefits. When you fold in the 30,000 megawatts of
25 generation of Entergy into the MISO market, you

1 have a diverse fuel mix that results in savings for
2 everyone. Also by having a bigger footprint for
3 the market, the ancillary services, the costs for
4 those services such as regulation and reserves will
5 go down. You'll have lower planning reserve
6 requirements. Finally, the admin cost for MISO is
7 spread across a much larger footprint.

8 So those four benefits stated in my
9 Exhibit B actually track the benefits stated in our
10 May 10th report. For MISO itself --

11 **Q. May I interrupt you just for a**
12 **minute? That May 10th report, is that attached to**
13 **your testimony anywhere?**

14 A. No. I was just referring to the four
15 categories on this exhibit that track that
16 particular --

17 **Q. So that's not in evidence in this**
18 **proceeding in Missouri?**

19 A. I do not believe it is.

20 MR. LUMLEY: Judge, I object to that
21 comment. He's not testified to that information
22 that it is in evidence in this proceeding.

23 MS. CALLENBACH: Yes, but in response
24 to his question, Judge, he referred to a study. I
25 asked if he was aware of any study. He said yes,

1 and he also admitted that that was not in evidence
2 in this case. I don't think that testimony should
3 be permitted.

4 JUDGE PRIDGIN: I'll overrule.

5 MS. CALLENBACH: Thank you.

6 BY MS. CALLENBACH:

7 Q. Mr. Riley, the study you were just
8 referring to that you were just talking about, does
9 that examine any benefit of MISO integration to any
10 Missouri utilities?

11 A. Are you talking about the study that
12 we're not permitted to -- it's not admitted into
13 evidence? You want me to talk about it now?

14 If I can expand upon that, that
15 particular study looked at the benefits for the
16 Entergy customers as well as MISO overall. My
17 Exhibit B, which is in evidence, illustrated there
18 would be \$100 million of benefits for non-- well,
19 actually for the Missouri customers. Well,
20 actually, it's the non-Entergy customers.

21 Missouri represents about 9 percent
22 of the load in MISO. So if you do just a simple
23 calculation, that would be about \$9 million that
24 would accrue to the Missouri customers.

25 Q. And what Missouri customers are

1 **members of MISO? Is it primarily Ameren?**

2 A. Primarily Ameren, yes.

3 **Q. Okay. Thank you.**

4 MS. CALLENBACH: Nothing further.

5 JUDGE PRIDGIN: Ms. Callenbach, thank
6 you. Mr. Mills?

7 MR. MILLS: No questions.

8 JUDGE PRIDGIN: Mr. Thompson or
9 Mr. Williams?

10 MR. WILLIAMS: Just a few questions,
11 Judge. May I approach?

12 JUDGE PRIDGIN: You may.

13 CROSS-EXAMINATION BY MR. WILLIAMS:

14 **Q. Mr. Schwarz gave you what he marked**
15 **as -- it's been marked as Exhibit No. 5.**

16 A. Yes.

17 **Q. Do you have that?**

18 A. Yes.

19 **Q. Can I take a look at that?**

20 A. Sure. It should add up to
21 87.34 miles.

22 **Q. Would you take a look at Exhibit**
23 **No. 5?**

24 A. I have it here.

25 **Q. And that exhibit has a Footnote 2?**

1 A. Yes.

2 Q. That says that the specific detailed
3 list of assets to be transferred has not yet been
4 finalized?

5 A. That's correct.

6 Q. Is that still the status?

7 A. Well, there's a lot that goes into
8 identifying the assets. I think where we are right
9 now, if I were to guess at a percentage, I would
10 say 99 percent. There's a number of jointly owned
11 fossil units that we have on our system where we're
12 having to separate the point of interconnection
13 with those particular customers.

14 So identifying those specific assets
15 and adding to the list of assets that will be
16 transferred, you know, that's the last piece to
17 that, and we should be complete with that final
18 separation well before the close.

19 Q. Let me ask it this way: Is the list
20 that's provided in Exhibit 5 a complete list for
21 the assets that are being transferred in Missouri?

22 A. That's a complete list as of today.
23 Now, there was a new substation that was cut in.
24 In fact, it was the one where we filed the CCN, I
25 guess it was last summer. One of the lines you see

1 here is the Hayti south to Blytheville. There's a
2 new substation to serve an AECI meter point.
3 There's no really new line, but there's a new
4 substation being cut in. AECI, EPC, that
5 particular project had a contractor, in other
6 words, that did the design and construction, and
7 they will be transferring the high side of that
8 substation to us at some point. So this list of
9 assets for Missouri will need to be amended at some
10 point to include that high side bus. There's two
11 breakers and some switches.

12 But once we add those facilities,
13 that would be a, you know, a complete list of the
14 Missouri facilities. We don't have that same
15 problem with joint ownership in Missouri with these
16 four or five substations that we do in other
17 places.

18 **Q. And that new interconnection you just**
19 **referenced, is that part of this transaction you're**
20 **asking the Commission to approve here in the 396**
21 **case?**

22 **A.** It would be -- those assets would be
23 part of the assets that would transfer over to ITC,
24 yes.

25 **MR. WILLIAMS:** Thank you.

1 JUDGE PRIDGIN: Mr. Williams, thank
2 you. Commissioner Jarrett, any questions?

3 COMMISSIONER JARRETT: Yes. Thank
4 you, Judge.

5 QUESTIONS BY COMMISSIONER JARRETT:

6 Q. Good morning, Mr. Riley.

7 A. Good morning.

8 Q. Thanks for being here today. I have
9 a few questions. I think I want to refer to your
10 direct testimony, page 11.

11 A. Would this be in 0431 or --

12 Q. It looks like the caption on what I'm
13 looking at is the 0396.

14 A. 0396, page 11. Okay.

15 Q. And specifically the question that
16 starts on line 16 and then the answer that ends on
17 line 20.

18 A. Okay.

19 Q. And that question reads, does EAI
20 employ any employees in Missouri for the purpose of
21 maintaining its facilities located in Missouri?
22 And then the answer is -- your answer is, no, EAI
23 does not have employees based in Missouri employed
24 for the purpose of maintaining the limited
25 facilities located in Missouri.

1 **So my first question to you is, how**
 2 **does Entergy maintain these Missouri facilities?**

3 A. We have offices, like, for example,
 4 in Blytheville that if we needed to go do
 5 maintenance on that particular line that emanates
 6 from Blytheville up to Hayti south, we would
 7 dispatch those employees to the transmission line
 8 itself.

9 When you look at the maintenance on
 10 the transmission line, it's not like you go out
 11 there every day or even every month. There's an
 12 inspection interval. We tend to fly the lines more
 13 often now than just a walking inspection across the
 14 right of way.

15 So we have locally dispatched crews
 16 that would go out and look at these lines. And the
 17 87 miles isn't a contiguous line. It's little
 18 pieces here and there. And so we have offices
 19 throughout the system that we can easily dispatch
 20 employees over to the lines to do maintenance.

21 Q. **Okay. And I'm struck by the word**
 22 **limited. Heard a lot of that today from counsels'**
 23 **opening statements. Oh, these are just very**
 24 **limited assets. They're just a tiny, tiny part of**
 25 **Entergy's big, big empire. Are you familiar with**

1 **the bootheel?**

2 A. With the what?

3 **Q. With the bootheel of Missouri --**

4 A. I am.

5 **Q. -- where these are? It's not exactly**
6 **an affluent area, is it? A lot of poor people,**
7 **high unemployment, people that some might say are**
8 **kind of forgotten?**

9 A. A lot like our Mississippi delta
10 area, too. We have a lot of customers like that.

11 **Q. So does the fact that everybody keeps**
12 **emphasizing these are all just very small and**
13 **limited assets, does that transfer over into the**
14 **priority? So does Entergy treat this as a very low**
15 **priority, since they're so limited, this is just a**
16 **low priority area?**

17 A. Absolutely not. In fact, since
18 they're interconnections with other entities, you
19 know, we have one with Empire and a number with
20 SPA, we make sure that we maintain the reliability
21 of those lines to maintain those interconnections.
22 I think the Empire witness Mr. Warren mentioned
23 that in order to deliver Plum Point to Empire, they
24 need that particular line at Ozark Beach to be in
25 service.

1 So we place the same priority on
2 these lines in the bootheel and all of our
3 facilities that are in Missouri as we do on the
4 rest of our system.

5 **Q. Okay. I'm glad to hear that. You**
6 **talked a little bit about your line inspection**
7 **program, I think. Would you describe that a little**
8 **more fully?**

9 A. Yes. We have -- we do what's called
10 an Osmose inspection where we actually have this
11 company, it's a third-party company that goes out
12 and they -- they walk or ride to every structure
13 that is a wood pole and they would do a test on the
14 pole to make sure that it's still in good shape,
15 and if it's not, then it would be put on the list
16 of poles to be replaced.

17 Steel structures you don't
18 necessarily do that to. Typically they last a
19 really long time.

20 So the other regular maintenance for
21 a transmission line would be the yearly flights.
22 We do three flights a year, primarily looking for
23 vegetation, but they also fly in helicopters slow
24 enough that they can detect insulator damage or
25 sometimes bird issues, also broken cross arms. And

1 as I mentioned earlier, that happens about three
2 times a year.

3 **Q. Okay. And so that's sort of your --**
4 **what's your vegetation management program?**

5 A. The vegetation management program, we
6 have what's called the TVMP, which is our
7 transmission vegetation management program that
8 looks at what's considered circ assets, and that's
9 200 KV and above when it comes to vegetation. So
10 we maintain the floor of the right of way and also
11 go out and ensure that we don't have any danger
12 trees that might fall from off the right of way.

13 And so those flights that I mentioned
14 are there to detect the danger trees. Any time you
15 see a tree that looks like it's dying, we want to
16 make sure that we get that out before it falls into
17 the right of way and causes an outage.

18 And then we maintain a somewhere
19 between three to five-year circle on maintaining
20 the floor as well.

21 **Q. You are aware that here in Missouri**
22 **we do have inspection standards in our rules?**

23 A. I'm not intimately familiar with the
24 rules that you have for the standards, but we do
25 have experts in forestry, graduates in our system

1 that do work for me that are, and they make sure
2 that we abide by all of the standards that we have
3 across our five-state service territory.

4 Q. So, for example, we have our rule
5 4 CSR 240-23.020, and this -- I'll read you the
6 purpose of this, and I'll omit the statutory
7 citations just for ease of listening purpose.

8 This rule establishes the minimum
9 requirements for the transmission and distribution
10 facilities of electrical corporations regarding
11 inspections, paren, including maximum allowable
12 inspection cycle lengths, end paren, condition
13 rating, scheduling and performance of corrective
14 action, recordkeeping, and reporting, in order to
15 provide safe and adequate electrical service.
16 These requirements shall be based on factors such
17 as applicable industry codes, national electric
18 industry practices, manufacturer's recommendations,
19 sound engineering judgment and past experience.

20 Does that sound kind of similar to
21 other rules or --

22 A. It does.

23 Q. -- regulations?

24 A. It sounds like exactly how we came up
25 with our transmission vegetation management plan.

1 Q. Now, as part of this rule, there is a
2 chart that shows sort of the minimum inspection
3 cycles for different kinds of facilities, and is it
4 your testimony that you believe Entergy complies
5 with those?

6 A. Yes, it is.

7 Q. All right. And as part of that rule,
8 there's also requires the electrical corporation to
9 maintain records of inspection activities which
10 shall be made available to Commission Staff. Does
11 Entergy comply with that recordkeeping rule under
12 our Missouri rules?

13 A. I know certainly since the NERC
14 mandatory standards were placed into effect in June
15 of 2007, I know for sure we have records back that
16 far. I'm not sure how long -- how far back we go
17 with our recordkeeping on the vegetation or
18 otherwise inspection. Depending on the area, it
19 may go back a long ways, but I couldn't speak today
20 as to how far back they go.

21 Q. Well, this rule became effective
22 June 30th of 2008.

23 A. Oh, okay. We certainly have records
24 back to 2008.

25 Q. And then there's also a reporting

1 requirement that the utility file annual reports
2 with our Staff beginning July 1st of 2009. Has
3 Entergy filed all of their annual reports since
4 2009 with our Staff?

5 A. I do not know. I'm not sure if we
6 have or we haven't.

7 Q. Okay. Well, let me ask you this:
8 How long have you been with Entergy?

9 A. Since 1995.

10 Q. And how about in your current
11 position?

12 A. Since 2010.

13 Q. Okay. So you were with Entergy in
14 January of 2009 when southeast Missouri had a
15 pretty devastating ice storm. Do you remember
16 that?

17 A. I do. I was actually working for
18 Entergy Mississippi at the time, but I do remember
19 that ice storm.

20 Q. Okay. So were you directly involved
21 in any incidents regarding these particular Entergy
22 assets in Missouri during that storm?

23 A. I believe we sent crews to assist
24 from Entergy Mississippi.

25 Q. But you weren't here in Missouri

1 **or --**

2 A. No, I was not.

3 **Q. You had no responsibility over --**

4 A. No.

5 **Q. -- over that issue here?**

6 A. I did not.

7 COMMISSIONER JARRETT: Okay. Judge,
8 I don't have any further questions of this witness.
9 I would ask that he not be excused because he may
10 have -- want to comment. But after he's off the
11 stand, I would like to call Natelle Dietrich of our
12 Staff. Since this gentleman doesn't have much
13 knowledge of this storm, I would like to have her
14 testify since she was involved in the Staff
15 investigation in the docket EO-2008-0218 where they
16 filed a final report on that Staff investigation
17 into that ice storm, and I want to ask her some
18 questions about that.

19 Obviously, of course, I understand
20 and expect that all the parties will have a chance
21 to cross-examine her, and I'd be open to leaving
22 the record open if anybody wants to bring any
23 witnesses forward to rebut her testimony.

24 JUDGE PRIDGIN: Commissioner, thank
25 you. Commissioner Kenney, any questions?

1 COMMISSIONER W. KENNEY: No, thank
2 you.

3 JUDGE PRIDGIN: Any redirect based on
4 cross, Mr. Lumley? Excuse me. Any recross based
5 on Commission questions?

6 MR. LUMLEY: No questions.

7 JUDGE PRIDGIN: Mr. Healy?

8 RECROSS-EXAMINATION BY MR. HEALY:

9 Q. Mr. Riley, just one follow-up
10 question. You stated a minute ago, and correct me
11 if I'm wrong, there's 1.4 billion in benefits of
12 joining MISO; is that correct?

13 A. That's correct.

14 Q. That's to Entergy Arkansas, correct?

15 A. No. That's our Entergy op-- all of
16 our operating companies. I think the benefit for
17 Entergy Arkansas was in the 280 million range, and
18 that's an NPV over a ten-year period.

19 Q. 280 range for Entergy Arkansas?

20 A. Pardon me?

21 Q. \$280 million range?

22 A. I believe that's -- yes.

23 Q. That's benefits not the wholesale
24 customers, that's Entergy Arkansas?

25 A. The actual -- well, the study looked

1 at the region, and then we parsed that out to our
2 operating companies. So there would be even
3 greater benefits to the Entergy region, which would
4 include wholesale customers, but the 1.4 billion
5 that I quoted was indeed just to the Entergy
6 operating companies.

7 MR. HEALY: I have no further
8 questions.

9 JUDGE PRIDGIN: Mr. Cooper?

10 MR. COOPER: No questions.

11 JUDGE PRIDGIN: Ms. Callenbach/
12 Mr. Steiner?

13 MS. CALLENBACH: No questions.

14 JUDGE PRIDGIN: Mr. Mills?

15 MR. MILLS: No questions.

16 JUDGE PRIDGIN: Mr. Thompson/
17 Mr. Williams?

18 MR. WILLIAMS: I think just one.

19 RECROSS-EXAMINATION BY MR. WILLIAMS:

20 Q. You mentioned the 1.4 billion for all
21 of the Entergy operating companies?

22 A. Yes.

23 Q. And then you said that you -- in
24 response to Mr. Healy's question, you said that you
25 allocated that out or determined what it would be

1 **for the separate Entergy operating companies?**

2 A. Yes.

3 **Q. Did you take it down to the level of**
4 **the states?**

5 A. Well, since Entergy -- no, we did
6 not. We didn't divide the Entergy Arkansas
7 savings, or a better example might be in Louisiana
8 where we have multiple operating companies. You
9 could just add the operating companies together, I
10 guess, but we really reported it out on an
11 operating company basis as opposed to a state
12 basis.

13 **Q. Do you have any quantification of**
14 **benefit to Missouri?**

15 A. Other than the \$9 million that I
16 quoted to the non-Entergy customers in Missouri, I
17 do not have a number for Missouri.

18 MR. WILLIAMS: Thank you.

19 JUDGE PRIDGIN: Any redirect?

20 MR. SCHWARZ: No, Judge. Thank you.

21 JUDGE PRIDGIN: All right. Thank
22 you. Mr. Riley, you can step down. And this looks
23 to be a good time to take a break. So Mr. Thompson
24 and Mr. Williams, you can maybe inquire of
25 Ms. Dietrich when she'd be available to come down

1 and answer questions. I see she's right back
2 there.

3 MR. THOMPSON: I think she's ready.

4 JUDGE PRIDGIN: She's ready. Since
5 she's already here and ready to go, let's go ahead
6 and move forward and then we'll probably break
7 after Ms. Dietrich is done.

8 (Witness sworn.)

9 JUDGE PRIDGIN: Thank you very much.
10 Please have a seat. And Commissioner Jarrett.

11 NATELLE DIETRICH testified as follows:

12 QUESTIONS BY COMMISSIONER JARRETT:

13 Q. Good morning, Ms. Dietrich.

14 A. Good morning.

15 Q. Thank you for being here today. I
16 appreciate it.

17 First of all, you were here when
18 Mr. Riley testified, were you not?

19 A. Yes, I was.

20 Q. And do you remember the conversation
21 we had regarding our rules, our vegetation
22 management rules and our inspection rules and the
23 recordkeeping requirements?

24 A. Yes. Uh-huh.

25 Q. Would you know whether or not a

1 **company, a utility files those annual reports?**

2 A. Those reports are filed under my
3 supervision, and it's my understanding that Entergy
4 has not filed reports.

5 **Q. So they have not filed one report**
6 **since the rule went into effect?**

7 A. Mr. Beck may be able to answer
8 specifically, but that's my understanding, that
9 they have not.

10 **Q. Okay. Thank you.**

11 COMMISSIONER JARRETT: Mr. Thompson,
12 could I get your help, please?

13 MR. THOMPSON: Certainly,
14 Commissioner.

15 COMMISSIONER JARRETT: Would you give
16 a copy of that to Ms. Dietrich and then the rest
17 are for the parties.

18 MR. THOMPSON: Yes, sir.

19 COMMISSIONER JARRETT: And since this
20 is a Staff witness, I'd like Staff to sponsor this
21 and offer this as an exhibit or have it marked as a
22 Staff exhibit.

23 JUDGE PRIDGIN: This will be No. 22.

24 (STAFF EXHIBIT NO. 22 WAS MARKED FOR
25 IDENTIFICATION BY THE REPORTER.)

1 BY COMMISSIONER JARRETT:

2 Q. Do you have a copy of that?

3 A. Yes, I do.

4 Q. I believe Mr. Thompson has handed you
5 what's been marked as Exhibit 22. Do you know what
6 that is?

7 A. This is the Final Report of Staff
8 Investigation of the January 2009 Southeast
9 Missouri Ice Storm in Case No. EO-2008-0218, in the
10 matter of an investigation of Union Electric
11 Company, doing business as AmerenUE's storm
12 preparation and restoration efforts.

13 Q. And what I've handed you, the first
14 two pages are basically the attorney's introduction
15 and so forth signed by Jennifer Hernandez of our
16 Staff Counsel; is that correct?

17 A. That's correct.

18 Q. And then starting on the third page
19 is the -- that's the title page of the actual Staff
20 Report, isn't it?

21 A. That's correct.

22 Q. And then the Staff's report is
23 numbered 1 through 7 pages, correct?

24 A. Yes, with attachments.

25 Q. Okay. Yes. And then next is the

1 attachments, basically Attachment A, I think. Is
2 that the only attachment? It's all just one
3 attachment?

4 A. I have an Attachment B.

5 Q. Okay. All right.

6 A. And it looks like the rest of it may
7 be all included under Attachment B. I don't see
8 any other attachment.

9 Q. But that's all the attachments to
10 that report?

11 A. Correct.

12 Q. And then after that is attached your
13 affidavit, the affidavit of Lena Mantle, affidavit
14 of Dan Beck, affidavit of Lisa Kremer, and
15 affidavit of Deborah Bernsen, correct?

16 A. Yes.

17 Q. Now, these were actually filed
18 separately from the report in EFIS, but these are
19 the folks that worked on the report, and by their
20 affidavit says that each of these folks have
21 personal knowledge of the matters set forth in the
22 report and it's true and correct to their
23 knowledge, information and belief; is that correct?

24 A. I don't recall whether these were
25 filed with the report or separately, but that's

1 what each one of them states.

2 Q. Right. Well, I printed them up
3 yesterday, and they were filed separately, but they
4 were filed in the UE docket. And do you still
5 stand by your affidavit today?

6 A. Yes.

7 COMMISSIONER JARRETT: I would ask
8 Staff if they would offer that into evidence at
9 this time.

10 MR. THOMPSON: Yes, Commissioner. At
11 this time Staff would offer Exhibit 22.

12 JUDGE PRIDGIN: Thank you. Any
13 objections?

14 (No response.)

15 JUDGE PRIDGIN: Hearing none,
16 Exhibit 22 is admitted.

17 (STAFF EXHIBIT NO. 22 WAS RECEIVED
18 INTO EVIDENCE.)

19 MR. THOMPSON: Thank you, Judge.

20 BY COMMISSIONER JARRETT:

21 Q. Now, Ms. Dietrich, let me direct your
22 attention to page 5 of Staff's report in
23 Exhibit 22, and it would be the, I guess the last
24 paragraph, starting through Staff's work.

25 A. Okay.

1 Q. Now, this is the area which talks
2 about an incident with Entergy's transmission line;
3 is that correct?

4 A. That's correct.

5 Q. What happened with Entergy's
6 transmission line during that storm?

7 A. There were a couple of different
8 issues. There was a transmission line that was
9 down that blocked entrance to a water facility --
10 or sewer facility, I'm sorry, in Portageville, and
11 then there was also some issue with various
12 municipals in the area being able to restore power
13 off of the transmission line.

14 Q. Okay. Now, at the time -- I believe
15 the sewage treatment plant you're talking about was
16 in Portageville; is that correct?

17 A. That's correct.

18 Q. And this line at least at the time
19 tied in to Entergy's system -- ties Entergy's
20 system to a substation near AECI's New Madrid
21 generating plant; is that correct?

22 A. That's my recollection, yes.

23 Q. And then the report goes on to say,
24 although this line does not serve Portageville, its
25 location delayed efforts to make repairs to the

1 **sewer plant. Can you talk a little bit about**
 2 **that?**

3 A. The ice storm started around
 4 January 26th of 2009. And when the State Emergency
 5 Management Agency activated their emergency
 6 operating center, EOC, the Staff typically goes out
 7 there and mans the center, and we assist SEMA in
 8 contacting the utilities. We get them numbers of
 9 outages and things like that.

10 Around January 29th, which would have
 11 been three days after the storm had started, SEMA
 12 asked for assistance because they were not able to
 13 get ahold of anybody from Entergy. And the
 14 Portageville area, I don't recall if it was the
 15 sewage plant itself or the city or who it was also
 16 was not able to get ahold of anybody at Entergy and
 17 to -- they were not able to get into their sewage
 18 facility which was down because of this
 19 transmission line that was blocking the way.

20 Q. Now, also -- I want to get back to
 21 that, but also there was at that time Entergy sold
 22 power, wholesale power to the city of Campbell, I
 23 believe; is that correct?

24 A. That's correct.

25 Q. And at one point didn't the school in

1 **Campbell report that they had been ten days without**
2 **power?**

3 A. That I don't recall off the top of my
4 head.

5 Q. **I want to go back to your efforts at**
6 **contacting Entergy. Did you make efforts to**
7 **contact Entergy?**

8 A. Yes.

9 Q. **How many efforts?**

10 A. Well, at the time we didn't have
11 specific contact information, so we were, you know,
12 Googling information, we were trying to look in
13 EFIS, anything that we were able to do. So to say
14 specifically how many times to contact Entergy
15 itself, it's difficult because we didn't have a
16 specific contact, so it was a matter of over that
17 period of time trying to find somebody. SEMA was
18 also trying to contact people or trying to find
19 contacts and they were not having any success
20 either.

21 We ultimately came across a name. I
22 have in my notes it was a Von Huska (phonetic), but
23 I'm not sure. It's been four years. I'm not sure
24 what that means. But we ultimately did receive a
25 number, and we were told that they would be flying

1 the lines and checking into it. And that again was
2 January 29th.

3 Q. Okay. At some point did you involve
4 Commissioner Davis in attempting to contact --

5 A. Yes.

6 Q. -- Entergy?

7 A. Yes. He ultimately, if I remember
8 correctly, contacted the Arkansas Commission, I
9 don't remember if it was the chairman or a
10 commissioner that he knew, and was able to contact
11 Entergy through that route.

12 Q. Right. And I believe he contacted
13 investor services, did he not, investor services
14 division?

15 A. For Entergy or --

16 Q. To get ahold of Entergy?

17 A. I'm not sure who he contacted.

18 Q. Okay.

19 A. I know it was somebody at the
20 Arkansas Commission was what --

21 Q. Did you -- did he express to you any
22 frustration about not being able to get ahold of
23 anyone at Entergy?

24 A. Oh, yes, definitely. SEMA was
25 frustrated. We were frustrated. City of

1 Portageville was frustrated. At the time -- and
2 again, this is a few years back, so I'm trying
3 to -- I don't remember exactly the timing, but I do
4 remember when contacts were made, we were also
5 getting different stories as to when the
6 restoration would take place and who was
7 responsible for it.

8 And our first contacts, Entergy told
9 us they didn't even have any lines in Missouri so
10 it couldn't have been their line, which was another
11 frustration.

12 **Q. And this is all while the line is**
13 **still laying on the ground blocking the sewage**
14 **treatment plant so folks can't get in to treat**
15 **sewage?**

16 A. That's correct.

17 **Q. Well, I was here at that time as**
18 **well. I was a commissioner, and I remember that**
19 **storm as well. Do you recall Chairman Davis ever**
20 **telling you that he had to call investor services**
21 **and threaten to subpoena the CEO of the company**
22 **unless somebody returned a call to him?**

23 A. I remember him saying he had to
24 threaten to subpoena, but I don't know who he
25 talked to when he -- when he made that accusation

1 or made that claim.

2 Q. Do you know who finally fixed that
3 line? It wasn't Entergy, was it?

4 A. I -- I don't remember. I'm trying to
5 see in the report if we talk about it.

6 Q. Wasn't it AECI out of Springfield or
7 MNA Electric out of Poplar Bluff that sent a crew
8 over to fix that line or move the line anyway so
9 that the people at Portageville could get their
10 sewer treated?

11 A. I don't recall. On page 6 of the
12 report it says, although this line does not serve
13 Portageville, its location delayed efforts to make
14 repairs of the sewer plant. Once effective
15 communication with Entergy was established, which
16 took several days, these officials, referencing the
17 officials of the towns or the cities, excuse me,
18 stated that Entergy removal of the line occurred in
19 a reasonable amount of time. So I don't
20 specifically recall.

21 Q. Don't recall that. Okay. Now, there
22 was also talk in your report about a letter from
23 SEMA --

24 A. Right. Uh-huh.

25 Q. -- that seems to have come about by a

1 **misunderstanding. Can you talk about that?**

2 A. There was a letter from a Paul
3 Parmenter who -- at the time he was the director of
4 the State Emergency Management Agency, and the
5 letter is addressed to Hugh McDonald, president and
6 CEO of Entergy Electric in Little Rock, and the
7 letter commends Entergy for their response to the
8 storm restoration effort.

9 Q. Okay. Is that -- is what SEMA says
10 in their letter consistent with your experience?

11 A. No, it's not, and we made note of
12 that in the report.

13 Q. Okay. And as a matter of fact, I
14 think in your report you indicate that you think
15 SEMA was talking about when they finally got the
16 line back up --

17 A. Right.

18 Q. -- rather than their actual storm
19 response?

20 A. Right. And what was also ironic
21 about it was, when we received a copy of this
22 letter, we contacted, for instance, Ameren, which
23 was directly involved in restoration down in that
24 area and had received favorable remarks from
25 various people in the area as to their storm

1 restoration efforts, and they did not receive a
2 similar letter. So we just thought -- we found
3 that ironic.

4 Q. Right. And I believe since this was
5 a docket to look at Ameren's response primarily,
6 that the report, I think, found that Ameren did a
7 good job of responding to and recovering from the
8 storm?

9 A. For this particular storm, yes. The
10 docket was originally opened to look at their
11 efforts, changes that they had made to their
12 response efforts based on previous storms or since
13 previous storms.

14 Q. As part of your job, do you maintain,
15 like, lists of contact people in case there's
16 storms or any other issues that you might need to
17 contact the utility about?

18 A. Yes.

19 Q. Do you have such a contact with
20 Entergy now?

21 A. As a result of this effort, we have
22 made additional -- or as a result of this response,
23 we have made additional efforts to make sure that
24 they are included on our contact list.

25 Q. Okay. And I did want to -- want you

1 to refer to page 7, which is your last paragraph,
2 and I wanted to focus on -- and this talks about
3 some of Staff's improvements that they needed to
4 make in their -- in this process of storm
5 preparedness and response?

6 A. Right. Uh-huh.

7 Q. I am struck by the one line which is
8 five lines from the bottom on page 7, the sentence
9 beginning in addition. In addition, this storm
10 highlighted the fact that Missouri citizens can be
11 impacted by lines that do not even serve them but
12 are owned by Arkansas utilities. And this is a
13 perfect example of that, is it not?

14 A. That's correct. We were pointing out
15 that even though the transmission line does not
16 directly serve Missouri customers, it did create
17 some issues in restoring power or in addressing the
18 sewage issues.

19 COMMISSIONER JARRETT: Thank you,
20 Ms. Dietrich. I don't think I have any questions,
21 but some of the other parties might. Thank you for
22 being here today on short notice. I appreciate it.

23 JUDGE PRIDGIN: Commissioner, thank
24 you. Commissioner Kenney, any questions?

25 COMMISSIONER W. KENNEY: No, thank

1 you.

2 JUDGE PRIDGIN: Let me go kind of in
3 reverse order, least averse to most averse.
4 Mr. Thompson or Mr. Williams, any questions?

5 MR. THOMPSON: Just one.

6 CROSS-EXAMINATION BY MR. THOMPSON:

7 **Q. Ms. Dietrich, did you ever have**
8 **occasion to contact Mr. Parmenter and ask him what**
9 **he thought he was talking about?**

10 A. I didn't personally, but I believe
11 either Commissioner Davis or Wes Henderson did.

12 **Q. And do you have any idea what they**
13 **learned?**

14 A. At the time, he had only been with
15 SEMA for I think it was something like six days.
16 So he wasn't really familiar with the whole
17 situation and that type of thing.

18 MR. THOMPSON: You very much. No
19 further questions.

20 JUDGE PRIDGIN: Thank you.
21 Mr. Mills?

22 MR. MILLS: Just briefly.

23 CROSS-EXAMINATION BY MR. MILLS:

24 A. Ms. Dietrich, does ITC also hold a
25 certificate of convenience and necessity in

1 Missouri?

2 A. Yes.

3 Q. Have they, to your knowledge, filed
4 the required vegetation management and
5 infrastructure inspection reports?

6 A. I'm not sure.

7 MR. SCHWARZ: Objection. That goes
8 beyond the questions from the Bench. Are there
9 questions -- can I have a moment, please?

10 JUDGE PRIDGIN: She said she didn't
11 know the answer. I'll overrule.

12 MR. SCHWARZ: Withdrawn.

13 MR. MILLS: That's all I have. Thank
14 you.

15 JUDGE PRIDGIN: All right. Thank
16 you. Ms. Callenbach or Mr. Steiner?

17 MS. CALLENBACH: No questions.

18 JUDGE PRIDGIN: Mr. Cooper?

19 MR. COOPER: No questions.

20 JUDGE PRIDGIN: Mr. Healy?

21 MR. HEALY: No questions.

22 JUDGE PRIDGIN: Mr. Lumley?

23 MR. LUMLEY: No questions. Thank
24 you, Judge.

25 JUDGE PRIDGIN: Mr. Schwarz?

1 MR. SCHWARZ: I would ask for a brief
2 recess because I'd like to review the report a bit,
3 and also I think that it's basically time for a
4 break as far as I'm concerned for other areas.

5 JUDGE PRIDGIN: Any objections? All
6 right. We will go into recess. Let's resume -- I
7 show 10:25 on the clock in the back of the room.
8 Let's resume at roughly 10:40. And let me verify,
9 will Mr. Welch be the next witness after
10 Ms. Dietrich? Is that how the parties would like
11 to proceed?

12 MR. LUMLEY: That's our
13 understanding.

14 JUDGE PRIDGIN: I'm hearing no
15 objection. Very good. We will resume at
16 approximately 10:40. We are off the record.

17 (A BREAK WAS TAKEN.)

18 JUDGE PRIDGIN: We are back on the
19 record. I believe when we went into recess, it was
20 Mr. Schwarz' opportunity to ask questions of
21 Ms. Dietrich. Ms. Dietrich, you're still under
22 oath. Anything else before we proceed?

23 (No response.)

24 JUDGE PRIDGIN: Mr. Schwarz, when
25 you're ready, sir.

1 MR. SCHWARZ: Thank you, Judge.

2 CROSS-EXAMINATION BY MR. SCHWARZ:

3 Q. Ms. Dietrich, did Staff have contact
4 information for -- with Ameren, I guess it was
5 AmerenUE at that stage, Ameren Missouri, at the
6 time of the storm?

7 A. Yes, we did.

8 Q. Did you have contact information for
9 Empire?

10 A. Yes, we did.

11 Q. Did you have contact information for
12 KCPL?

13 A. Yes, we did.

14 Q. Did you have contact information for
15 the cooperatives that served the bootheel?

16 A. Yes, we did.

17 Q. This was a regional storm, was it
18 not?

19 A. Yes, it was.

20 Q. Did it affect Oklahoma, Arkansas,
21 Illinois and Indiana, as well as Missouri?

22 A. Arkansas, Missouri, Illinois for
23 sure. I don't recall Oklahoma and Indiana, if it
24 did or not.

25 Q. So it was a regional event, not a

1 **localized event?**

2 A. That's correct.

3 **Q. Do the public utilities, the**
4 **engineers have an engineering priority for**
5 **restoration of power after storm incidents?**

6 A. Generally, the utilities have
7 priorities set up where they -- for instance, if a
8 hospital were out, that would be a top priority,
9 and so they do have a priority list.

10 **Q. But they also have priorities as far**
11 **as the restoration of service to particular areas?**

12 A. Correct. Right. Uh-huh.

13 **Q. Did the Staff provide EAI the**
14 **opportunity to comment on the report before it**
15 **filed it?**

16 A. I don't believe there was an
17 opportunity before it was filed, no.

18 **Q. Do you know how many outages ETR had**
19 **in northern Arkansas as a result of this storm?**

20 A. ETR meaning Entergy?

21 **Q. EAI.**

22 A. I don't know the specifics. I'm sure
23 I've seen numbers back -- saw numbers back then,
24 but I don't recall what they were. I know that it
25 was significant.

1 MR. SCHWARZ: I think that's all I
2 have.

3 JUDGE PRIDGIN: Thank you,
4 Commissioner Jarrett, anything further?

5 COMMISSIONER JARRETT: No.

6 JUDGE PRIDGIN: Commissioner Kenney?

7 COMMISSIONER W. KENNEY: No.

8 JUDGE PRIDGIN: All right.

9 Ms. Dietrich, thank you very much. You may step
10 down.

11 And before we get to Mr. Welch, I
12 believe Commissioner Jarrett had some follow-up
13 questions for Mr. Riley. Mr. Riley, if you would
14 return to the witness stand, please. All right.
15 Mr. Riley, I'll remind you you're still under oath.

16 THE WITNESS: Yes.

17 JUDGE PRIDGIN: Commissioner Jarrett,
18 when you're ready.

19 RICHARD C. RILEY testified as follows:

20 QUESTIONS BY COMMISSIONER JARRETT:

21 Q. Good morning again, Mr. Riley.

22 A. Good morning.

23 Q. I just wanted to give you a chance
24 after hearing -- you were in the room when
25 Ms. Dietrich testified --

1 A. I was.

2 **Q. -- about the ice storm and her**
 3 **experiences with Entergy at the time. I just**
 4 **wanted to give you a chance to comment.**

5 A. Well, the first thing I did after
 6 break was give her my card, because she can call me
 7 any time, and I certainly will answer her phone
 8 calls and make sure that we interact.

9 It's very disappointing to have any
 10 event such as what occurred during that particular
 11 ice storm. I know to those customers the extended
 12 delay in getting someone out was disappointing,
 13 certainly for me. I wasn't over transmission at
 14 that particular time, but we pride ourselves on
 15 storm restoration.

16 We've won the EEI award for 14
 17 straight years for either recovery or assistance,
 18 and any time we don't perform to the level of our
 19 standards in storm response, it's disappointing.
 20 And if I had any of those customers here today
 21 before me, I would sincerely apologize to them.
 22 That's not the way we like to do storm recitation.
 23 Frankly, it's unacceptable.

24 **Q. Thank you. I appreciate that. Were**
 25 **you surprised to hear from Ms. Dietrich that**

1 **Entergy hasn't filed any of those annual reports we**
 2 **talked about as far as the inspection reports that**
 3 **are required under our rules?**

4 A. I was. However, I'm wondering if it
 5 has something to do with the -- us not having a CCN
 6 on file. There may be -- since we sold the assets
 7 back in, I think it was '91 to Ameren, the Union
 8 Electric, Ameren, I'm not sure that the reporting
 9 requirement was in effect for us, to be honest,
 10 until we filed last year again for the Steele
 11 substation.

12 But since we did get that approval,
 13 then we probably should have filed something at the
 14 end of the year last year. I am a bit surprised
 15 that we weren't aware of or had not filed those
 16 reports.

17 Q. Well, I trust that when you get back
 18 to the office, that will be remedied?

19 A. Yes, it will.

20 Q. Thank you. As I stated to
 21 Ms. Dietrich, I was a Commissioner here during that
 22 time, and I remember this situation very vividly.
 23 And, you know, I understand in the big scheme of
 24 things this is a small portion of Entergy's plant.
 25 I understand this was a devastating storm across

1 the region and that there are priorities.

2 But what I remember is the attitude
3 of Entergy's folks in speaking with Commissioner
4 Davis and the disrespect they showed him when they
5 talked to him, basically telling him we'll get to
6 it when we get to it, leave us alone, was sort of
7 the attitude that came across from those Entergy
8 folks.

9 And, you know, when -- I take my job
10 very seriously on the Commission, and the safety of
11 the public is very important. I remember that line
12 was still energized when it went down across that
13 sewage treatment plant, and there were days that we
14 couldn't get ahold of anybody to turn it off. It
15 was dangerous, dangerous.

16 And when businesses -- we want
17 businesses in Missouri. We welcome them. We want
18 them to provide good-paying jobs to our citizens
19 and everything that goes with that. But when you
20 operate in Missouri, we expect you to be good
21 corporate citizens. It's -- it's almost a moral
22 obligation when you come in to be a good citizen
23 and take responsibility for things when they happen
24 and take care of them. If there's a problem, take
25 care of it.

1 And I know you still own this line
2 today, and even if we approve the transfer, you're
3 going to own the line for some period of time.

4 A. Right.

5 Q. Even if we approve it. So do I have
6 your pledge that as long as Entergy owns that line,
7 that they will maintain it, they will take care of
8 it, that they will respond promptly to our Staff if
9 there's any calls made to Staff, they will
10 cooperate with our Staff and provide any reports
11 and follow our rules, and that if there are any
12 problems, they'll take care of them in a prompt
13 manner?

14 A. Absolutely. In fact, you have my
15 pledge to do that if you approve the ITC
16 transaction as well as I will be going over to the
17 company and operating the Mid South area.

18 Q. Well, thank you, Mr. Riley. I
19 appreciate that very greatly, and thanks for
20 testifying today.

21 COMMISSIONER JARRETT: I don't have
22 any further questions.

23 THE WITNESS: Thank you.

24 JUDGE PRIDGIN: Commissioner Jarrett,
25 thank you. Commissioner Kenney, any questions?

1 COMMISSIONER W. KENNEY: No, thank
2 you.

3 JUDGE PRIDGIN: Any questions from
4 counsel?

5 (No response.)

6 JUDGE PRIDGIN: All right. Very
7 good. Mr. Riley, you may step down. Thank you,
8 sir.

9 Anything further before we proceed to
10 the first ITC witness, which would be Mr. Welch?
11 All right. Mr. Welch, if you'll come forward to be
12 sworn, please.

13 (Witness sworn.)

14 JUDGE PRIDGIN: Thank you very much,
15 sir. Please have a seat. Mr. Lumley, when you're
16 ready, sir.

17 MR. LUMLEY: Thank you, Judge.

18 JOSEPH L. WELCH testified as follows:

19 DIRECT EXAMINATION BY MR. LUMLEY:

20 Q. Will you please state your name for
21 the record.

22 A. It's Joseph L. Welch.

23 Q. And by whom are you employed?

24 A. ITC Holdings.

25 Q. In what capacity?

1 A. I'm chairman, president and CEO of
2 ITC Holdings.

3 Q. And is ITC Holdings the parent of ITC
4 Mid South, LLC?

5 A. Yes, it is.

6 Q. And did you prepare direct testimony
7 in this case on behalf of ITC Mid South?

8 A. I had that prepared under my
9 direction.

10 Q. And I'll represent to you that it's
11 been marked as Exhibit 7 today. And do you recall
12 that you signed an affidavit confirming the
13 veracity of that testimony, correct?

14 A. I did.

15 Q. Do you have any corrections that you
16 need to make today?

17 A. No, sir, I do not.

18 Q. Okay. So if I asked you the same
19 questions today, you'd give me substantially the
20 same answers?

21 A. I would give you the same answers.

22 MR. LUMLEY: I'd offer Exhibit 7 into
23 the record and tender the witness for
24 cross-examination.

25 JUDGE PRIDGIN: Mr. Lumley, thank

1 you. Exhibit 7 has been offered. Any objections?

2 (No response.)

3 JUDGE PRIDGIN: Hearing none,

4 Exhibit 7 is admitted.

5 (ITC EXHIBIT NO. 7 WAS RECEIVED INTO

6 EVIDENCE.)

7 JUDGE PRIDGIN: Cross-examination.

8 Any questions, Mr. Schwarz?

9 MR. SCHWARZ: No, Judge.

10 JUDGE PRIDGIN: Mr. Healy?

11 MR. HEALY: No questions.

12 JUDGE PRIDGIN: Mr. Cooper?

13 MR. COOPER: No questions.

14 JUDGE PRIDGIN: Ms. Callenbach?

15 MS. CALLENBACH: Thank you, Judge.

16 CROSS-EXAMINATION BY MS. CALLENBACH:

17 Q. Good morning.

18 A. Good morning.

19 Q. I'm looking at your direct testimony
20 on page 52. Do you have your testimony in front of
21 you, sir?

22 A. I do, yes, ma'am.

23 Q. On page 52, approximately lines --
24 well, lines 12 and 13, you testify that any rate
25 impacts of the transaction are modest?

1 A. I do.

2 Q. Have you quantified the specific rate
3 impacts of the transaction?

4 A. I've had both Mr. Wrenbeck and
5 witness Bready have done those calculations.

6 MS. CALLENBACH: Thank you. Nothing
7 further. Thank you.

8 JUDGE PRIDGIN: Thank you.
9 Mr. Mills?

10 MR. MILLS: No questions.

11 JUDGE PRIDGIN: Mr. Thompson/
12 Mr. Williams?

13 MR. THOMPSON: Thank you, Judge.

14 CROSS-EXAMINATION BY MR. THOMPSON:

15 Q. You said that Mr. Wrenbeck and
16 Mr. Bready had done calculations to quantify rate
17 impacts?

18 A. I believe so.

19 Q. And I assume when you give those
20 names you're suggesting they're the best witnesses
21 to inquire of concerning that?

22 A. Yes, they would be.

23 Q. But have you seen the results of
24 their calculations?

25 A. They have spoken to me about them.

1 **Q.** And in your testimony you give a
2 general overview, do you not, of the transaction
3 and the benefits that you believe that it would
4 bring?

5 A. I believe the benefits are many, yes.

6 **Q.** Based on your knowledge, do you have
7 an opinion as to whether or not the value of the
8 benefits outweigh the potential detriments that the
9 intervenors have pointed out?

10 A. I strongly believe that the values
11 outweigh the detriments that the intervenors have
12 spoken about.

13 MR. THOMPSON: Thank you. No further
14 questions.

15 JUDGE PRIDGIN: Mr. Thompson, thank
16 you. Commissioner Jarrett?

17 QUESTIONS BY COMMISSIONER JARRETT:

18 **Q.** Good morning, Mr. Welch.

19 A. Good morning, sir.

20 **Q.** How are you today?

21 A. I'm fine. How about you?

22 **Q.** Glad to have you here in Missouri.

23 **You are the CEO of ITC?**

24 A. I am.

25 **Q.** I'll just start out right at the

1 beginning. You heard my exchange just now with
2 Mr. Riley --

3 A. I have.

4 Q. -- about being a good corporate
5 citizen?

6 A. I believe ITC is a good corporate
7 citizen, sir.

8 Q. So I can expect the same pledge from
9 you that this line, even as limited as it is in the
10 big ITC picture, if we approve this transaction,
11 that it will be maintained properly and all our
12 rules will be followed and you'll cooperate with
13 our Staff if there are any issues and respond
14 promptly to requests for information and otherwise
15 be a good corporate citizen here in Missouri?

16 A. Yes, we will, and there's no such
17 thing as something too small that affects the
18 reputation of ITC.

19 Q. I appreciate that very much. Thank
20 you. I did want to just ask a quick question.
21 Mr. Lumley in his opening statement mentioned
22 something about the congestion issues and the loop
23 flows issues.

24 A. Uh-huh.

25 Q. And that these are being handled or

1 **being looked at and handled through MISO --**

2 A. Correct.

3 Q. -- process. Can you -- are you the
4 **witness that could tell me a little bit of the**
5 **details of that, what exactly is going on with**
6 **that, or at least tell me which witness would be**
7 **the best one to testify to that?**

8 A. I can give you some high-level
9 thoughts on that.

10 Q. **Perfect.**

11 A. And I believe both witnesses Vitez
12 and Jipping could give you further insight. But in
13 general, it's the role of an RTO to internalize
14 loop flows, meaning that they have to deal with
15 them and deal with them in a way that does not
16 affect other systems, whether they're inside the
17 RTO, meaning members of the RTO, or external to the
18 RTO.

19 Q. Okay. Well, thank you. I did have
20 **one more question. The relationship between**
21 **Entergy and ITC --**

22 A. Uh-huh.

23 Q. -- EAI and ITC, now, are they two
24 **completely separate entities? Are they affiliated**
25 **in any way?**

1 A. That's a very good question, and no,
2 they are not affiliated in any way and will not be
3 affiliated in any way. The genesis of this
4 transaction is that shares of stock will be issued
5 to shareholders and not to the company, and at that
6 time all of the employees are separated from
7 Entergy, and they will be separated in a way that
8 they have no affiliation also with the company.

9 FERC has outlined for us a set of
10 standards, of which I would say that ITC is at the
11 gold standard, meaning that we have the highest
12 level of independence, and I believe that our
13 independence is even higher than that of the RTO
14 from market participants.

15 So from that standpoint, there will
16 be no affiliation with us other than coordination
17 like we would do with any other customer or
18 generator in the normal course of business.

19 **Q. All right. Thank you, Mr. Welch. I**
20 **appreciate your testimony.**

21 COMMISSIONER JARRETT: I have no
22 further questions, Judge.

23 JUDGE PRIDGIN: Commissioner Jarrett,
24 thank you. Commissioner Kenney?

25 COMMISSIONER W. KENNEY: I have no

1 questions. Thank you.

2 THE WITNESS: Thank you. That's
3 easy.

4 JUDGE PRIDGIN: Do we have any
5 recross based on Bench questions, Mr. Schwarz?

6 MR. SCHWARZ: No.

7 JUDGE PRIDGIN: Mr. Healy?

8 MR. HEALY: No questions.

9 JUDGE PRIDGIN: Mr. Cooper?

10 MR. COOPER: No, thank you.

11 JUDGE PRIDGIN: Ms. Callenbach?

12 MS. CALLENBACH: No, thank you.

13 JUDGE PRIDGIN: Mr. Mills?

14 MR. MILLS: No, thank you.

15 JUDGE PRIDGIN: Mr. Thompson?

16 MR. THOMPSON: No, thank you, Judge.

17 JUDGE PRIDGIN: Mr. Welch, thank you

18 very much. You may step down. And I believe

19 Mr. Collins will be our next witness.

20 MR. LUMLEY: Judge, can I confirm,

21 Mr. Welch is excused?

22 JUDGE PRIDGIN: Yes, he may be

23 excused. Thank you very much.

24 MR. LUMLEY: Thank you.

25 (Witness sworn.)

1 JUDGE PRIDGIN: Thank you very much,
2 sir. Mr. Lumley, when you're ready.

3 MR. LUMLEY: Thank you.

4 DOUGLAS C. COLLINS testified as follows:

5 DIRECT EXAMINATION BY MR. LUMLEY:

6 Q. Please state your name for the
7 record.

8 A. Douglas C. Collins.

9 Q. And by whom are you employed?

10 A. ITC Holdings.

11 Q. In what capacity?

12 A. Vice president of ITC Holdings,
13 president of ITC Midwest.

14 Q. And did you prepare and submit direct
15 testimony in this case on behalf of ITC Holdings'
16 subsidiary ITC Mid South, LLC?

17 A. Yes, I did.

18 Q. I'll represent to you that that's
19 been marked as Exhibit 8 in these proceedings. Do
20 you have any corrections that you would like to
21 make to that testimony today?

22 A. No.

23 Q. And you recall that you signed an
24 affidavit as to the veracity of that testimony?

25 A. Yes.

1 Q. And if I asked you the same questions
2 today, would your answers be substantially the
3 same?

4 A. Yes, they would.

5 MR. LUMLEY: Offer Exhibit 8 into the
6 record and tender the witness for
7 cross-examination.

8 JUDGE PRIDGIN: Thank you. Any
9 objections?

10 (No response.)

11 JUDGE PRIDGIN: Hearing none, Exhibit
12 No. 8 is admitted.

13 (ITC EXHIBIT NO. 8 WAS RECEIVED INTO
14 EVIDENCE.)

15 JUDGE PRIDGIN: Cross-examination,
16 Mr. Schwarz?

17 MR. SCHWARZ: I have none.

18 JUDGE PRIDGIN: Mr. Healy?

19 MR. HEALY: No questions.

20 JUDGE PRIDGIN: Mr. Cooper?

21 MR. COOPER: No questions.

22 JUDGE PRIDGIN: Ms. Callenbach?

23 MR. STEINER: No questions.

24 JUDGE PRIDGIN: Mr. Steiner, thank
25 you. Mr. Mills?

1 MR. MILLS: No questions.

2 JUDGE PRIDGIN: Mr. Thompson?

3 MR. WILLIAMS: No questions from
4 Staff.

5 JUDGE PRIDGIN: Mr. Williams, thank
6 you. Commissioner Jarrett?

7 QUESTIONS BY COMMISSIONER JARRETT:

8 Q. Good morning, sir. How are you doing
9 today?

10 A. Very well.

11 Q. I just have maybe one or two quick
12 questions. Were you in the room when I was having
13 discussions with Mr. Riley and Ms. Dietrich?

14 A. Yes, I was.

15 Q. Specifically about our rules on
16 vegetation management and infrastructure
17 inspection?

18 A. Yes, I was.

19 Q. And you remember that?

20 A. Yes.

21 Q. And as I recall, there was testimony
22 or at least through opening statement that ITC does
23 own some assets here in Missouri?

24 A. ITC Midwest owns, I think, eight
25 miles of line in northern Missouri, yes.

1 **Q. Do you know if ITC complies with**
2 **those rules, specifically the reporting**
3 **requirements, the annual reporting requirements?**

4 A. I would have to check on the
5 reporting requirements that you were alluding to.
6 I know we've got a financial report that we file
7 every year, but I've got to check on the other.

8 **Q. Okay. And as I recall, Ms. Dietrich**
9 **said she didn't know when she was on the stand.**
10 **But if you find that you haven't filed the required**
11 **reports, can I expect that those will be taken care**
12 **of?**

13 A. If we find that there is reporting
14 requirements we're not meeting, we will comply with
15 those, yes.

16 COMMISSIONER JARRETT: Thank you very
17 much. I appreciate that very much. Thank you.

18 JUDGE PRIDGIN: Commissioner Kenney?

19 COMMISSIONER W. KENNEY: No, Judge.
20 Thank you.

21 JUDGE PRIDGIN: Thank you. Any cross
22 based on Bench questions?

23 (No response.)

24 JUDGE PRIDGIN: All right. Thank you
25 very much, Mr. Collins. You may step down. And

1 Mr. Jipping is the next witness.

2 MR. LUMLEY: Judge, can I confirm,
3 the witness is excused?

4 JUDGE PRIDGIN: You may be excused.
5 Thank you very much. And also Mr. Riley can be
6 excused as well. Clarify that.

7 Raise your right hand and be sworn,
8 please.

9 (Witness sworn.)

10 JUDGE PRIDGIN: Mr. Lumley, when
11 you're ready.

12 JON JIPPING testified as follows:

13 DIRECT EXAMINATION BY MR. LUMLEY:

14 Q. Good morning.

15 A. Good morning.

16 Q. Please state your name for the
17 record, please.

18 A. Jon Jipping.

19 Q. And by whom are you employed?

20 A. ITC Holdings.

21 Q. In what capacity?

22 A. I'm executive vice president and
23 chief operating officer.

24 Q. And did you submit both direct and
25 surrebuttal testimony in this proceeding on behalf

1 of ITC Mid South?

2 A. I did.

3 Q. And do you have any corrections to
4 that testimony today?

5 A. No, no corrections.

6 Q. And you recall that you signed an
7 affidavit when that testimony was submitted?

8 A. Yes.

9 Q. If I asked you the same questions
10 today, would your answers be substantially the
11 same?

12 A. Yes, they would.

13 Q. And specifically with regard to
14 Exhibit 6 to your direct testimony, that document's
15 been classified as highly confidential; is that
16 correct?

17 A. That's correct.

18 MR. LUMLEY: With that, Judge, I move
19 the admission of Exhibit 9 and Exhibit 10HC and
20 Exhibit 11 and tender the witness for
21 cross-examination.

22 JUDGE PRIDGIN: Mr. Lumley, thank
23 you. Any objections?

24 MR. COOPER: Judge, I have -- I guess
25 I'd classify it is a conditional objection. I

1 believe Mr. Lumley previously objected to one of
2 Mr. Warren's rebuttal exhibits, and we responded to
3 that. I don't believe you have ruled on that yet.

4 MR. LUMLEY: Actually, I appreciate
5 the clarification, the reminder from counsel.
6 We're not currently tendering surrebuttal Exhibit
7 JEJ-SR-1. That portion of Exhibit 11 we're not
8 tendering right now.

9 JUDGE PRIDGIN: Does that address
10 your concern, Mr. Cooper?

11 MR. COOPER: It does, your Honor.

12 JUDGE PRIDGIN: All right. Anything
13 further? All right. Exhibit 9 is admitted.
14 Exhibit 10HC is admitted. Exhibit 11 is admitted.

15 MR. COOPER: With the exception of --

16 MR. LUMLEY: It's surrebuttal
17 Schedule JEJ-SR-1.

18 JUDGE PRIDGIN: SR-1. Thank you.

19 (ITC EXHIBIT NOS. 9, 10 AND 11 WERE
20 RECEIVED INTO EVIDENCE.)

21 JUDGE PRIDGIN: All right. Thank
22 you. Are we ready for cross? Mr. Schwarz?

23 MR. SCHWARZ: No questions, Judge.

24 JUDGE PRIDGIN: Let me speed things
25 up. Who will have questions for Mr. Jipping?

1 Mr. Thompson. Will anyone else? Mr. Steiner. All
2 right. Mr. Steiner, when you're ready.

3 MR. STEINER: Thanks, your Honor.

4 CROSS-EXAMINATION BY MR. STEINER:

5 Q. Good morning, Mr. Jipping.

6 A. Good morning.

7 Q. Do you have your testimony, your
8 surrebuttal testimony in front of you?

9 A. I do. Give me a minute to flip over
10 to that. I think I have it here.

11 Q. I'm looking at page 4, the Q and
12 A that starts at line 9.

13 A. Yes, sir.

14 Q. And I'll paraphrase. I think you say
15 that KCPL's concerns regarding reliability, safety
16 and cost resulting from power flows do not relate
17 to the transaction between ITC and Entergy. Do you
18 agree with that?

19 A. Yes, I do.

20 Q. If the Commission would approve the
21 joint applicants' application in this case, the
22 power flow issues would then become an issue for
23 ITC to resolve; is that correct?

24 A. No, I don't think that's correct. I
25 think it would continue to be an issue between MISO

1 and EAI.

2 Q. So it would be a MISO issue that MISO
3 would deal with with input from ITC?

4 A. Oh, absolutely. We would participate
5 in those proceedings and those concerns raised by
6 any stakeholders, but that would be an issue that
7 is largely around the MISO transaction that's being
8 considered here.

9 Q. Right. But you would be interested
10 in that outcome, right?

11 A. Certainly, as a transmission
12 operator.

13 MR. STEINER: That's all I have.

14 Thank you.

15 JUDGE PRIDGIN: Mr. Thompson?

16 MR. THOMPSON: Thank you, Judge.

17 CROSS-EXAMINATION BY MR. THOMPSON:

18 Q. Mr. Jipping, you were present for the
19 questions and the testimony having to do with
20 Entergy's storm response in 2009 in southeast
21 Missouri?

22 A. Yes, sir, I was.

23 Q. In your opinion, are we going to see
24 a repeat of that, assuming this transaction is
25 approved and closes?

1 A. No, I would not expect that.

2 Q. And in your testimony you talk in
3 detail about various benefits that you expect to be
4 created by the transaction; isn't that correct?

5 A. Yes.

6 Q. And are you familiar with the
7 possible and potential detriments that the
8 intervenors have referred to?

9 A. I have -- I have seen some of them.

10 Q. And based on your experience and on
11 your specific knowledge of this case, is it your
12 opinion that the value of the benefits that will be
13 conferred outweigh the potential detriments?

14 A. I do. I think the value that we have
15 talked about in my testimony and others far
16 outweighs those detriments.

17 MR. THOMPSON: Thank you. No further
18 questions.

19 JUDGE PRIDGIN: Mr. Thompson, thank
20 you. Commissioner Jarrett?

21 QUESTIONS BY COMMISSIONER JARRETT:

22 Q. Good morning, Mr. Jipping. How are
23 you doing?

24 A. Good morning. Good.

25 Q. I'm going to refer to your testimony.

1 I believe it starts really on page 17.

2 A. Direct testimony?

3 Q. Yeah, direct testimony, I'm sorry, in
4 the 0396 case.

5 A. Yes, sir.

6 Q. And that question has to do with the
7 use -- ITC's use of advanced technology to
8 strengthen transmission system reliability, does it
9 not?

10 A. Yes. That's correct.

11 Q. And you talk a little bit and provide
12 examples of how you've deployed advanced
13 technology, including transformer monitoring
14 software?

15 A. Yes.

16 Q. Then on page 20, at the top,
17 question 21, where the question is does ITC have
18 plans for advanced technologies to be employed by
19 ITC Arkansas and the other new ITC Mid South
20 operating companies?

21 I guess my question goes specifically
22 to Missouri. Do you have specific plans now on the
23 board for utilizing those advance technologies on
24 the Missouri plant and facilities?

25 A. No. We don't have any specific plans

1 for any of the states or the individual new ITC
2 operating companies as of yet.

3 **Q. All right. That's just kind of**
4 **something down the road maybe?**

5 A. Something we will do when the
6 transaction closes.

7 COMMISSIONER JARRETT: Well, thank
8 you. I don't have any further questions.
9 Appreciate your testimony.

10 JUDGE PRIDGIN: Commissioner Jarrett,
11 thank you. Commissioner Kenney?

12 COMMISSIONER W. KENNEY: No, sir.

13 JUDGE PRIDGIN: Thank you. I think I
14 have just one quick question.

15 QUESTIONS BY JUDGE PRIDGIN:

16 **Q. Mr. Jipping, if this transaction is**
17 **approved, will you have one MISO market participant**
18 **or multiple? If you don't know the answer, if you**
19 **could direct me to a witness who could better**
20 **answer that question.**

21 A. I think Mr. Wrenbeck should answer
22 that.

23 JUDGE PRIDGIN: All right. Thank
24 you. That's all I have. Let me see if we have any
25 cross based on Bench questions. Mr. Schwarz?

1 MR. SCHWARZ: I have one.

2 RECROSS-EXAMINATION BY MR. SCHWARZ:

3 Q. In your review of EAI's system, did
4 you have any indication that EAI disregards safety
5 or reliability rules that apply to it?

6 A. No, I did not.

7 MR. SCHWARZ: Thank you.

8 COMMISSIONER JARRETT: I'm sorry,
9 Judge. I hate to open up another round from the
10 Bench, but I did want to ask another question.

11 FURTHER QUESTIONS BY COMMISSIONER JARRETT:

12 Q. Has ITC been out and inspected the
13 facilities here in Missouri?

14 A. We've had a -- not in Missouri, no.
15 We have looked at a sampling across a few of the
16 states which is representative of the system, but
17 not specifically the miles of line in Missouri.

18 Q. Okay. So you don't have any personal
19 knowledge as to what the condition of those lines
20 are today?

21 A. No, sir.

22 COMMISSIONER JARRETT: All right.

23 Thank you.

24 JUDGE PRIDGIN: Thank you. I'm
25 sorry. See if we have any further cross.

1 Mr. Schwarz, anything else? Mr. Schwarz, any
2 further questions?

3 MR. SCHWARZ: No.

4 JUDGE PRIDGIN: Any recross? Try to
5 speed things up.

6 (No response.)

7 JUDGE PRIDGIN: Nothing. All right.
8 Redirect?

9 MR. LUMLEY: No redirect, Judge.
10 Because we have this issue with the one part of the
11 surrebuttal, and Empire's already indicated they
12 want Mr. Warren to testify today for sure, I'd
13 suggest that we just go ahead and take him next
14 because I have a few witnesses that have that same
15 conditional testimony, and that way we can get a
16 ruling on Mr. Warren's testimony and that way
17 hopefully resolve Mr. Jipping's appearance.

18 JUDGE PRIDGIN: Any objection,
19 comments?

20 MR. COOPER: Judge, I think just
21 the -- just getting your ruling on the motion would
22 clean this up and not necessitate any sort of
23 change in the order of witnesses.

24 JUDGE PRIDGIN: As far as the order
25 of witnesses, obviously I'm fine with either way.

1 I would overrule the objection. I certainly
2 reviewed the motion when it was filed and was
3 waiting to see what was going to be offered at what
4 point. So I would overrule.

5 MR. LUMLEY: In that event, Judge,
6 then we would also offer surrebuttal JEJ-SR-1 as
7 part of Exhibit 11.

8 JUDGE PRIDGIN: Objections?

9 (No response.)

10 JUDGE PRIDGIN: That is admitted.

11 (ITC EXHIBIT NO. 11, SCHEDULE

12 JEJ-SR-1 WAS RECEIVED INTO EVIDENCE.)

13 JUDGE PRIDGIN: Anything further for
14 Mr. Jipping?

15 (No response.)

16 JUDGE PRIDGIN: All right. You may
17 step down, sir, and you are excused. And did we
18 want -- do we want to stay in the same order, go to
19 Mr. Vitez?

20 MR. LUMLEY: Yes.

21 JUDGE PRIDGIN: Excuse me. While
22 Mr. Vitez is taking the stand, Chairman Kenney is
23 expressing his regret. He couldn't be here in
24 person, but he is paying attention online. He had
25 a prior business engagement planned for quite some

1 time, but he is paying attention and feeding me
2 questions on occasion. So he is paying attention.

3 If you'll raise your right hand to be
4 sworn, please.

5 (Witness sworn.)

6 JUDGE PRIDGIN: Thank you very much,
7 sir. Please have a seat. Mr. Lumley, when you're
8 ready.

9 THOMAS VITEZ testified as follows:

10 DIRECT EXAMINATION BY MR. LUMLEY:

11 Q. Would you state your name for the
12 record, please.

13 A. My name is Thomas Vitez.

14 Q. And by whom are you employed?

15 A. ITC Holdings.

16 Q. And in what capacity?

17 A. I'm the vice president of planning.

18 Q. And did you cause to be prepared and
19 submitted in this case both direct and surrebuttal
20 testimony regarding the ITC transaction?

21 A. Yes.

22 Q. I'll represent to you that those
23 testimonies have been marked as Exhibits 12 and 13.
24 Do you have any corrections to that testimony
25 today?

1 A. No.

2 Q. Do you recall signing an affidavit in
3 each instance when the testimony was submitted?

4 A. Yes.

5 Q. And if I asked you those same
6 questions today, would your answers be
7 substantially the same?

8 A. They would.

9 MR. LUMLEY: Judge, with that we'll
10 offer Exhibits 12 and 13, with the clarification
11 that we're offering surrebuttal Schedule TMV-SR-1
12 based on your ruling, your overruling of our
13 objection to a part of Mr. Warren's testimony.

14 JUDGE PRIDGIN: Mr. Lumley, thank
15 you. 12 and 13 have been offered. Any objections?

16 (No response.)

17 JUDGE PRIDGIN: All right. 12 and 13
18 are admitted.

19 (ITC EXHIBIT NOS. 12 AND 13 WERE
20 RECEIVED INTO EVIDENCE.)

21 JUDGE PRIDGIN: Cross-examination,
22 let's speed things up. Who will have questions?
23 No volunteers. Any Bench questions, Commissioner
24 Jarrett?

25 COMMISSIONER JARRETT: I'll bite,

1 very quickly.

2 QUESTIONS BY COMMISSIONER JARRETT:

3 Q. Good morning, by the way.

4 A. Good morning.

5 Q. Glad to have you here today.

6 A. Thank you.

7 Q. I just wanted to -- pardon me while I
8 find the right document.

9 I believe you were one of the -- one
10 of the witnesses that I believe Mr. Welch had
11 indicated might be able to talk a little bit about
12 the congestion and loop flows issue and how ITC
13 might be addressing that at MISO. And so if you
14 have any details on those two issues, because I
15 know that those are issues in this case.

16 A. Sure. The issue itself is -- needs
17 to be addressed through contractual arrangements
18 between MISO and others. Our involvement would be
19 to monitor what that does. The physical system
20 wouldn't have changed under that arrangement, and
21 we look at it from a physical perspective. So what
22 would that arrangements do to the physical system?
23 Are there any changes in flows that might need to
24 be addressed vis-a-vis additional transmission or
25 transmission projects to allow that contractual

1 arrangement to be put into place.

2 Q. Okay. And do you anticipate that ITC
3 will participates vigorously in these issues?

4 A. Yes. We'll certainly participate so
5 that we understand the impact on our customers.

6 COMMISSIONER JARRETT: All right.

7 Thank you. No further questions.

8 JUDGE PRIDGIN: Thank you.

9 Commissioner Kenney, any questions?

10 COMMISSIONER W. KENNY: No.

11 JUDGE PRIDGIN: Thank you. Any

12 recross based on Bench questions?

13 (No response.)

14 JUDGE PRIDGIN: Seeing none. Any

15 redirect?

16 MR. LUMLEY: No, Judge.

17 JUDGE PRIDGIN: All right. Thank

18 you. Mr. Vitez, thank you very much. You may step

19 down. You are excused. Mr. Wrenbeck.

20 (Witness sworn.)

21 JUDGE PRIDGIN: Thank you very much,

22 sir. Please have a seat. Mr. Lumley, when you're

23 ready.

24 THOMAS H. WRENBECK testified as follows:

25 DIRECT EXAMINATION BY MR. LUMLEY:

1 **Q.** Please state your name for the
2 **record.**

3 A. Thomas H. Wrenbeck.

4 **Q.** And by whom are you employed?

5 A. ITC Holdings Corporation.

6 **Q.** In what capacity?

7 A. I'm the director of regulatory
8 strategy.

9 **Q.** Did you cause to be filed in this
10 **case both direct and surrebuttal testimony?**

11 A. Yes, I did.

12 **Q.** Do you have any corrections to make
13 **to that testimony today?**

14 A. Yes, I do. On page 18 of my direct
15 testimony, line No. 4, there's a change in the
16 date. Instead of June 1st on line 4, it should be
17 July 1st. And that's the only change.

18 **Q.** With that correction -- well, you
19 **recall that you submitted an affidavit with each**
20 **piece of testimony?**

21 A. Yes.

22 **Q.** And with that correction, if I asked
23 **you the same questions today, would your answers be**
24 **substantially the same?**

25 A. Yes.

1 MR. LUMLEY: Judge, I offer
2 Exhibits 14 and 15 into the record and tender the
3 witness for cross-examination.

4 JUDGE PRIDGIN: Thank you. Any
5 objection?

6 (No response.)

7 JUDGE PRIDGIN: Seeing none,
8 Exhibits 14 and 15 are admitted.

9 (ITC EXHIBIT NOS. 14 AND 15 WERE
10 RECEIVED INTO EVIDENCE.)

11 JUDGE PRIDGIN: Cross-examination,
12 any volunteers? Mr. Cooper, when you're ready.

13 CROSS-EXAMINATION BY MR. COOPER:

14 Q. Sir, do you have your surrebuttal
15 testimony in front of you there?

16 A. Yes, I do.

17 Q. Could you turn to page 5?

18 A. Yes. Okay.

19 Q. And on line 8 there's a reference
20 there to the agreement submitted as Schedule BKW-1
21 by Mr. Warren. Do you see that?

22 A. Yes, I do.

23 Q. And would you agree with me that that
24 agreement is the interconnection agreement
25 currently between Empire and Entergy?

1 A. Correct.

2 Q. And at lines 8 through 9, you go on
3 to say that that agreement addresses matters in
4 addition to the interconnection of Empire's
5 facilities with those of EAI. ITC expects to
6 assume the transmission-related obligations of the
7 agreement. Did I read that correctly?

8 A. That's correct.

9 Q. And by referencing that ITC expects
10 to assume the transmission-related obligations of
11 the agreement, does that mean that there are other
12 obligations in the agreement that ITC does not plan
13 to assume?

14 A. That's correct. As Rick Riley
15 pointed out, there are metering provisions which
16 will not be coming to ITC as part of this
17 transaction.

18 Q. So when Mr. Riley stated that he
19 anticipates that the Empire interconnection
20 agreement will be assigned to ITC upon the close of
21 the transaction, that would not be consistent with
22 your understanding; is that correct?

23 A. There will be a partial assignment,
24 is the way I would characterize it.

25 Q. You would only plan on a partial

1 assignment?

2 A. We would plan on assignment of the
3 transmission-related functions of the agreement.

4 Q. And have you done any investigation
5 as to whether it's possible to partially assign a
6 contract?

7 A. No. I'm not a lawyer. I'm not a
8 lawyer, so I can't answer that.

9 Q. So you really don't have any opinion
10 on whether that can or can't be done partially?

11 A. No, I do not.

12 MR. COOPER: That's all the questions
13 I have. Thank you.

14 JUDGE PRIDGIN: Mr. Cooper, thank
15 you. Ms. Callenbach, when you're ready.

16 MS. CALLENBACH: Thank you, Judge.

17 CROSS-EXAMINATION BY MS. CALLENBACH:

18 Q. Good morning.

19 A. Good morning.

20 Q. Mr. Wrenbeck, were you present in the
21 hearing room earlier when Mr. Welch stated that you
22 were the witness that may be able to answer
23 questions regarding the rate impacts of the
24 transaction?

25 A. I can do parts of it, but Mr. Bready

1 has probably more details about it. But I can
2 explain some of the concepts, yes.

3 Q. Okay. Turning to your surrebuttal on
4 page 4, question No. 6, you discuss the impact the
5 transaction will have on rates for through and out
6 transmission service under the MISO tariff. Do you
7 see that, sir?

8 A. Yes, I do.

9 Q. And I'll just paraphrase. You
10 indicate that the impacts -- impact will be minor;
11 is that correct?

12 A. That's correct.

13 Q. Okay. Are you familiar with the rate
14 mitigation plan that's been offered in Arkansas?

15 A. Yes, I am.

16 Q. Okay. Can you explain what the
17 magnitude of the bill credits that are being
18 offered to customers in Arkansas and other states
19 in which Entergy has retail load?

20 A. There is a rate mitigation plan.
21 Again, Mr. Bready will give you all the
22 nitty-gritty details. I'll just tell you that the
23 intent of it is to mitigate the effects of our
24 transaction to customers for a period of five
25 years.

1 **Q. So you're not familiar with what the**
2 **percentage reduction in the transmission bill for**
3 **the customers will be as a result of bill credits?**

4 A. Not those details. Mr. Bready could
5 give those to you.

6 **Q. Thank you. I'll ask Mr. Bready some**
7 **questions.**

8 A. Okay.

9 MS. CALLENBACH: Thank you. Nothing
10 further.

11 JUDGE PRIDGIN: Thank you.
12 Mr. Mills?

13 MR. MILLS: No questions.

14 JUDGE PRIDGIN: Mr. Thompson?

15 MR. THOMPSON: No questions. Thank
16 you, Judge.

17 JUDGE PRIDGIN: Commissioner Jarrett?

18 COMMISSIONER JARRETT: Hey, it's my
19 day to ask questions.

20 QUESTIONS BY COMMISSIONER JARRETT:

21 **Q. Mr. Wrenbeck, good morning.**

22 A. Thank you. Good morning to you, too.

23 **Q. So you're the regulatory guy?**

24 A. Yes, I am.

25 **Q. Okay. I wanted to direct your**

1 **attention to your direct testimony in the 0396**
2 **case, and page 5 specifically.**

3 A. Uh-huh.

4 Q. **Are you there?**

5 A. Yes.

6 Q. **All the way down at the bottom,**
7 **line 21 -- actually, let's start at line 18, where**
8 **you talk about that ITC emphasizes communication**
9 **with regulators and stakeholders throughout the**
10 **formula rate process. Would this also include --**
11 **this emphasis on communication with regulators and**
12 **stakeholders apply across the board on any**
13 **regulatory matter?**

14 A. Most definitely. We have people
15 assigned in ITC to be state regulatory
16 representatives for us, and their sole function is
17 to make sure we comply with all state regulatory
18 requirements, help manage any case that we do in
19 front of a state regulatory proceeding for siting,
20 for example, and also just to be the answer person
21 for any state commission commissioner or its staff
22 on any issue related to transmission.

23 Q. **Okay. So your shop would be the**
24 **person or the contact folks for our Staff or for**
25 **Commissioners if we had issues or questions?**

1 A. That is correct.

2 **Q. And you indicate -- now go to**
3 **line 21, middle of the line 21, that sentence that**
4 **says, current plans call for designation of**
5 **particular ITC employees to serve as points of**
6 **contact for state regulatory issues and concerns.**
7 **Do you know at this point who those folks will be?**

8 A. No, I do not. We have identified an
9 org chart and a structure where there will be one
10 person identified for every state, but they're not
11 filled right now.

12 **Q. So there will be one person for sure?**

13 A. For -- I'll take Missouri. The
14 decision I think has been made that there will be
15 one person for Arkansas and Missouri, and likewise
16 one for Mississippi, one for Louisiana, one for
17 Texas right now.

18 **Q. And where will that person be**
19 **physically housed?**

20 A. We haven't fully decided that yet,
21 but it's -- typically these people are located near
22 the state capitals. So if it's representing
23 Arkansas/Missouri, it's going to probably be Little
24 Rock, but we have not fully determined that yet.

25 **Q. As part of your responsibilities,**

1 **have you been -- have you participated in any of**
2 **the other proceedings in other states where Entergy**
3 **has asked for approval to join MISO?**

4 A. No, we have not.

5 Q. **Okay. Are there any witnesses here,**
6 **do you know, that have?**

7 A. Not from the ITC side.

8 Q. **Not from the ITC side.**

9 COMMISSIONER JARRETT: Okay. I don't
10 have any further questions then. Thank you.

11 JUDGE PRIDGIN: Commissioner, thank
12 you. Commissioner Kenney?

13 COMMISSIONER W. KENNEY: No, thank
14 you.

15 JUDGE PRIDGIN: Thank you.

16 QUESTIONS BY JUDGE PRIDGIN:

17 Q. **I will try to repose the same**
18 **question earlier, and hopefully I'm stating it**
19 **artfully. But do you know if there will be one or**
20 **multiple MISO market participants if this**
21 **transaction is approved?**

22 A. From ITC's view, we will not be a
23 market participant. Okay. That will be what
24 Entergy's role will be after the transaction is
25 done. We will have -- current plans call for four

1 operating companies, so four transmission owners as
2 part of MISO, and will have signed the transmission
3 owners agreement as four transmission owners in
4 MISO.

5 JUDGE PRIDGIN: All right. Thank
6 you. Any recross based on Bench questions?

7 (No response.)

8 JUDGE PRIDGIN: Hearing none.
9 Redirect?

10 REDIRECT EXAMINATION BY MR. LUMLEY:

11 Q. Just to clarify, when you say there
12 will be four companies, you're talking about for
13 the Entergy region, right?

14 A. Yes, for the Entergy Mid South.

15 Q. Are there existing ITC entities that
16 are already transmission owners in MISO as well?

17 A. Yes. We already have three existing
18 operating companies, so there will be a total of
19 seven for ITC Corporation after this transaction is
20 done.

21 MR. LUMLEY: Thank you.

22 JUDGE PRIDGIN: Thank you. If
23 there's nothing further? All right. Thank you
24 very much. You may step down.

25 Then I believe Mr. Bready will be the

1 next witness.

2 MR. LUMLEY: Judge, could we have a
3 short recess before the witness takes the stand?

4 JUDGE PRIDGIN: Certainly. How much
5 time?

6 MR. LUMLEY: Five minutes.

7 JUDGE PRIDGIN: All right. We will
8 go off the record for approximately five minutes.
9 Thank you.

10 (A BREAK WAS TAKEN.)

11 JUDGE PRIDGIN: We'll go back on the
12 record. Mr. Bready is going to take the stand, and
13 if you'll raise your right hand to be sworn,
14 please.

15 (Witness sworn.)

16 JUDGE PRIDGIN: Thank you very much,
17 sir. Please have a seat.

18 CAMERON BREADY testified as follows:

19 DIRECT EXAMINATION BY MR. LUMLEY:

20 Q. Would you state your name for the
21 record, please.

22 A. It's Cameron M. Bready.

23 Q. By whom are you employed?

24 A. ITC Holdings Corp.

25 Q. In what capacity?

1 A. I'm the executive vice president and
2 chief financial officer.

3 Q. And did you cause to be filed in this
4 case both direct and surrebuttal testimony --

5 A. Yes, I did.

6 Q. -- regarding the ITC transaction?

7 A. Yes, I did.

8 Q. Do you have any corrections to that
9 testimony today?

10 A. No, I do not.

11 Q. Do you recall submitting an affidavit
12 with each piece of testimony?

13 A. Yes, I did.

14 Q. And if I asked you the same questions
15 today, would your answers be substantially the
16 same?

17 A. Yes, they would.

18 MR. LUMLEY: Judge, I'd offer
19 Exhibits 16 and 17, again with the explanation that
20 we're offering surrebuttal Schedule CMB-10 based on
21 your overruling our objection to the portion of
22 Mr. Warren's testimony.

23 JUDGE PRIDGIN: Thank you. 16 and 17
24 are offered. Any objections?

25 (No response.)

1 JUDGE PRIDGIN: Hearing none, 16 and
2 17 are admitted.

3 (ITC EXHIBIT NOS. 16 AND 17 WERE
4 RECEIVED INTO EVIDENCE.)

5 JUDGE PRIDGIN: Anyone wish cross of
6 this witness? I've got several volunteers.
7 Mr. Healy, when you're ready.

8 CROSS-EXAMINATION BY MR. HEALY:

9 Q. Mr. Bready, how are you doing today,
10 sir?

11 A. Good morning. I'm fine. Thank you.
12 How are you?

13 Q. Doing great. I just have a few
14 questions. Page 34 of your direct testimony, do
15 you have that in front of you by any chance?

16 A. I can pull it out, if you'll bear
17 with me just one second. 34 you said?

18 Q. Yes, sir.

19 A. Yes, I have it.

20 Q. Question 46 on that page concerns the
21 requested ROE by ITC; is that correct?

22 A. That's correct, yes.

23 Q. And that's the standard MISO base ROE
24 of 12.38 percent?

25 A. That is correct, yes.

1 **Q.** Okay. And nothing in your testimony
2 indicates that ITC's prohibited from seeking ROE
3 adders; is that correct?

4 **A.** That is correct.

5 **Q.** And, in fact, in the Louisiana
6 docket, didn't ITC agree for a five-year period not
7 to request anything more than 12.38 percent?

8 **A.** We -- in the Arkansas docket as well
9 we made the same commitment that we would, in
10 connection with the rate mitigation plan that we
11 had proposed, we would not seek an ROE higher than
12 the 12.38 percent for the period that the rate
13 mitigation is in effect.

14 **Q.** But in the Arkansas docket that's
15 predicated upon the parties accepting that rate
16 mitigation plan; is that correct?

17 **A.** That is correct, yes.

18 **Q.** Does ITC have other affiliates inside
19 MISO?

20 **A.** Yes. As Mr. Wrenbeck testified
21 earlier, we have three operating companies today
22 who operate in MISO.

23 **Q.** Okay. Is METC one of those?

24 **A.** Yes, sir, it is, METC. We refer to
25 it as METC.

1 Q. METC. Thank you. I was wondering.

2 A. That's okay.

3 Q. What is METC?

4 A. METC is an operating company that we
5 have in Michigan. It operates much of the
6 transmission grid in the lower peninsula of
7 Michigan outside of southeastern Michigan where our
8 other operating company, ITC Transmission,
9 operates.

10 Q. And its FERC ROE is 13.38 percent; is
11 that correct?

12 A. That is correct, yes.

13 Q. How about ITC Transmission, does that
14 operate in MISO as well?

15 A. Yes, sir, it does. Yes.

16 Q. And its ROE is 13.88 percent?

17 A. That is correct, yes.

18 Q. The rate increases contemplated in
19 your testimony, they assume that rate increases
20 will occur operating the existing EAI system; is
21 that correct?

22 A. For wholesale or for retail?

23 Q. Wholesale.

24 A. For wholesale, yes, that's correct.

25 Q. And ITC is planning upgrades to that

1 **system; is that correct?**

2 A. We are obviously going to assume the
3 existing Entergy Arkansas construction plan, and
4 then once we begin to own the system, we begin to
5 plan the system and operate the system, we will
6 create and devise our own plans with respect to
7 that system.

8 Obviously, as we highlighted in our
9 testimony, including mine, our goal is to improve
10 the reliability of the transmission system and to
11 improve its economic efficiency for the benefit of
12 customers. That does often require investment.
13 Whether that investment will be incremental to what
14 Entergy has already identified for the EAI system
15 or not I can't say today.

16 **Q. Sure. And those investments will**
17 **lead to additional rate increases, correct?**

18 A. As I noted before, our rate effects
19 assume the Entergy plan that is in existence today.
20 As I just testified, I cannot say today
21 specifically as to whether or not we will
22 ultimately be required to invest in incremental
23 capital above and beyond that.

24 **Q. And are you aware of any qualitative**
25 **improvements being contemplated for the substations**

1 at Thayer as part of that plan?

2 A. No, sir, I'm not. I'm not an
3 engineer, so I don't have any information on that.

4 Q. Do you have an idea of the
5 approximate Arkansas zonal rate increase for those
6 who get service, network integrated transmission
7 service?

8 A. The rate effect for the Arkansas
9 transmission pricing zone is a result of the ITC
10 transaction, so any customer taking a network
11 service under the new transmission pricing zone in
12 Arkansas is roughly 8 percent in 2014.

13 Q. And are you aware of others who have
14 alleged much higher increases in that zonal rate?

15 A. I am not, but that is the rate effect
16 that we have estimated for the transmission pricing
17 zone in Arkansas. That's a function of moving
18 largely from the capital structure that EAI
19 incorporates today to the capital structure that
20 ITC has sought from FERC as part of this
21 transaction.

22 Q. So that 8.1, is that just based on
23 the difference in capital structure?

24 A. Net of cost of debt benefits that
25 materialize with other transaction through ITC

1 ownership, yes.

2 Q. And Exhibit CMB-9, does that
3 illustrate some of that in your testimony?

4 A. If you'll bear with me. I don't
5 remember the exact exhibit numbers. Give me just
6 one second.

7 MR. LUMLEY: Would be to your
8 surrebuttal.

9 BY MR. HEALY:

10 Q. Yes. I apologize. It's your
11 surrebuttal.

12 A. Yes, that's correct.

13 Q. I'd like to direct you to line 26 of
14 that exhibit. That shows an increase of
15 \$20.8 million; is that correct?

16 A. That's correct, yes.

17 Q. And that's based on ITC ownership
18 versus EAI ownership?

19 A. Yes, for the capital structure before
20 the credit quality benefits.

21 Q. And those credit quality savings are
22 \$6 million; is that correct?

23 A. That's correct, yes.

24 Q. Would you agree that that savings,
25 though, is speculative in nature? Those savings

1 **have not occurred yet, correct?**

2 A. No, they have not occurred yet, but
3 we fully expect them to materialize.

4 **Q. But that's an expectation, it's not a**
5 **reality?**

6 A. It is an expectation, yes.

7 **Q. Let's talk about the rate mitigation**
8 **plan for a minute, and help my understanding of**
9 **this a little bit. That's going to be funded half**
10 **by EAI and half by ITC to the tune of 85 million;**
11 **is that correct?**

12 A. Yes. For the Arkansas and Missouri
13 system, correct.

14 **Q. Now, EAI's customers will be**
15 **wholesale customers of ITC, correct?**

16 A. Well, EAI will be a wholesale
17 customer of ITC is probably the accurate way to
18 describe it, yes.

19 **Q. Thank you.**

20 A. As will other wholesale customers.

21 **Q. So EAI will be eligible to receive**
22 **those credits, correct, as a wholesale customer?**

23 A. Whatever portion of credits that are
24 funded by ITC, all wholesale customers will benefit
25 from those credits. We are not able to, nor would

1 we want to, discriminate amongst customers in terms
2 of who gets the benefit of a rate rebate and who
3 does not. So for whatever rate rebate we fund, all
4 wholesale customers would receive a portion of
5 that.

6 **Q. So assuming, doing the math, if ITC**
7 **funds 42 and a half million, it would be all**
8 **wholesale customers of ITC in the Arkansas zone**
9 **would be eligible, correct?**

10 A. Right. Anyone taking network service
11 or paying point-to-point transmission service in
12 the Arkansas zone, transmission pricing zone would
13 receive a portion of those benefits.

14 **Q. And as part of that rate mitigation**
15 **plan, it would also require all parties to drop**
16 **proceedings or objections at FERC to the formula of**
17 **the rate being filed by EAI?**

18 A. I don't think we said to drop. I
19 think what we suggested was that parties who are
20 participating in the rate mitigation shouldn't be
21 allowed to then go challenge the elements of the
22 rate construct that give rise to the need to rate
23 mitigate to begin with.

24 So the idea was to avoid, absent a
25 better term, a double dip where customers are

1 receiving benefits of rate mitigation that are
2 premised on a change in rate construct and then
3 would try to challenge the very rate construct that
4 gives rise to the rate mitigation.

5 **Q. It's not your testimony today that**
6 **this rate mitigation will hold anybody harmless; is**
7 **that correct? It will just mitigate the increase?**

8 A. The philosophy behind the rate
9 mitigation plan is to better align the rate effects
10 of the transaction with the realization of all the
11 benefits from the transaction. There are day one
12 benefits that materialize, but many of the benefits
13 that we expect to materialize for customers
14 ultimately require investment in the transmission
15 system, and those investments will take some time.

16 So the goal of the rate mitigation
17 plan is an alignment, a better alignment perhaps of
18 the rate effects of the transaction with the
19 realization of all of the benefits that we expect
20 to occur as a function of the transaction.

21 So it was never intended and I don't
22 think in fairness we've ever characterized it to be
23 a hold harmless provision from an economic
24 perspective.

25 **Q. And again, these are qualitative**

1 **benefits you're referring to; is that correct?**

2 A. They're both. I don't think
3 improving reliability is a qualitative benefit. I
4 think it's very much a measurable benefit that
5 customers realize over time. There are many
6 economic benefits that customers realize over time
7 with reducing congestion, allowing for lower cost
8 generating resources to be deliverable to load,
9 et cetera. So I wouldn't necessarily categorize
10 them as qualitative in all cases.

11 **Q. But in the testimony before this**
12 **Commission, they've not been quantified; is that**
13 **correct?**

14 A. Many of them are difficult to
15 quantify in terms of what the ultimate economic
16 benefit is to customers. What's the cost of the
17 avoided outage from a function of improving
18 reliability, for example? It's a very difficult
19 thing to quantify, but they are real and tangible
20 benefits nonetheless.

21 MR. HEALY: That's all the questions
22 I have. Thank you very much.

23 THE WITNESS: Thank you.

24 JUDGE PRIDGIN: Thank you.

25 Mr. Cooper?

1 CROSS-EXAMINATION BY MR. COOPER:

2 Q. Mr. Bready, just to continue on a
3 little bit with the rate mitigation plan discussion
4 here. When you refer to in your testimony that the
5 plan's going to mitigate the rate impacts of
6 customers from certain effects of the transaction,
7 you mean the Entergy/ITC transaction specifically,
8 correct?

9 A. Yes, sir.

10 Q. And nothing about the rate mitigation
11 plan has anything to do with the movement, for
12 example, of Empire from the Entergy transmission
13 tariff to the MISO tariff, correct?

14 A. No, sir. That's -- from our
15 perspective, ITC's perspective, that's happening
16 regardless of whether this transaction moves
17 forward or not as a function of Entergy joining
18 MISO. So we did not obviously devise anything to
19 try to address those issues.

20 Q. And regardless, though, the
21 mitigation plan you're talking about, it's going to
22 be designed to at least in part attempt to offset
23 higher FERC rates, correct?

24 A. As I described earlier, it's merely
25 meant to better align the realization of all the

1 benefits with the rate effects that do occur from
2 moving from Entergy Arkansas' existing rate
3 construct to our FERC rate construct.

4 **Q. And that rate mitigation plan arose**
5 **within the context of an Arkansas Public Service**
6 **Commission proceeding, correct?**

7 A. Yes, that is correct. But I would --
8 if I may, it's something that we have obviously
9 offered across all of the Entergy service
10 territories.

11 **Q. In other -- before other state**
12 **regulatory commissions?**

13 A. Correct. Yes, sir. It's not
14 exclusive to Arkansas is all I was trying to
15 suggest.

16 **Q. And I guess in doing some research it**
17 **looks like you utilized or you -- ITC utilized a**
18 **similar sort of rate mitigation plan in an Iowa**
19 **Utilities Board proceeding a few years go when you**
20 **acquired Interstate Power & Light; is that correct?**

21 A. When we acquired the transmission
22 assets of Interstate Power & Light, yes, we did
23 utilize a rate mitigation plan of a similar nature.

24 **Q. And in all those situations it**
25 **requires some interaction with FERC, I assume?**

1 A. In terms of how it would be --

2 Q. Implemented?

3 A. Yes, sir, that's correct. We would
4 have to file, as I understand it, a compliance plan
5 with FERC that would effectively outline how the
6 rate mitigation would be effectuated from a FERC
7 rate perspective.

8 Q. And I assume that in the Iowa
9 example, ITC was able to take that Iowa proceeding
10 rate mitigation plan and successfully implement it
11 at FERC?

12 A. Yes. I can't speak to the specific
13 mechanics as to how that happened, but we are, in
14 fact, providing a rate rebate today, and have been
15 since the close of the transaction, consistent with
16 the plan that was approved as part of the
17 transaction or condition, the transaction was
18 conditioned on.

19 Q. Approved by the Iowa Board?

20 A. Yes, sir.

21 MR. COOPER: That's all the questions
22 I have.

23 JUDGE PRIDGIN: Mr. Cooper, thank
24 you. Ms. Callenbach?

25 MS. CALLENBACH: Thank you.

1 CROSS-EXAMINATION BY MS. CALLENBACH:

2 Q. I just want to follow up on a few
3 questions that have already been explored a little
4 bit discussing the rate mitigation plan. Were you
5 present in the room, sir, when I asked Mr. Wrenbeck
6 some questions about the rate mitigation plan and
7 he deferred to your expertise on those?

8 A. Yes, I was.

9 Q. Okay. Can you explain for us what
10 the magnitude of the bill credits that are being
11 offered to customers in Arkansas and other states
12 in which Entergy has retail load?

13 A. Well, as I mentioned before, the --
14 in Arkansas specifically, the half of the
15 85 million of rate rebate behalf would be funded by
16 ITC. So whatever portion is funded by ITC, the
17 roughly 42 and a half million as we discussed
18 earlier, so roughly 8 and a half million a year,
19 all wholesale customers who are paying the network
20 transmission rate or point-to-point service under
21 the Arkansas pricing zone, which would include the
22 Missouri assets, would benefit from a portion of
23 that eight and a half million.

24 I can't speak specifically how much
25 each customer would benefit as that would be

1 ultimately a function of what their
2 point-to-point -- how much point-to-point service
3 they're using and what their load ratio share would
4 be under the network service.

5 **Q. Okay. Does the -- do the bill**
6 **credits have any impact on the application of**
7 **MISO's regional through and out tariff?**

8 A. I believe it would, yes.

9 **Q. Can you -- are those quantifiable?**

10 A. My estimate is -- my belief is yes,
11 but as you, I think, are probably aware, the
12 through and out rate is a combination of costs
13 across the MISO footprint. So they can be probably
14 estimated, but again, they are dependent upon a
15 variety of different inputs, not just the
16 transmission pricing zone for Arkansas.

17 **Q. So you have not made an attempt in**
18 **this proceeding to provide that estimate?**

19 A. We have not made a specific estimate
20 of that as part of this proceeding, no.

21 **Q. Okay. You responded earlier to**
22 **questions by either Mr. Healy or Mr. Cooper that**
23 **this is an unusual transaction because not all the**
24 **benefits are quantifiable or they're difficult to**
25 **quantify. Is that a correct statement of your**

1 **testimony?**

2 A. Certainly of the benefits of the
3 transaction are more difficult to quantify, yes.

4 **Q. And you're aware, are you not, that**
5 **this Commission apply -- really apply a no net**
6 **detriment test to transactions of this type?**

7 A. I unfortunately am not familiar with
8 the exact legal standard by which this commission
9 would consider a transaction like this.

10 **Q. Well, my question to you is, if it's**
11 **difficult to quantify certain benefits, would you**
12 **agree with me that it would be difficult to make a**
13 **determination that there's not a net detriment?**

14 A. No, I don't think I would. I don't
15 know that the net detriment has to -- purely has to
16 be done on a cost/benefit with all calculable costs
17 and all calculable benefits. I think a
18 determination as to the public interest and whether
19 there's no net detriment can be considered from a
20 variety of factors, including such things as the
21 benefit of improving reliability, improving storm
22 restoration service, for example, given the
23 conversation we had earlier today.

24 I think all of those factors ought to
25 be considered and could be considered in

1 determining whether there's a net detriment to
2 customers.

3 MS. CALLENBACH: Thank you. Nothing
4 further.

5 JUDGE PRIDGIN: All right. Thank
6 you. Mr. Mills?

7 MR. MILLS: No questions.

8 JUDGE PRIDGIN: Mr. Thompson or
9 Mr. Williams?

10 MR. THOMPSON: Thank you, Judge.

11 CROSS-EXAMINATION BY MR. THOMPSON:

12 Q. Am I correct in understanding that
13 Missouri is in your Arkansas pricing zone?

14 A. The assets that would be located in
15 Missouri that are currently owned by Entergy
16 Arkansas would be captured under a single pricing
17 zone for ITC Arkansas, which would then own those
18 same Missouri assets.

19 So I'm probably being a little too
20 loose with my terminology when I say the Arkansas
21 pricing zone. It's really the ITC Arkansas pricing
22 zone, which would include those assets located in
23 Missouri.

24 Q. Okay. You understand that what we
25 want to know and what we want to understand is the

1 **impact of this transaction in Missouri, correct?**

2 A. I think that's a reasonable request.

3 **Q. Okay. Am I correct in understanding**
4 **that the rate impact would be an 8.1 percent**
5 **increase?**

6 A. On wholesale customer rates in 2014,
7 that is the estimate for this zone in total.

8 **Q. Very good. So that would include**
9 **Missouri wholesale customers?**

10 A. Right.

11 **Q. Okay. And is there any kind of rate**
12 **mitigation or rate rebates that these Missouri**
13 **wholesale customers are going to have access to**
14 **that will reduce that percentage increase?**

15 A. Yes. The same rate mitigation plan
16 that we have established for this pricing zone
17 would also benefit any wholesale customers in
18 Missouri, as I mentioned before, who are taking
19 network service or paying point-to-point.

20 And then as we talked about just a
21 moment ago, there's also a benefit from a through
22 and out rate perspective of the rate mitigation
23 plan that ITC would fund.

24 **Q. And are you able to quantify in terms**
25 **of percentage points the impact of that mitigation**

1 **on the 8.1 percent estimated increase?**

2 A. Well, we have not specifically
3 indicated because we wanted to leave opportunity
4 for input as to how the 85 million would be
5 provided to customers, the amount in each year and
6 over what period of time that would happen.

7 But assuming it would happen ratably
8 over a five-year period, as I mentioned before, ITC
9 is funding 42 and a half million dollars of the
10 total \$85 million rate mitigation plan. As we
11 mentioned, the rate effects in 2014 are
12 14.9 million, almost 15 million. So the portion
13 funded by ITC, 8 and a half million in this example
14 by my rough math in my head, is roughly 58 percent
15 of that.

16 **Q. Okay. 58 percent of?**

17 A. The increase is being offset by rate
18 mitigation in my example that ITC would fund. I'm
19 doing the math on the fly, so --

20 **Q. I understand, and I'm impressed by**
21 **that. Now, with respect to some benefits that**
22 **cannot be quantified and the various detriments**
23 **you've heard about, I assume you're familiar with**
24 **the detriments that the intervenors have pointed**
25 **to?**

1 A. Yes. I've seen their testimony.

2 Q. Is it your opinion that the
3 transaction will provide benefits the value of
4 which outweigh the potential detriments?

5 A. It is my opinion that it will, yes,
6 sir.

7 MR. THOMPSON: Thank you. No further
8 questions.

9 JUDGE PRIDGIN: Mr. Thompson, thank
10 you. Commissioner Jarrett?

11 QUESTIONS BY COMMISSIONER JARRETT:

12 Q. Good morning, Mr. Bready.

13 A. Good morning, sir.

14 Q. Just a couple of questions. One of
15 the issues you talked about I think in Mr. Healy's
16 cross-examination was the -- sort of, I guess, the
17 lack of some quantifiable number that you could
18 give us. I take it that ITC didn't do any studies
19 or Entergy didn't do any studies on what the value
20 of increased reliability is or what, you know,
21 taking care of congestion issues is; is that
22 correct?

23 A. I think if my memory serves me
24 correctly, I think in Mr. Jipping's testimony there
25 was references to the value of improving

1 reliability.

2 **Q. Okay.**

3 A. We know the current state from a
4 reliability perspective of the Entergy Arkansas
5 system, which would include the Missouri assets
6 we're speaking to today. And we have done analysis
7 historically as it relates to using some tools
8 available through the DOE as to what is the benefit
9 of improving reliability from, you know, a lower
10 quartile to a higher quartile from a reliability
11 perspective.

12 I believe that was included in
13 Mr. Jipping's testimony as, again, not specifically
14 for Entergy Arkansas but illustrative in terms of
15 the value of improving reliability.

16 **Q. Do you know, does -- do the RTOs do**
17 **those types of studies? Has MISO done a study on**
18 **improved reliability for their projects that**
19 **they're planning?**

20 A. I'm probably not the best person to
21 speak to that. I apologize. I'd like to be
22 helpful, but I don't know specifically in all cases
23 what MISO studies and what component of any
24 analysis that they do is geared around trying to
25 value the improvement in reliability.

1 **Q. All right. Do you operate in SPP at**
2 **all?**

3 A. We do, yes.

4 **Q. Any -- is that your same answer if I**
5 **asked you if SPP had any studies?**

6 A. I believe SPP does reflect a value of
7 improved reliability when they're studying a
8 particular project, but the specific mechanics as
9 to how they do that I unfortunately cannot speak
10 to.

11 **Q. But you don't know if they do sort of**
12 **an overall study of the footprint?**

13 A. I know in the case of MISO, for
14 example, they do a study as to the value that MISO
15 brings. What is actually included in that, I
16 cannot speak to the specifics. I apologize.

17 **Q. Thank you, Mr. Bready. I appreciate**
18 **your testimony.**

19 A. Thank you.

20 JUDGE PRIDGIN: Commissioner Jarrett,
21 thank you. Commissioner Kenney?

22 COMMISSIONER W. KENNEY: No, sir.

23 JUDGE PRIDGIN: Thank you. Any
24 recross based on Bench questions? No volunteers.
25 Any redirect?

1 MR. LUMLEY: No, Judge.

2 JUDGE PRIDGIN: All right. Thank
3 you. Mr. Bready, thank you very much. You may
4 step down, and you are excused.

5 Let me inquire of the parties, I'm
6 showing we are almost at noon. This looks to be a
7 natural time to break for lunch, but I'm not
8 certain what -- or how much cross-examination the
9 parties would plan to have for the remaining
10 witnesses, nor I do know your travel plans or
11 needs.

12 So let me ask if you would like to
13 break now for lunch or proceed or if you need a
14 moment to talk. I guess I'm looking for some sort
15 of direction on if you think you just have brief
16 cross-examination, if you wanted to keep going or
17 if you think it would take a while, or if you
18 simply wanted to break because it's noon. I'm fine
19 with whatever.

20 MR. COOPER: Give us a couple
21 minutes.

22 JUDGE PRIDGIN: Certainly. We'll go
23 off the record for just a moan.

24 (AN OFF-THE RECORD DISCUSSION WAS
25 HELD.)

1 JUDGE PRIDGIN: We're back on the
2 record. It's my understanding after the parties
3 spoke briefly that they prefer to break for lunch
4 and then return, and it looks like the next witness
5 would be Carlson; is that correct?

6 MR. THOMPSON: That is correct,
7 Judge.

8 JUDGE PRIDGIN: Is there anything
9 further from the parties before we adjourn for
10 lunch?

11 MR. THOMPSON: Nothing, sir.

12 JUDGE PRIDGIN: I'm hearing nothing.
13 I'm showing it's almost noon on the clock. Let's
14 resume at 1:15. Thank you. We are off the record.

15 (A BREAK WAS TAKEN.)

16 JUDGE PRIDGIN: All right. Good
17 afternoon. We are back on the record. When we
18 went into recess, I believe I noted that
19 Mr. Carlson would be the next witness. I think
20 Commissioner Jarrett has a quick request of the
21 parties before we proceed. When you're ready, sir.

22 COMMISSIONER JARRETT: Yes. And
23 thank you, Judge. This has to do with briefing
24 issues, and I know we talked about jurisdiction a
25 lot in the opening statements by the attorneys, and

1 Mr. Schwarz and I had a little colloquy --

2 MR. SCHWARZ: Colloquy.

3 COMMISSIONER JARRETT: Colloquy,

4 whatever -- thank you, I appreciate your correction

5 on that -- over that. And I had an opportunity at

6 lunch to go to FERC's website, and I had a couple

7 of things that I would like just to be considered

8 in the briefing of the jurisdictional issue. I

9 will read the URL into the record so in case you

10 don't get it, you can look it up, but this was

11 pulled up today, June 18th, 2013. First one is

12 <http://www.ferc.gov/industries/electric/safety.asp>.

13 And the content is, the title of this is safety and

14 inspections, and it says as follows: Once

15 electricity projects become operational, safety is

16 regulated, monitored and enforced by the state in

17 which the project resides, with the exception of

18 hydropower projects for which FERC retains

19 jurisdiction when they are operational.

20 The second one, the URL is

21 <http://www.ferc.gov/industries/electric/enviro.asp>.

22 And the title of this one is environment. While

23 FERC has jurisdiction over hydropower projects,

24 FERC has no authority over the construction or

25 maintenance of power-generating plants and has

1 significant limited jurisdiction over transmission
2 line siting.

3 Next paragraph: The responsibility
4 over the construction and maintenance of
5 power-generating plants and transmission lines
6 primarily resides with the state public utility
7 commissions. You can link to all the public
8 utility commissions on the National Associations of
9 Regulatory Commissioners (NARUC) website.

10 So if the parties could take those
11 into account, those two things into account when
12 they brief on the jurisdictional issues, I would
13 appreciate it. Thank you.

14 MR. SCHWARZ: If I might, we realize
15 the Commission has raised certain issues with
16 respect to compliance with various rules and
17 reporting requirements, and we will, after we've
18 reviewed the matters, advise the Commission in our
19 briefs. So thank you very much for the
20 opportunity.

21 JUDGE PRIDGIN: Anything further from
22 the Bench or from counsel before we proceed to the
23 next witness?

24 MR. WILLIAMS: Judge, earlier Staff
25 had requested that the Commission take notice of

1 certain documents. I believe Mr. Steiner had
2 indicated he'd like to review it before he made a
3 response. I think he may be at that point now.

4 JUDGE PRIDGIN: Okay. Mr. Steiner?

5 MR. STEINER: I reviewed it. I do
6 not have an objection as long as I'm not prohibited
7 from citing to other portions of the case,
8 stipulations, et cetera, that are cited by Staff to
9 take official notice.

10 MR. WILLIAMS: Staff certainly has no
11 issue with that. We were just trying to get the
12 portions we thought were most relevant.

13 JUDGE PRIDGIN: I understand. All
14 right. The Commission will take notice, and I
15 will take note of Mr. Steiner's comments as well.

16 Anything further before we proceed to
17 Mr. Carlson?

18 (No response.)

19 JUDGE PRIDGIN: All right.

20 Mr. Carlson, if you'll come forward to be sworn,
21 please, sir. And if you'll raise your right hand
22 to be sworn.

23 (Witness sworn.)

24 JUDGE PRIDGIN: Thank you very much.

25 Please have a seat. And, Ms. Callenbach,

1 Mr. Steiner, whenever you're ready.

2 JOHN R. CARLSON testified as follows:

3 DIRECT EXAMINATION BY MR. STEINER:

4 Q. Please state your name for the
5 record.

6 A. John R. Carlson.

7 Q. Mr. Carlson, where do you work and
8 what is your title?

9 A. I work at the Kansas City Power &
10 Light Company. My title is originator.

11 Q. Did you cause to be filed what's been
12 premarked as rebuttal testimony? There's an HC
13 version of that and the number is 18 and 18HC.

14 A. Yes, I did.

15 JUDGE PRIDGIN: Mr. Steiner, I'm
16 sorry to interrupt. Is your microphone on? I'm
17 having a tough time.

18 MR. STEINER: It was not. Thank you.

19 JUDGE PRIDGIN: Very good. Thank you
20 so much.

21 BY MR. STEINER:

22 Q. Do you have any changes or
23 corrections to that testimony?

24 A. I have two minor changes. On the
25 cover page of the testimony, it is stated that this

1 is direct testimony. That should be rebuttal. And
2 on page 4 of my testimony, in particular line 8,
3 after dispatch service, there should be a
4 parenthetical that says Schedule 1. And later on
5 in line 8 where it currently says Schedule 1, that
6 should be Schedule 2.

7 Q. Other than those changes, if I were
8 to ask you the questions that are contained in your
9 rebuttal testimony, would your answers be the same
10 as are in that testimony that was filed?

11 A. Yes, they would.

12 MR. STEINER: Judge, I would offer
13 the rebuttal testimony of John Carlson and tender
14 the witness for cross-examination.

15 JUDGE PRIDGIN: We'll note that
16 Exhibit 18NP and HC has been offered; is that
17 correct?

18 MR. STEINER: That's correct.

19 JUDGE PRIDGIN: All right. Thank
20 you. Any objections?

21 (No response.)

22 JUDGE PRIDGIN: Hearing none, that is
23 admitted.

24 (KCP&L EXHIBIT NOS. 18 AND 18HC WERE
25 RECEIVED INTO EVIDENCE.)

1 JUDGE PRIDGIN: And cross-
2 examination, Mr. Healy, any questions?

3 MR. HEALY: No questions.

4 JUDGE PRIDGIN: Mr. Cooper?

5 MR. COOPER: No questions.

6 JUDGE PRIDGIN: Mr. Schwarz?

7 MR. SCHWARZ: No questions, Judge.

8 JUDGE PRIDGIN: Mr. Lumley?

9 MR. LUMLEY: No questions.

10 JUDGE PRIDGIN: Mr. Mills?

11 MR. MILLS: No questions.

12 JUDGE PRIDGIN: Mr. Thompson,
13 Mr. Williams?

14 MR. THOMPSON: Thank you, Judge.

15 CROSS-EXAMINATION BY MR. THOMPSON:

16 Q. Mr. Carlson, were you in the room
17 when Mr. Bready testified?

18 A. I was.

19 Q. And are you generally familiar with
20 his testimony, his prefiled testimony?

21 A. Generally.

22 Q. He gave a figure of 8.1 percent as
23 the expected rate increase, I guess for what he
24 called the Arkansas pricing zone. Do you recall
25 that testimony?

1 A. I do recall that.

2 Q. Do you agree with that figure?

3 A. No, I don't.

4 Q. Do you have an alternative figure to
5 suggest?

6 A. Let me take a step back. My
7 understanding of his testimony is that that
8 8 percent is the incremental portion after MISO --
9 after Entergy is under the MISO tariff, which would
10 be the incremental ITC portion.

11 I suggest that it's the overall
12 increase of Entergy moving to the MISO tariff,
13 which in our case is approximately 100 percent on
14 transmission rates, in particular the Schedule 7.

15 Q. Do I understand your testimony
16 correctly, you're saying that your rates will
17 double?

18 A. For certain transmission paths, that
19 is correct.

20 Q. Okay. And did you hear Mr. Bready
21 testify about the rate mitigation plan?

22 A. I did.

23 Q. And I believe he suggested that
24 58 percent of that increase would be mitigated. Do
25 you recall that testimony?

1 A. I do recall that.

2 Q. Do you agree with that?

3 A. Again, understanding that that
4 58 percent is applied to the incremental 8 percent,
5 I have no reason to suggest that that 58 percent
6 number is not correct as it applies to that
7 8.1 incremental.

8 Q. But you think the potential increase
9 is quite a bit larger than 8.1 percent; isn't that
10 right?

11 A. Yes, I do.

12 Q. Okay. Are you able to put a dollar
13 figure on what you believe the annual impact would
14 be?

15 A. I believe, as I've stated in my
16 testimony, with our -- with our current
17 transmission from our Crossroads facility, we are
18 projecting approximately \$6 million increase in
19 overall transmission expense. I think I've
20 detailed that on page 6 of my testimony.

21 Q. Now, in your most recent general rate
22 case, the Commission excluded those transmission
23 costs from rates; isn't that correct?

24 A. That is correct, and then those --
25 that ruling is currently on appeal.

1 Q. Okay. And I think you also indicated
2 there might be some off-system sales impacts; isn't
3 that correct?

4 A. That is correct.

5 Q. Are you able to quantify the
6 off-system sales impacts in terms of dollars?

7 A. I could. I believe some -- in order
8 to calculate that actual number, we've got some HC
9 data in my testimony, so I --

10 Q. Can you give a ballpark that would be
11 acceptable to say in open hearing or do we need to
12 go into closed session?

13 A. Let me do a quick calculation based
14 on --

15 Q. Yes, sir.

16 A. These impacts would depend on knowing
17 exactly where counterparties are sinking the
18 energy. So if counterparties sink the energy in
19 the current Entergy zone, we could see impacts
20 of -- I don't know that I can give you a -- now
21 that I look at this a bit more, I don't know that I
22 can give you a direct number, only because we don't
23 have broken out the exact megawatt hours that sink
24 in Entergy versus drive through and out of the
25 Entergy system to other transmission organizations.

1 **Q. Okay.**

2 A. It is -- if I were to give a
3 ballpark, though, I could say potentially greater
4 than \$2 million.

5 **Q. Okay.**

6 A. But that's -- that's a very rough
7 estimate without getting into details about HC
8 material.

9 **Q. I understand. I appreciate that.**
10 **Now, for those of us who are not electricity**
11 **experts, what do you mean when you say -- when you**
12 **talk about sinking energy somewhere?**

13 A. So the way the -- these transmission
14 reservations work is we have a source of KCPL and a
15 sink at the Entergy border. CSWS is the location
16 on point of delivery.

17 **Q. Okay.**

18 A. A counterparty will take the energy
19 at that point in time and either sink it in the
20 Entergy zone as it currently sits or take it
21 elsewhere to ultimately sink that energy, whether
22 it's to another wholesale counterparty that might
23 wheel it somewhere else or if it's an ultimate load
24 settlement for purposes of load. We don't know
25 that.

1 Q. Okay. Thank you. Based on your
2 testimony and your experience and your knowledge of
3 the matters before the Commission today, do you
4 have an opinion as to whether or not the potential
5 value or benefits that the transaction will convey
6 exceed the potential detriments?

7 A. I don't have a good understanding of
8 those numbers. I don't think they've been
9 quantified as it pertains exactly to this case. I
10 don't know of a study that's been done by the
11 counterparties to suggest that.

12 Q. So if I understand your testimony,
13 you're saying that you -- you have not been shown
14 that the benefits outweigh the detriments; is that
15 what you're saying?

16 A. That's correct.

17 MR. THOMPSON: Thank you. No further
18 questions.

19 JUDGE PRIDGIN: Mr. Thompson, thank
20 you. Commissioner Jarrett?

21 QUESTIONS BY COMMISSIONER JARRETT:

22 Q. Mr. Carlson, good afternoon.

23 A. Good afternoon.

24 Q. Just a quick question. Do you
25 know -- you're here testifying on behalf of KCP&L

1 **and KCP&L GMO; is that correct?**

2 A. That's correct.

3 **Q. Do you know approximately how many**
4 **customers KCP&L and KCP&L GMO serve in Missouri?**

5 A. I think it's approximately 800,000,
6 but I don't know the exact number.

7 COMMISSIONER JARRETT: All right.
8 That's all I have. Thank you.

9 JUDGE PRIDGIN: Commissioner Jarrett,
10 thank you. Commissioner Kenney, any questions?

11 COMMISSIONER W. KENNEY: No.

12 JUDGE PRIDGIN: I don't have any
13 questions. Any recross based on Bench questions?

14 (No response.)

15 JUDGE PRIDGIN: Redirect? No
16 redirect. I'm sorry. Redirect?

17 MR. STEINER: No redirect.

18 JUDGE PRIDGIN: All right. Thank
19 you. Mr. Carlson, thank you very much. You may
20 step down, and you are excused.

21 Mr. Locke will be the next witness.
22 Come forward to be sworn, please.

23 (Witness sworn.)

24 JUDGE PRIDGIN: Thank you very much.
25 Please have a seat. And when you are ready.

1 MS. CALLENBACH: Thank you.

2 CHARLES J. LOCKE testified as follows:

3 DIRECT EXAMINATION BY MS. CALLENBACH:

4 Q. Mr. Locke, good afternoon.

5 A. Good afternoon.

6 Q. Would you please state your name for
7 the record, please.

8 A. Charles J. Locke.

9 Q. And what is your position and place
10 of employment?

11 A. I'm employed by Kansas City Power &
12 Light Company, and my position is manager of
13 regulatory affairs.

14 Q. Mr. Locke, could you -- thank you. I
15 was having a little trouble hearing you.

16 And are the same Charles Locke that
17 caused to be filed rebuttal testimony in these
18 proceedings that was premarked as Exhibit 19, your
19 testimony consisting of 11 pages of questions and
20 answers?

21 A. Yes, I am.

22 Q. Do you have any corrections to make
23 to your testimony at this time?

24 A. I have no corrections.

25 Q. If I asked you the same questions

1 **here today, would your answers remain the same?**

2 A. Yes.

3 MS. CALLENBACH: Judge, I would offer
4 the rebuttal testimony of Mr. Locke as Exhibit 19
5 and tender the witness for cross-examination.

6 JUDGE PRIDGIN: Ms. Callenbach, thank
7 you. Exhibit 19 has been offered. Any objections?

8 (No response.)

9 JUDGE PRIDGIN: Hearing none,
10 Exhibit 19 is admitted.

11 (KCP&L EXHIBIT NO. 19 WAS RECEIVED
12 INTO EVIDENCE.)

13 JUDGE PRIDGIN: Cross-examination,
14 Mr. Healy?

15 MR. HEALY: No questions, Judge.

16 JUDGE PRIDGIN: Mr. Cooper?

17 MR. COOPER: No questions.

18 JUDGE PRIDGIN: Mr. Schwarz?

19 MR. SCHWARZ: Thank you, Judge.

20 CROSS-EXAMINATION BY MR. SCHWARZ:

21 **Q. Mr. Locke, I'd like to confirm with**
22 **you, if I might, that all the estimates in your**
23 **testimony and the other KCPL witnesses are not just**
24 **based on the 83 -- 87 miles of transmission line in**
25 **Missouri; is that correct?**

1 A. Any estimates in my testimony that
2 may be there would be related to the impact of the
3 transaction as proposed by the applicants, the
4 ultimate impact of the, first of all, the transfer
5 of the facilities to the operation, the functional
6 control of MISO, as well as the merger between
7 Entergy Transmission and ITC.

8 **Q. I'd like to follow up because I don't**
9 **think that's responsive. It's not based on the two**
10 **miles of wire in Oregon County?**

11 A. No. It's not based upon that, no.

12 **Q. And it's not based on the 11.8 miles**
13 **in Taney County, Missouri?**

14 A. No, certainly not. Right.

15 MR. SCHWARZ: Thank you, Judge.

16 JUDGE PRIDGIN: All right.

17 Mr. Schwarz, thank you. Mr. Lumley, any questions?

18 MR. LUMLEY: No, thank you, Judge.

19 JUDGE PRIDGIN: Mr. Mills?

20 MR. MILLS: No questions.

21 JUDGE PRIDGIN: Mr. Williams?

22 MR. WILLIAMS: Thank you, Judge.

23 CROSS-EXAMINATION BY MR. WILLIAMS:

24 **Q. Mr. Locke, you have in your testimony**
25 **some discussion about what you, I think, are**

1 **attributing to be detriments in terms of rate**
2 **impact?**

3 A. Right. There are -- we have assessed
4 based upon information --

5 Q. Well, that's fine for my question at
6 **this point.**

7 A. All right.

8 Q. Did you do any quantification of
9 **those detriments?**

10 A. A quantification of the rate
11 detriments are contained within Mr. Carlson's
12 testimony.

13 Q. You also, I believe, raise issues
14 **concerning safety and adequacy and reliability?**

15 A. Correct.

16 Q. And did you quantify any of those
17 **concerns?**

18 A. No, we did not. We actually don't
19 have the information necessary to be able to
20 quantify it, and that's actually one issue we have
21 raised in this docket is that we believe that more
22 information is needed and should be required of the
23 applicants in order to quantify the impacts related
24 to safety and reliability, power flows,
25 transmission rate impacts and so forth.

1 There are numerous issues that need
2 to be, I think, set forth before this commission in
3 terms of quantification and, to the extent
4 possible, determination of measurable quantities.

5 **Q. So may I take from that, from what**
6 **you've just said, that you don't have an opinion**
7 **about whether the benefits of the transaction**
8 **outweigh the detriments?**

9 A. What we have in hand, based upon
10 information received not from the applicants but
11 from MISO, is that it appears that the rate -- the
12 rates are likely to substantially increase for
13 through and out service, potentially substantially
14 in excess of 100 percent.

15 What we do not have is any
16 quantification from the applicants as to benefits
17 that would be available to offset those rate
18 increases.

19 And so what we are indicating in
20 our -- in our filings in this docket is that more
21 information is needed that would enable us to
22 assess any offsetting benefits in terms of dollars
23 and cents or other forms of quantification that
24 would allow us to be able to determine that there
25 is indeed measurable benefit to offset what we're

1 seeing as substantial increased cost.

2 **Q. Now, is your quantification of the**
 3 **rate increase impacts based upon a comparison of**
 4 **operating in MISO versus operating under the**
 5 **Entergy services agreement?**

6 A. Essentially what it is is --

7 **Q. Yes or no, please.**

8 A. We do not operate under the Entergy
 9 services agreement. What we're comparing is the
 10 through and out rates on the Entergy open access
 11 transmission tariff to the through and out rates
 12 under the MISO tariff.

13 **Q. So you're indulging in an assumption**
 14 **that you would continue under the Entergy open**
 15 **access tariff if Entergy does not go into MISO, if**
 16 **this transaction is not approved?**

17 A. Correct. We're assuming that we
 18 would continue under Entergy open access
 19 transmission tariff if Entergy stays outside of
 20 MISO. That would be the assumption, the operating
 21 assumption there. That would be our basis of
 22 comparison. In other words, status quo, the rates
 23 that we pay today.

24 MR. WILLIAMS: No further questions.

25 JUDGE PRIDGIN: Mr. Williams, thank

1 you. Commissioner Jarrett?

2 COMMISSIONER JARRETT: I don't have
3 any questions of this witness. Thank you very
4 much, Mr. Locke.

5 JUDGE PRIDGIN: Commissioner Kenney?

6 COMMISSIONER W. KENNEY: I actually
7 have a simple question.

8 QUESTIONS BY COMMISSIONER W. KENNEY:

9 **Q. On your rebuttal testimony, you make**
10 **several comments on pages 3, 7, 9, just about**
11 **safety concerns.**

12 A. Right.

13 **Q. What are KCPL's safety concerns?**

14 A. What we're looking at is, with
15 integration of the MISO of the Entergy facilities
16 and the movement of that -- the load in generation
17 now controlled by Entergy into the MISO RTO, there
18 will be an integration into the market, and as a
19 result of that, MISO will be providing network
20 service for Entergy, which means flows could be
21 altered for that reason.

22 But primarily because of MISO's
23 dispatch of the Entergy generators to meet the
24 loads all across the new MISO footprint, which
25 would include also the Entergy system at that

1 point, there will be new flows across Missouri
2 facilities.

3 So the transmission flows north and
4 south across Missouri we expect to be significantly
5 altered as a result of that optimization in
6 dispatch by the MISO of the Entergy generators and
7 load along with the rest of the existing MISO
8 system.

9 Estimates have been made of those
10 altered flows. There's been some discussion in
11 FERC dockets that flows perhaps could reach as high
12 as 4,000 megawatts of additional north to south
13 flow. There also at times could be substantial
14 south to north flow as well.

15 And all of that has to be carefully
16 managed by Southwest Power Pool, by MISO, and also
17 by another transmission provider that we haven't
18 heard about much today. Associated Electric
19 Cooperative is also right there in the middle of
20 the mix in the middle of Missouri, and it, too,
21 will need to be involved in coordinating with the
22 two RTOs.

23 So because of the substantial new
24 flows north and south and the need to coordinate
25 all of that, we believe that there could be some

1 significant reliability and safety issues that
2 would need to be addressed, and we just need to
3 make sure that those are addressed in the context
4 of developing the new arrangement.

5 Q. How would they be addressed?

6 A. Between MISO and Southwest Power
7 Pool, there is currently a joint operating
8 agreement, and there are some provisions that need
9 to be revised to provide for more effective
10 coordination, and those provisions are currently
11 under discussion between Southwest Power Pool and
12 MISO. They've not been finalized. There would
13 also need to be coordination with AECI as well.

14 So in the development those joint
15 operating agreements between those transmission
16 providers, we would -- we would hope that the
17 necessary provisions would be put in place, but at
18 this point we haven't seen that yet and those
19 agreements are not finalized. So that is -- that
20 remains as an outstanding issue.

21 COMMISSIONER W. KENNEY: Thank you.

22 JUDGE PRIDGIN: And I have no
23 questions. Any recross based on Bench questions?

24 MR. WILLIAMS: I think I have a few.

25 JUDGE PRIDGIN: I think Mr. Mills

1 does as well. We have several volunteers.

2 Mr. Schwarz.

3 RECROSS-EXAMINATION BY MR. SCHWARZ:

4 Q. You mentioned in response to
5 Commissioner Kenney about MISO and SPP current
6 negotiations. Is KCPL party to those?

7 A. We have been providing input.

8 Q. Okay. And the safety concerns that
9 you have, do those concern the 11.8 miles in Taney
10 County? Is that what's causing the problem?

11 A. It involves the 11.8 miles in Taney
12 County as well as other Missouri facilities that --
13 that exist that aren't subject to the CCN
14 application but nonetheless would be certainly
15 impacted by the requested applications.

16 Q. The Omaha to Ozark Beach is a
17 transmission path that KCPL uses?

18 A. Right.

19 Q. And these -- all of these discussions
20 are being conducted under the aegis and supervision
21 of the FERC; is that correct?

22 A. The FERC is the regulatory body that
23 ultimately would approve the joint operating
24 agreement. Once it's developed and finalized, it
25 would be filed with the FERC.

1 **Q. So that's a yes?**

2 A. That would be a yes.

3 MR. SCHWARZ: Thank you.

4 JUDGE PRIDGIN: Thank you,

5 Mr. Schwarz. Mr. Mills?

6 RE CROSS-EXAMINATION BY MR. MILLS:

7 **Q. To follow up on Commissioner Kenney's**
8 **question about safety, what -- I understand the**
9 **issue with the flows are going to be different, but**
10 **what is the actual harm to people or property that**
11 **you foresee as a result of those flows?**

12 A. We simply need the correct operating
13 arrangement set up so that the flows are managed
14 and that there is proper relief of congested flow
15 gates, and the management of flow gates is one of
16 the issues that's under discussion in the joint
17 operating agreement. We have to identify new flow
18 gates that would be created as a result of the
19 integration of Entergy into MISO, and then the
20 allocation of the rights to those flow gates have
21 to be addressed.

22 And so all of that is part of a
23 proper transmission system congestion management,
24 which is essential essentially to ensure that the
25 lines stay reliable and that there are no safety --

1 safety or reliability incidents, either one.

2 **Q. And do you anticipate that that**
3 **management will be done?**

4 A. We are certainly hoping that it will
5 be taken care of, but the details again of that
6 have not yet been worked out. So we don't have all
7 the information in hand at this point to ensure
8 that those will be taken care of.

9 And in addition, of course, there are
10 also other elements of congestion apart from safety
11 and reliability related to cost, the cost of the
12 congestion and the use of Missouri transmission
13 facilities by MISO and Entergy for these
14 transactions and whether or not there would be
15 compensation to Missouri utilities for that use.
16 So there are other issues in addition to safety and
17 reliability.

18 **Q. Right. My question was focused**
19 **solely on safety. And so would it be fair to**
20 **summarize your testimony that you don't have any**
21 **specific safety concerns, but that you're concerned**
22 **that if the new flows are not properly accounted**
23 **for, there could be some safety concerns?**

24 A. That is correct. If they're not
25 properly managed, if the -- if the proper measures

1 are not put in place, there could be safety
2 concerns. We are not citing anything specific, but
3 what we're saying is the Missouri Commission needs
4 information in hand regarding resolution of various
5 issues, including safety and reliability, in order
6 to make a proper public interest assessment.

7 **Q. And if they're not properly managed,**
8 **what could be the result that would damage property**
9 **or harm people?**

10 A. Well, there could -- there certainly
11 could be incidents. I mean, if the congestion is
12 not managed properly, there could be incidents on
13 the facilities that would be -- that would
14 compromise reliability or safety. It has happened
15 elsewhere, and so we just need to make sure those
16 measures are put in place.

17 **Q. Do you draw a distinction in your**
18 **answer there between reliability and safety, or do**
19 **you use both terms?**

20 A. There is a distinction, yes.
21 Reliability would be to ensure that the customers
22 are served without interruption and that facilities
23 are not comprised, and safety would be accidents
24 and so forth that could occur if lines are
25 overloaded.

1 **Q. And you see a risk for both impacts**
2 **on reliability as well as safety concerns?**

3 A. Without proper congestion management,
4 yes, there are both safety and reliability
5 concerns.

6 MR. MILLS: That's all the questions
7 I have.

8 JUDGE PRIDGIN: Mr. Mills, thank you.
9 Mr. Williams?

10 MR. WILLIAMS: Thank you.

11 RE CROSS-EXAMINATION BY MR. WILLIAMS:

12 **Q. Mr. Locke, you talked about joint**
13 **operating agreement between MISO and SPP. Is that**
14 **more commonly referred to as the seams agreement?**

15 A. It's sometimes --

16 **Q. Or commonly.**

17 A. -- informally referred to as seams
18 agreement, yes.

19 **Q. And you indicated there were open**
20 **issues regarding the, and I'll use the term seams**
21 **agreement. Are you suggesting that the FERC has to**
22 **have an approved seams agreement in front of it**
23 **before those open issues are resolved so that this**
24 **Commission can consider them?**

25 A. I think it would be helpful for this

1 Commission to have information about the resolution
2 of those issues before -- before rendering a final
3 decision. In other words, for example, an order
4 could be issued that's conditional upon the final
5 resolution of those issues at FERC.

6 MR. WILLIAMS: No further questions.

7 JUDGE PRIDGIN: Mr. Williams, thank
8 you. Any further recross?

9 (No response.)

10 JUDGE PRIDGIN: Redirect,
11 Ms. Callenbach?

12 REDIRECT EXAMINATION BY MS. CALLENBACH:

13 Q. Mr. Locke, you were asked some
14 questions just a few minutes ago by Mr. Schwarz
15 where he asked you if the potential cost detriments
16 that you discussed were solely related to specific
17 miles in specific counties. Do you recall that
18 line of questioning?

19 A. Yes.

20 Q. And is it your opinion that the
21 transaction can be looked at in a piecemeal fashion
22 as counsel suggested?

23 A. No. The transaction certainly cannot
24 be viewed as a -- in a piecemeal fashion by looking
25 at specific Missouri facilities and keep that apart

1 from what's happening with regard to other Missouri
2 facilities and facilities in other states.

3 This is an integrated proposal. The
4 movement of Entergy into MISO is a -- involves
5 facilities across the Entergy system, multiple
6 states. For example, an illustration of that, of
7 the interdependency is if you look at the decisions
8 faced by, say, the Texas or Louisiana commissions
9 in terms of whether or not they will approve the
10 merger between ITC and Entergy Transmission. They
11 can't simply look at that in isolation without
12 regard for whether, for example, the Arkansas
13 facilities also are merged. They have to consider
14 what's happening in the other states.

15 Similarly, when Missouri looks at
16 this, Missouri has to keep in mind that it's this
17 integrated package, that even though the facilities
18 in question may be only in their own state,
19 nonetheless the impacts are due to the interrelated
20 and interdependent interconnected system and that
21 we have to look at the whole thing as a package.

22 So I think that any regulatory
23 commission in looking at this has to keep that
24 interdependence in mind.

25 Q. Thank you. You also were discussing

1 with Commissioner Kenney certain safety and
2 reliability concerns that the companies have.
3 Could appropriate resolution of the companies'
4 safety and reliability concerns be made a condition
5 of approval of these transactions by this
6 Commission?

7 A. It certainly could, yes.

8 MS. CALLENBACH: Thank you. Nothing
9 further.

10 JUDGE PRIDGIN: All right. Thank
11 you. Thank you very much, Mr. Locke. You can step
12 down. You are excused.

13 I believe that brings us to
14 Mr. Warren.

15 MR. COOPER: Yes, your Honor. Empire
16 would call Mr. Bary Warren.

17 JUDGE PRIDGIN: Come forward to be
18 sworn, please, sir.

19 (Witness sworn.)

20 JUDGE PRIDGIN: Thank you very much,
21 sir. Please have a seat. Mr. Cooper, when you are
22 ready.

23 MR. COOPER: Thank you, your Honor.

24 BARY WARREN testified as follows:

25 DIRECT EXAMINATION BY MR. COOPER:

1 Q. Please state your name.

2 A. Bary Kirk Warren.

3 Q. By whom are you employed and in what
4 capacity?

5 A. The Empire District Electric Company
6 in Joplin, Missouri as the director of transmission
7 policy and compliance.

8 Q. Have you caused to be prepared for
9 the purposes of these proceedings certain rebuttal
10 testimony marked as Case EO-2013-0396 and rebuttal
11 testimony marked Case No. EO-2013-0431 in question
12 and answer form?

13 A. Yes.

14 Q. Is it your understanding that that
15 testimony has been marked as Exhibits 20 and 21 for
16 identification?

17 A. Yes.

18 Q. Do you have any changes that you
19 would like to make to that testimony at this time?

20 A. None.

21 Q. If I were to ask you the questions
22 which are contained in Exhibits 20 and 21 today,
23 would your answers be the same?

24 A. Yes.

25 Q. Are those answers true and correct to

1 **the best of your information, knowledge and belief?**

2 A. To the best of my knowledge, yes.

3 MR. COOPER: Your Honor, I would
4 offer Exhibits 20 and 21 into evidence and tender
5 the witness for cross-examination.

6 JUDGE PRIDGIN: Mr. Cooper, thank
7 you. Any objection?

8 MR. LUMLEY: Judge, we still have our
9 objection to Schedule BKW-2. I understand you've
10 already overruled.

11 JUDGE PRIDGIN: That's correct. Very
12 good. Thank you. All right. That objection is
13 overruled. Objection noted, though. Exhibits 20
14 and 21 are admitted.

15 (EMPIRE EXHIBIT NOS. 20 AND 21 WERE
16 RECEIVED INTO EVIDENCE.)

17 JUDGE PRIDGIN: Cross-examination,
18 Mr. Healy?

19 MR. HEALY: No questions, your Honor.

20 JUDGE PRIDGIN: Ms. Callenbach?

21 MS. CALLENBACH: No questions.

22 JUDGE PRIDGIN: Mr. Schwarz?

23 MR. SCHWARZ: No questions.

24 JUDGE PRIDGIN: Mr. Lumley?

25 MR. LUMLEY: No, thank you, Judge.

1 JUDGE PRIDGIN: Mr. Mills?

2 MR. MILLS: Just one, I think.

3 CROSS-EXAMINATION BY MR. MILLS:

4 Q. Mr. Warren, is it Empire's position
5 that the Commission should simply deny the
6 applications in both of these cases?

7 A. We believe that there's insufficient
8 evidence that has been presented to this
9 Commission --

10 Q. Mr. Warren, that was a yes/no
11 question.

12 A. The answer is yes.

13 MR. MILLS: That's all I have. Thank
14 you.

15 JUDGE PRIDGIN: And Mr. Williams,
16 Mr. Thompson?

17 MR. THOMPSON: Thank you, Judge.

18 CROSS-EXAMINATION BY MR. THOMPSON:

19 Q. Let's take Case 396 first,
20 Mr. Warren. That's the transfer and merger.

21 A. Okay.

22 Q. If you know, what do you believe the
23 financial impacts of that transaction will be on
24 Empire?

25 A. We have not seen any quantifiable

1 evidence to the -- that will affect our cost. We
2 just do know that there are increased costs
3 associated with ITC acquiring the transmission
4 assets in terms of a different capital structure
5 and other, you know, financial issues related to,
6 you know, their purchase of the facilities.

7 **Q. Okay. So if I understand your**
8 **testimony correctly, and I may not, you do not**
9 **believe the transaction will be beneficial for**
10 **Empire, but you do not have a number in terms of**
11 **the monetary impact; is that correct?**

12 **A.** We do not have a number, that is
13 correct.

14 **Q. Now, with respect to the 431**
15 **transaction, which is the MISO, joining MISO, do**
16 **you have a monetary impact number for that case?**

17 **A.** We have a monetary number in terms of
18 the transferring of functional control of the EAI
19 assets to MISO.

20 **Q. What is that number?**

21 **A.** It's approximately \$1.2 million
22 across the Empire system.

23 **Q. So that is how much you expect your**
24 **costs to go up on an annual basis?**

25 **A.** At a minimum.

1 Q. At a minimum. Okay. What's the
2 maximum, or do you know?

3 A. We do not know.

4 Q. Okay. Now, when you say across the
5 Empire system, Empire, in fact, serves load in four
6 states; isn't that correct?

7 A. That is correct.

8 Q. So are you able to tell us how much
9 of that impact is Missouri?

10 A. Based on my testimony, approximately
11 89 percent of that cost would be borne by Missouri
12 retail customers, which would be approximately a
13 million dollars per year.

14 Q. Okay. And that's additional to
15 whatever the cost impact is from the 396 case?

16 A. Additional, that would be correct.

17 Q. Okay. That you don't have a number
18 for?

19 A. Yes, that is correct.

20 MR. THOMPSON: Okay. I believe
21 that's all the questions I have for you. Thank
22 you.

23 JUDGE PRIDGIN: Mr. Thompson, thank
24 you. Commissioner Jarrett?

25 QUESTIONS BY COMMISSIONER JARRETT:

1 Q. Good afternoon, Mr. Warren.

2 A. Hi, sir.

3 Q. How are you today?

4 A. Good.

5 Q. Good. Just a couple of quick
6 questions. I'll ask you the same question I asked,
7 I think, Mr. Carlson. Do you know how many
8 customers Empire serves in Missouri?

9 A. Approximately 149,000.

10 Q. All right. Now, you were here when
11 Mr. Cooper gave his opening statement, were you
12 not?

13 A. Yes.

14 Q. And you remember basically what he
15 said, correct?

16 A. Yes.

17 Q. You can tell I'm going somewhere with
18 this, can't you? No. The reason I ask is because
19 in his opening statement he had -- he had mentioned
20 something about that the Commission could issue an
21 approval based on conditions. I think he set out
22 three conditions. Do you remember that?

23 A. Yes. That's correct.

24 Q. And I think in Empire's position
25 statement that they filed in this case it contains

1 those same three conditions.

2 A. Yes.

3 Q. Now, have you kept up with Entergy's
4 other cases in other states where they are seeking
5 approval to join MISO to any extent?

6 A. We are also jurisdictional in the
7 state of Arkansas, and I have kept up with that
8 docket.

9 Q. All right. So you know, for example,
10 that in Arkansas they issued an approval based on
11 Entergy meeting several conditions?

12 A. That is correct.

13 Q. So that's not unusual for a state
14 commission to do, to issue approvals containing
15 conditions, in your knowledge?

16 A. That's correct.

17 Q. I have no further -- oh, I did want
18 to ask one more thing. You were here when
19 Commissioner Bill Kenney asked several questions of
20 Mr. Locke regarding safety and the way the power
21 flows. Does Empire share those same concerns?

22 A. Yes.

23 COMMISSIONER JARRETT: All right. No
24 further questions. Thank you.

25 JUDGE PRIDGIN: Commissioner Jarrett,

1 thank you. Commissioner Kenney?

2 COMMISSIONER W. KENNEY: Yes.

3 QUESTIONS BY COMMISSIONER W. KENNEY:

4 **Q. Hello, Mr. Warren.**

5 A. Hi.

6 **Q. Just a short question. You**
7 **mentioned, and it was Mr. Thompson asked you about**
8 **it, on page 10 of your rebuttal testimony about the**
9 **1.2 million and 1 million going towards Missouri**
10 **customers. Earlier we heard that there's a**
11 **figure -- there was testimony given that the**
12 **overall cost increase across the board would be**
13 **about 8.1 percent. Did those numbers -- and that**
14 **58 percent of that would be mitigated. Would that**
15 **8.1 percent, do you think that's -- does that bear**
16 **into play with your 1 million or do you think it's**
17 **more?**

18 A. Basically it just -- it basically
19 says that my \$1 million estimate is low, because
20 the -- in my testimony the calculations were based
21 on Entergy Arkansas current rates or Entergy
22 Services Company's current rates that we pay, our
23 customers pay for the delivery of Plum Point
24 compared to the MISO through and out rate.
25 Therefore, any increase in cost due to the

1 acquisition of ITC of the transmission assets of
2 Entergy Arkansas are in addition to that.

3 Q. Okay. So you would have to -- if you
4 took those numbers into account, you would have to
5 raise the cost to Missouri customers?

6 A. Yes.

7 COMMISSIONER W. KENNEY: Okay. Thank
8 you.

9 JUDGE PRIDGIN: I have no questions.
10 Any recross based on Bench questions? Mr. Schwarz?

11 RECROSS-EXAMINATION BY MR. SCHWARZ:

12 Q. Mr. Warren, you testified that you
13 followed the Arkansas proceedings; is that correct?

14 A. Yes.

15 Q. And the costs that we're talking
16 about here are basically costs of the Arkansas
17 transmission assets moving into MISO; is that
18 correct?

19 A. The Arkansas --

20 Q. Transmission.

21 A. The Entergy Arkansas transmission
22 assets.

23 Q. Yes.

24 A. Yes.

25 Q. And the Arkansas Commission's already

1 **approved that move, have they not?**

2 A. They approved the transfer of
3 functional control of Entergy Arkansas into MISO.

4 MR. SCHWARZ: Thank you.

5 THE WITNESS: With conditions.

6 JUDGE PRIDGIN: Any further recross?

7 (No response.)

8 MR. COOPER: Yes, your Honor.

9 JUDGE PRIDGIN: Redirect?

10 REDIRECT EXAMINATION BY MR. COOPER:

11 **Q. Following up on Mr. Schwarz' question**
12 **there at the end, has this Commission approved the**
13 **transfer of the Missouri transmission assets to**
14 **MISO?**

15 A. No.

16 MR. COOPER: That's all the questions
17 I have.

18 JUDGE PRIDGIN: All right. Thank
19 you. All right. Mr. Warren, thank you very much.
20 You may step down. You're excused.

21 THE WITNESS: Thank you.

22 JUDGE PRIDGIN: And I don't see any
23 further witnesses on this notice or on the list.
24 Is there anything further from counsel?

25 MR. LUMLEY: Judge?

1 JUDGE PRIDGIN: Mr. Lumley.

2 MR. LUMLEY: We would ask that you
3 consider shortening the briefing schedule a little
4 bit. We're finishing the hearing a day earlier
5 than scheduled in any event, but I would propose
6 that we change the -- the current dates as I have
7 them were July 12th and August 2nd, and I would
8 propose new dates of July 8th and July 18th to move
9 this case along.

10 JUDGE PRIDGIN: Could you state those
11 new dates again, please?

12 MR. LUMLEY: Yes. June 8th for
13 initial briefs and then July 18th for reply. And
14 if possible, move the transcript up a little bit,
15 but if that's not possible, I understand.

16 JUDGE PRIDGIN: Do the parties have
17 any objections or do you want time to file
18 something in reply?

19 MR. THOMPSON: That's fine with
20 Staff.

21 MR. STEINER: Judge, this is the
22 first we've heard of it. I'm not in favor of it
23 due to a busy calendar. I can put my comments in
24 later, but I would say we stick with the original
25 schedule. I like the time frame between initial

1 and reply as well. I like the extra days.

2 MR. COOPER: Your Honor, I think
3 July 8 is problematic as well because of personnel
4 availability issues associated with that July 4th
5 week before that.

6 JUDGE PRIDGIN: All right. Well, if
7 the parties could -- I mean, Mr. Lumley, if you
8 still want those dates, feel free to file a motion,
9 and obviously parties are free to respond, and I'll
10 let the Commission make that call on the dispute
11 like that.

12 MR. LUMLEY: Thank you, Judge.

13 JUDGE PRIDGIN: Anything further from
14 counsel? From the Bench? All right. Looks like
15 we are done. Thank you very much. We are off the
16 record.

17 (WHEREUPON, the hearing concluded at
18 1:58 p.m.)

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)

3) ss.

4 COUNTY OF COLE)

5 I, Kellene K. Feddersen, Certified

6 Shorthand Reporter with the firm of Midwest

7 Litigation Services, do hereby certify that I was

8 personally present at the proceedings had in the

9 above-entitled cause at the time and place set

10 forth in the caption sheet thereof; that I then and

11 there took down in Stenotype the proceedings had;

12 and that the foregoing is a full, true and correct

13 transcript of such Stenotype notes so made at such

14 time and place.

15 Given at my office in the City of

16 Jefferson, County of Cole, State of Missouri.

17

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Kellene K. Feddersen, RPR, CSR, CCR

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