

Exhibit No.:
Issue: Transfer of Assets
Witness: Richard C. Riley
Type of Exhibit: Direct
Sponsoring Party: EAI
Case No.: EO-2013-0396
Date Testimony Prepared: April 25, 2013

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

FILED
July 9, 2013
Data Center
Missouri Public
Service Commission

In the Matter of the Joint Application)
of Entergy Arkansas, Inc., Mid South)
TransCo LLC, Transmission Company)
Arkansas, LLC and ITC Midsouth LLC)
for Approval of Transfer of Assets and)
Certificate of Convenience and Necessity,)
and Merger and, in connection therewith,)
Certain Other Related Transactions)

File No. EO-2013-0396

DIRECT TESTIMONY

OF

RICHARD C. RILEY

ON BEHALF OF

ENTERGY ARKANSAS, INC., MID SOUTH TRANSCO LLC, AND
TRANSMISSION COMPANY ARKANSAS, LLC

April 25, 2013

EAI Exhibit No. 1
Date 6-18-13 Reporter KF
File No. EO-2013-0396

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OF THE STATE OF MISSOURI**

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File No. EO-2013-0396

STATE OF MISSISSIPPI)
) ss.
COUNTY OF HINDS)

Affidavit of Richard C. Riley

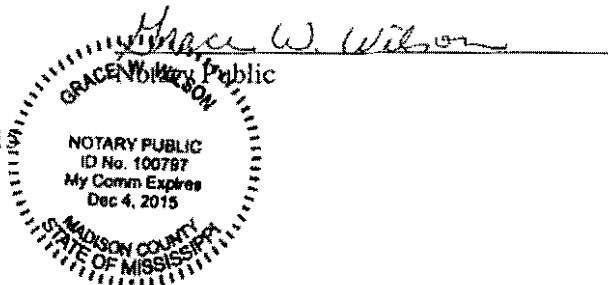
Richard C. Riley, being first duly sworn, on his oath states:

1. My name is Richard C. Riley. I am employed by Entergy Services, Inc. as Vice President, Energy Delivery, having its principal place of business at 6540 Watkins Drive, Jackson, Mississippi 39213. I am filing this direct testimony on behalf of Entergy Arkansas, Inc., Mid South Transco LLC, and Transmission Company Arkansas, LLC.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. EO-2013-0396.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.


Richard C. Riley

Subscribed and sworn to before me this 25th day of April, 2013.

My Commission expires: December 4, 2015



1 **I. BACKGROUND AND INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND CURRENT BUSINESS
3 ADDRESS.

4 A. My name is Richard C. Riley. My business address is 6540 Watkins
5 Drive, Jackson, Mississippi 39213.

6
7 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

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

10
11 Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

12 A. I am filing this direct testimony on behalf of Entergy Arkansas, Inc.
13 ("EAI"), Mid South TransCo LLC ("Mid South TransCo"), and
14 Transmission Company Arkansas, LLC ("TC Arkansas").

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

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

¹ ESI is a service company subsidiary of Entergy Corporation that provides technical and administrative services to all the Entergy Operating Companies. The Entergy Operating Companies are EAI, Entergy Louisiana, LLC ("ELL"), Entergy Gulf States Louisiana, L.L.C. ("EGSL"), Entergy Mississippi, Inc. ("EMI"), Entergy New Orleans, Inc. ("ENO"), and Entergy Texas, Inc. ("ETI").

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

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

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

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

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

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

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

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

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

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

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

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 A. The purpose of my testimony is to support the Joint Application of EAI,
11 Mid South TransCo, and TC Arkansas filed on February 14, 2013
12 together with ITC Midsouth LLC ("ITC").³ My testimony primarily
13 addresses the limited nature and extent of EAI's facilities located in
14 Missouri, including the transmission assets to be transferred to TC
15 Arkansas and ultimately to ITC.

16

³ I note that I also sometimes may refer to ITC Holdings Corp. generally as "ITC."

1 **II. EAI'S FACILITIES LOCATED IN MISSOURI**

2 Q. CAN YOU DESCRIBE WHAT FACILITIES EAI HAS THAT ARE
3 LOCATED IN MISSOURI?

4 A. EAI recently obtained a certificate from the Missouri Public Service
5 Commission ("Commission") in File No. EA-2012-0321 with respect to
6 limited transmission and distribution assets it currently owns in
7 Missouri.⁴ As set forth in that certificate proceeding, EAI's facilities
8 include high voltage transmission and distribution facilities with new
9 additions and improvements thereto located in Missouri within Dunklin,
10 New Madrid, Oregon, Pemiscot, and Taney Counties. These facilities
11 were described more fully in Appendix 4 attached to the Joint
12 Application.

13

14 Q. FOR WHAT PURPOSE ARE THESE FACILITIES USED?

15 A. EAI's facilities in Missouri are used to furnish wholesale electric service
16 in Missouri to various cities and electric cooperatives subject to the
17 rate jurisdiction of the FERC. They are also used to serve EAI's retail
18 customers in north Arkansas subject to the retail rate jurisdiction of the
19 APSC.

20

⁴ Order Granting Certificate of Convenience and Necessity dated on July 21, 2012 in File No. EA-2013-0321.

1 Q. ARE EAI'S FACILITIES IN MISSOURI USED TO PROVIDE RETAIL
2 SERVICE TO EAI RETAIL CUSTOMERS IN MISSOURI?

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

5 Q. ARE EAI'S FACILITIES IN MISSOURI RATE REGULATED BY THE
6 MISSOURI PUBLIC SERVICE COMMISSION?

7 A. No, they are not rate regulated by the Commission. As I indicated
8 above, they are not used to serve any EAI retail customers in Missouri.
9

10 Q. DOES EAI PROVIDE ELECTRIC SERVICE TO THE GENERAL
11 PUBLIC IN MISSOURI?

12 A. No. EAI does not hold itself out as providing or otherwise provide
13 electric service to the general public in Missouri and does not maintain
14 tariffs on file in Missouri. As noted in more detail in the Joint
15 Application, EAI is an Arkansas corporation (but will be reorganized as
16 a limited liability company in connection with the Transaction)
17 authorized to do business in Missouri with its principal place of
18 business in Little Rock, Arkansas.
19

20 Q. BRIEFLY DESCRIBE EAI'S HISTORY OF SERVICE IN MISSOURI.

21 A. As fully addressed in File No. EA-2012-0321, EAI previously served
22 wholesale and retail customers in Missouri in the 1980s and 1990s,
23 doing business under the name of its predecessor, Arkansas Power

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

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

18 A. EAI is not currently a member of an RTO but is in the process of
19 integrating with MISO. On December 18, 2005, EAI issued notice that

⁵ Entergy Corporation is the holding company that owns the Entergy Operating Companies – Entergy Arkansas, Inc.; Entergy Gulf States Louisiana, L.L.C.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; and Entergy New Orleans, Inc.; and Entergy Texas, Inc.; as well as System Energy Resources, Inc., the owner of Grand Gulf nuclear plant; and numerous other corporate subsidiaries that are engaged in competitive enterprises.

⁶ File Nos. EM-91-29 and EM-91-404.

1 it was terminating its participation in the Entergy System Agreement
2 ("System Agreement")⁷ effective December 18, 2013. MISO will
3 provide many of the electric system operations functions for EAI that
4 previously were provided under the System Agreement.

5

6 Q. IS EAI'S DECISION TO JOIN MISO PART OF THE TRANSACTION
7 SET FORTH IN THE JOINT APPLICATION?

8 A. No, it is not. EAI's decision to join MISO is independent of the
9 Transaction with ITC described in the Joint Application. Section
10 6.01(g) of the Merger Agreement, attached as Appendix 1 to the Joint
11 Application, provides that the Transaction described in the Joint
12 Application is conditioned on Entergy having received all necessary
13 approvals from state and federal regulatory authorities to allow the
14 Transmission Business to become a member of an acceptable RTO.
15 However, that condition is just that – one condition to closing and is
16 similar to requiring, for example, that the Operating Companies
17 maintain valid title to or proper insurance on the applicable facilities
18 which are the subject of the Transaction with ITC. However, EAI's
19 decision to join MISO is separate from the Transaction with ITC, and
20 EAI will join MISO regardless of the outcome of the Transaction with

⁷ The System Agreement is a rate schedule approved by the FERC and contract entered into among ESI and the Entergy Operating Companies, which requires the Entergy Operating Companies to plan, construct and operate their generation and bulk transmission facilities as a single, integrated electric system.

1 ITC. Again, joining MISO is EAI's plan for post-System Agreement
2 operations of its electrical facilities beginning in December of this year
3 and is not dependent on the Transaction with ITC.⁸

4
5 Q. WITH RESPECT TO ITS LIMITED FACILITIES IN MISSOURI, DOES
6 EAI HAVE ANY PENDING COMPLAINTS OR FINAL UNSATISFIED
7 JUDGMENTS OR DECISIONS AGAINST IT FROM ANY STATE OR
8 FEDERAL AGENCY OR COURT THAT INVOLVE CUSTOMER
9 SERVICE OR RATE COMPLAINTS THAT OCCURRED WITHIN
10 THREE YEARS PRIOR TO THE DATE OF THE JOINT APPLICATION
11 SUFFICIENT TO AFFECT THE MATTERS IN THE JOINT
12 APPLICATION?

13 A. No. EAI does not. EAI also does not have any annual report or
14 assessment fees that are overdue to the Commission.

15

16 Q. DOES EAI EMPLOY ANY EMPLOYEES IN MISSOURI FOR THE
17 PURPOSE OF MAINTAINING ITS FACILITIES LOCATED IN
18 MISSOURI?

19 A. No, EAI does not have employees based in Missouri employed for the
20 purpose of maintaining the limited facilities located in Missouri.

⁸ It is worth noting that in its order establishing Docket No. 10-011-U, the APSC described its concerns about the System Agreement and the need for EAI to investigate all options for its operations upon the termination of the System Agreement in December 2013. Docket No. 10-011-U, Order No. 1 at 5-7 (February 11, 2010).

1

2 **III. EAI'S TRANSACTION WITH ITC**

3 Q. PLEASE PROVIDE AN OVERVIEW OF EAI'S PROPOSED
4 TRANSACTION WITH ITC THAT WAS DISCUSSED IN THE JOINT
5 APPLICATION.

6 A. On December 4, 2011, Entergy Corporation, ITC Holdings Corp., and
7 certain of their respective subsidiaries entered into agreements to
8 transfer ownership of the transmission assets of the Entergy Operating
9 Companies to Mid South TransCo, a subsidiary of Entergy
10 Corporation, to distribute Mid South TransCo to Entergy Corporation
11 shareholders and to merge Mid South TransCo with a subsidiary (ITC
12 Midsouth LLC) of ITC Holdings Corp. (again, what I am calling the
13 "Transaction"). The result of the Transaction will be ownership of the
14 Entergy Operating Companies' transmission assets⁹ by an
15 independent transmission-only company with no generation or
16 distribution assets, and I refer also to the organizational charts that
17 reflected the relationships of the merging entities before and after the
18 Transaction that were attached to the Joint Application as Appendix 5.

19

⁹ Generally speaking, the "transmission assets" include facilities which are operated at and above 69 kV, except certain assets, none of which is located in Missouri, such as step-up transformers located at generating stations owned by the Entergy Operating Companies.

1 Q. BESIDES EAI, WHAT OTHER EAI AFFILIATES ARE PARTIES TO
2 THE JOINT APPLICATION REGARDING THE TRANSACTION?

3 A. Mid South TransCo is a limited liability company organized and
4 existing under the laws of the State of Delaware. Mid South TransCo
5 itself does not and will not as a result of the Transaction conduct
6 business in Missouri. Additionally, TC Arkansas is a limited liability
7 company organized and existing under the laws of the State of
8 Michigan; TC Arkansas also is authorized to do business in Missouri
9 as reflected on Appendix 2 attached to the Joint Application. TC
10 Arkansas will become a subsidiary of Mid South TransCo, which will be
11 spun off to Entergy Corporation shareholders and then merged with
12 ITC Midsouth LLC. TC Arkansas will own and operate EAI's
13 transmission assets that are located in Missouri. After the Transaction
14 is complete, TC Arkansas plans to change its name to ITC Arkansas
15 LLC, and its principal business address and contact information will
16 change to match that of ITC Midsouth LLC.

17

18 Q. DOES MID SOUTH TRANSCO OR TC ARKANSAS HAVE ANY
19 PENDING COMPLAINTS OR FINAL UNSATISFIED JUDGMENTS OR
20 DECISIONS AGAINST IT FROM ANY STATE OR FEDERAL
21 AGENCY OR COURT THAT INVOLVE CUSTOMER SERVICE OR
22 RATE COMPLAINTS THAT OCCURRED WITHIN THREE YEARS

1 PRIOR TO THE DATE OF THE JOINT APPLICATION SUFFICIENT
2 TO AFFECT THE MATTERS IN THE JOINT APPLICATION?

3 A. No, they do not. They also do not have any annual reports or
4 assessment fees that are overdue to the Commission.

5

6 Q. WILL THE TRANSACTION IMPACT ANY EAI EMPLOYEES IN
7 MISSOURI?

8 A. No. EAI does not have any employees based in Missouri employed for
9 the purpose of maintaining the Missouri EAI facilities.

10

11 Q. DOES THE TRANSACTION INCLUDE OTHER PROCESSES
12 DESIGNED TO ENSURE CONTINUITY OF CRITICAL FUNCTIONS?

13 A. Yes. The Transaction includes processes designed to ensure
14 continuity of all critical functions necessary for the safe and reliable
15 operation of the transmission assets, including EAI's limited
16 transmission assets in Missouri. For example, transition services
17 agreements (attached to the Joint Application as Appendix 9), which
18 have been submitted for FERC approval, will support a smooth and
19 efficient transfer of the transmission assets. Pursuant to these
20 transitional agreements, the Entergy Operating Companies and
21 affiliates will provide services in the areas of field support, engineering
22 support, site access, and corporate support services to ITC, and
23 likewise, ITC will provide services in such areas to the Entergy

1 Operating Companies – including EAI – during the term of those
2 agreements.

3
4 Q. DO YOU OTHERWISE EXPECT THE TRANSACTION TO RESULT IN
5 ANY DISRUPTION OF ELECTRIC SERVICE DUE TO THE
6 TRANSFER OF TRANSMISSION ASSETS IN MISSOURI TO ITC?

7 A. No. EAI anticipates that there will be a seamless transition of
8 ownership and operation of the limited transmission assets in Missouri
9 from EAI to ITC. Entergy Corporation and ITC Holding Corp. have
10 formed a Project Management Office involving senior executives from
11 the Entergy Operating Companies, their affiliates, and ITC.
12 Additionally, ITC Holding Corp. has established teams representing all
13 involved business areas to facilitate the integration of EAI's
14 transmission assets into ITC's systems. I also note that prior to the
15 Joint Application being filed, EAI and ITC contacted interested
16 associations and other stakeholders including The Empire District
17 Electric Company and MJMEUC to assure them that the Transaction
18 will not interrupt service. EAI and ITC are committed to completing the
19 Transaction in a responsible manner with a goal of providing
20 uninterrupted services to Missouri wholesale customers and EAI's
21 retail customers in north Arkansas. Indeed, ITC Holding Corp. already
22 is an established entity in Missouri through its affiliate ITC Midwest and
23 qualified to operate EAI's limited transmission facilities in the State.

1

2 Q. DOES THE TRANSACTION INVOLVE ANY MISSOURI INTRASTATE
3 REVENUES?

4 A. No.

5

6 Q. WILL THE TRANSACTION IMPACT THE TAX REVENUES OF THE
7 POLITICAL SUBDIVISIONS IN MISSOURI IN WHICH EAI'S
8 TRANSMISSION FACILITIES ARE LOCATED?

9 A. EAI does not anticipate any significant impact on the tax revenues of
10 the political subdivisions in Missouri in which the facilities are located.

11

12 Q. DOES EAI POSSESS ANY NECESSARY AUTHORITY TO USE
13 PUBLIC ROADS AND RIGHTS-OF-WAY FOR ITS TRANSMISSION
14 FACILITIES LOCATED IN MISSOURI?

15 A. Yes. EAI already possesses the necessary authority to use public
16 roads and rights-of way for its limited transmission facilities located in
17 Missouri and will obtain any necessary consent to assign that authority
18 to TC Arkansas in conjunction with the Transaction.

19

20 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

21 A. Yes.

Respectfully submitted,

BLITZ, BARDGETT & DEUTSCH, L.C.

By: Thomas R. Schwarz, Jr.

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Attorneys for Entergy Arkansas, Inc., Mid
South TransCo LLC, and Transmission
Company Arkansas, LLC

CERTIFICATE OF SERVICE

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

Thomas R. Schwarz, Jr.
Thomas R. Schwarz, Jr.