

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Entergy Services, Inc.) Docket No. ER12-2390-000
)
)

**MOTION TO INTERVENE AND COMMENTS
OF SOUTHWEST POWER POOL, INC.**

Pursuant to Rule 214 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.214, Southwest Power Pool, Inc. (“SPP”) submits this motion to intervene and comments in the above-captioned proceeding. In support, SPP states as follows:

I. BACKGROUND AND MOTION TO INTERVENE

SPP is a Commission approved Regional Transmission Organization (“RTO”).¹ It is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP currently has 67 members in nine states and serves more than 6 million households in a 370,000 square-mile area. SPP’s members include 14 investor-owned utilities, 11 municipal systems, 12 generation and transmission cooperatives, 4 state agencies, 8 independent power producers, 10 power marketers, and 8 independent transmission companies. As an RTO, SPP is a transmission provider currently administering Transmission Service over 48,874 miles of transmission lines covering portions of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

As an RTO, SPP administers open-access transmission services across the SPP region under the terms of SPP’s Open Access Transmission Tariff (“Tariff” or “OATT”). SPP plans for

¹ See *Southwest Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh’g*, 110 FERC ¶ 61,137 (2005).

and functionally controls the transmission infrastructure committed to it and administers a competitive real-time wholesale electricity marketplace. The transmission facilities used to provide service under the SPP Tariff are comprised of the transmission facilities owned by public utility and non-public utility members of SPP. SPP also serves as the Independent Coordinator of Transmission (“ICT”) for Entergy Services, Inc. (“Entergy”), and has served in that capacity for almost six years since its implementation in 2006. In this role, SPP independently administers Entergy’s OATT, conducts long-term transmission planning, serves as the Reliability Coordinator for the Entergy transmission system, and oversees Entergy’s operation of an enhanced Weekly Procurement Process (“WPP”) for obtaining competitive energy supply. Additionally, SPP facilitates an extensive stakeholder process which has provided an open and transparent forum for Entergy stakeholders to address concerns. SPP’s ICT agreement with Entergy is scheduled to expire on November 17, 2012.

On August 2, 2012 in this docket, Entergy filed with the Commission a request to approve an extension of the ICT arrangement through December 31, 2014, or the date Entergy transfers functional control of its transmission assets to the Midwest Independent Transmission System Operator, Inc. (“MISO”), and the transfer of ICT functions from SPP to MISO effective December 1, 2012. Because SPP serves as the current ICT and is willing and able to continue serving as the ICT, the transfer of the ICT functions to MISO will have a direct impact on SPP; and therefore, SPP has an interest that may be directly affected by the outcome of this proceeding and that cannot be adequately represented by any other party. SPP requests that the Commission grant this motion and allow it to participate as a party to this proceeding and accept SPP’s comments.

II. COMMENTS

The reasons for the implementation of the ICT are not new to the Commission. The history of concerns regarding transmission service on Entergy's multi-state transmission system is comprehensive and complex spanning many dockets and years. Prior to the implementation of the ICT, the Commission was involved in multiple litigations and investigations into Entergy's administration of its transmission system, implementation of the AFC process and compliance with Commission orders. In addition, technical conferences were held by the Commission to give Entergy stakeholders a platform to express their concerns.² Out of these actions was born the idea of an independent administrator for the Entergy transmission system.³ Indeed, in its order conditionally approving the ICT, the Commission recognized that the ICT proposal "is the third variation the Commission, state regulators and market participants have worked with Entergy on to ensure Entergy's proposed variations are consistent with or superior to the Order No. 888 OATT and that the OATT is implemented on a nondiscriminatory basis."⁴

SPP has supported the ICT effort throughout its creation and implementation. As early as 2004, SPP expressed a willingness to perform the ICT function⁵ and received support from numerous stakeholders and commentators. SPP believes that in the absence of Entergy's participation in the SPP RTO, the ICT arrangement is better than the status quo existing prior to

² Technical Conferences were held in New Orleans, Louisiana in July 2004 and in Jackson, Mississippi in October 2004.

³ *See Arkansas Public Service Commission*, 119 FERC ¶ 61,223 at PP 46-56 (2007) (In dismissing the Arkansas Public Service Commission's complaint without prejudice, the Commission found in part that the significant reforms the Commission had approved are intended to address the complaint's issues; such reforms include the implementation of the ICT).

⁴ *See Entergy Services, Inc.*, ¶ 115 FERC 61,095 at P. 4 (2006).

⁵ At the October 8, 2004 Technical Conference held in Jackson, Mississippi, SPP indicated its willingness to serve as the ICT. Tr. 120-121.

the implementation of the ICT.⁶ However, SPP has consistently maintained the position that RTO membership for Entergy is the best alternative, and SPP is the best option for Entergy RTO membership.⁷

Because of the proven benefits derived from the reliability coordination, tariff administration, regional planning, WPP oversight and congestion management services provided by SPP as the ICT, SPP supports the Companies' request to extend the ICT arrangement, but requests that the Commission consider three primary areas when determining whether to grant Entergy's request to transfer the ICT to MISO.

First, SPP is the Commission-approved ICT and has been since November 1, 2006. SPP has had a close-working relationship with Entergy that dates to the formation of SPP. Currently as the ICT, SPP acts as the Reliability Coordinator for the Entergy transmission system, provides tariff administration for transmission and interconnection service under Entergy's OATT, performs regional planning, oversees the operation of the WPP, and grants or denies requests for transmission service under the Entergy OATT. With the exception of the WPP service, SPP has performed similar services for its members since 1997. Entergy and SPP members have both benefitted from the synergies that have been realized from SPP's vast and significant experience in performing these services. These synergies will be lost if the ICT transfers to another party.

The Entergy system and the systems of many SPP members have been, and continue to be, strongly interconnected. Further, SPP has members that are fully imbedded in the Entergy system. Currently, there are 41 existing connections between Entergy and SPP members, and 9 connections between Entergy and SPP market participants. The proposal to transfer the

⁶ See *Motion for Leave to Answer and Answer of Southwest Power Pool, Inc.*, FERC Docket No. ER05-1065 at 3 (February 22, 2006).

⁷ Supplemental Testimony Regarding ICT/RTO Issues of Leslie E. Dillahunt, APSC Docket No. 04-137-U 16 at 8-10 (Dec. 22, 2005).

responsibilities of the ICT to MISO will certainly have impacts on SPP and its members, as well as impacts on Entergy customers. This proposal introduces a new party, MISO, with admittedly little experience in the Entergy's system operations,⁸ and the impact of those operations on SPP and third parties surrounding Entergy introduces reliability risk that does not exist today. It also requires coordination with yet another party, MISO, in reliability operations, tariff administration, and transmission planning, requiring much more coordination than exists today. The need to coordinate activities among multiple parties on a scale of this magnitude will increase the potential that operational complexity will open the door for errors to occur.

During the time that SPP has served as the ICT, SPP has initiated enhanced Transmission Loading Relief reporting, provided solutions to many issues that have plagued the Entergy system for years including historic problems in the Acadiana Load Pocket, improved Entergy system reliability, improved planning and construction in the Entergy region, and implemented a strong stakeholder process. From the regional planning perspective, there have been significant improvements in Base Plan projects during the period from 2009 to 2012. While the number of Base Plan projects increased from 80 in 2009 to 227 in 2012, the number of such projects not included in Entergy's Construction Plan during that same period was reduced from 31 in 2009 to 0 in 2012.⁹ In addition, SPP as the ICT oversaw the creation of the WPP, validated that the end product of the WPP was aligned with the Commission approved WPP structure, and administered the WPP, among other things. If for any reason the proposed transfer of the ICT

⁸ See MISO's tariff filing in FERC Docket No. ER12-480-000, which states that with respect to the Entergy System, MISO has not "had any historical opportunity to study their respective transmission infrastructure levels and plans." (p. 6). Available at: http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13974496.

⁹ See SPP Proposal for Continuation of Independent Coordinator of Transmission Services PowerPoint Presentation from March 13, 2012, slide 11, attached hereto in pertinent part as Exhibit "A." To view an electronic version of the PowerPoint Presentation, please visit <http://www.spp.org/section.asp?group=1631&pageID=27> and view the zip file titled ERSC WG-Stakeholders Meeting Materials 3-14-12.

responsibilities to MISO weaken the improvements initiated and maintained by SPP as the ICT, SPP and its members and Entergy customers will be negatively affected. The proposal to transfer the ICT to MISO is not based on any perceived or real opportunity to improve the operation of the Entergy system.

The second factor that the Commission should consider is that Entergy's request to transfer the ICT to MISO is premature. MISO has offered to perform the ICT function for Entergy only on a transitional basis until Entergy is fully integrated into MISO; and MISO has not committed to providing ICT services long-term. The Entergy Operating Companies have filed applications to transfer functional control of their respective facilities to MISO at the Arkansas Public Service Commission ("APSC"), Louisiana Public Service Commission ("LPSC"), Mississippi Public Service Commission ("MPSC"), New Orleans City Council and the Public Utility Commission of Texas ("PUCT"). As of this filing, only the Arkansas and Louisiana commissions have issued orders on Entergy's application to join MISO. The APSC in Order No. 68 issued in Docket No. 10-011-U on August 3, 2012 determined that Entergy Arkansas, Inc. ("EAI") joining MISO is not in the public interest at this time and declined to take further action on Entergy's application to transfer functional control.¹⁰ The APSC further determined that EAI should continue to maintain membership in SPP as a viable option in the event EAI is not able to become a MISO member for any reason.¹¹ Although the LPSC

¹⁰ Arkansas Public Service Commission, Docket No. 10-011-U, *In the Matter of A Show Cause Order Directed to Entergy Arkansas, Inc. Regarding its Continued Membership in the Current Entergy System Agreement, or Any Successor Agreement Thereto, and Regarding the Future Operation and Control of Its Transmission Assets*, Order No. 68, issued August 3, 2012, p. 33, available at: http://www.apscservices.info/pdf/10/10-011-u_918_1.pdf.

¹¹ *Id.* at 24.

conditionally approved Entergy's transfer to MISO¹², the LPSC recognized that "[Entergy Gulf States Louisiana, L.L.C. and Entergy Louisiana, LLC] membership in MISO would be problematic absent [EAI] membership."¹³ In its order, the LPSC, adopted contingencies and conditions that will require reevaluation of the public interest determination in the event EAI is not authorized to join MISO.¹⁴ It is currently uncertain whether Entergy will join MISO. The current uncertain status of necessary regulatory approvals and in light of the transitory nature of MISO's stated willingness to perform the ICT functions makes it premature for the Commission to consider the transfer of ICT functions.

It is clear that if any of these jurisdictions withhold authorization to transfer control, or if for any other reason Entergy is not fully integrated into MISO, MISO has not expressed a willingness to continue to provide ICT services on a long-term basis.¹⁵ Although the ICT function is separate from joining MISO and does not obligate the Companies to join MISO, there will be resources and expenses required to facilitate an ICT transition and a learning curve for MISO. If this decision is made prematurely and Entergy does not, for any reason, fully integrate

¹² Louisiana Public Service Commission, Docket No. U-32148, *Ex Parte, In Re: Joint Application Regarding Transfer of Functional Control of Certain Transmission Assets to the Midwest Independent Transmission System Operator, Inc. Regional Transmission Organization, for an Accounting Order Deferring Implementation Costs, and Request for Timely Treatment*, Order No. U-32148, issued June 28, 2012.

¹³ *Id.* at 18.

¹⁴ *Id.*

¹⁵ *See Ex parte, In re: Application of Entergy Louisiana, Inc. and Entergy Gulf States, Inc. for Review of Proposal to Establish Independent Coordinator of Transmission*, LPSC Docket No. U-32300 at p. 12 (April 25, 2012) ("In the event the Companies were not to complete their membership in the MISO RTO, MISO would continue to provide the ICT services through 2014, if desired, in order to allow the Companies a reasonable opportunity to evaluate and implement appropriate arrangements for the period beyond 2014."). *See also Entergy Services, Inc.*, FERC Docket No. ER12-2390-000 at 2 (August 2, 2012) ("Entergy Filing") ("In the event integration by [December 2013] does not occur as planned, MISO has agreed to provide ICT services through December 2014 to accommodate that possible contingency, and [Entergy] requests approval to continue the ICT arrangement for a period that could extend through December 2014.").

into MISO, further resources and expenses will be required to transfer the ICT function to another provider. In light of this uncertainty, it is valid to question whether the concerns and issues regarding the Entergy's transmission system will return to the pre-2006 conditions that existed prior to the implementation of the ICT.

In addition to the potential costs of transferring the ICT from MISO to another service provider should Entergy not join MISO, there are no real cost savings to transfer the performance of ICT functions to MISO.¹⁶ Notwithstanding Entergy's implication that transferring the ICT to MISO will result in approximately \$5 million less per year, the facts are that the ICT cost offers are equal for both MISO and SPP. Indeed, Entergy's transmittal letter recognizes SPP's willingness to match MISO's bid. SPP's willingness to match MISO's bid was based on SPP's belief that SPP retaining the ICT is in the best interests of Entergy stakeholders and the region as a whole.

However, it is important to note that SPP's offer to match MISO's bid was only required for the first 13 months. In MISO's original bid (and SPP's match), the \$5 million reduction in cost is only valid for the first 13 months. After the first 13 months, MISO's bid increased to the current contractual cost being provided by SPP. Based on the ICT service proposals made by SPP and MISO there is no cost savings to Entergy nor is there any operational advantage associated with MISO performing the ICT function thus further removing any logical reason to prematurely transfer the ICT function to MISO.

¹⁶ MISO is already experiencing costs increases to the integration of Entergy into the MISO RTO. *See Report of the Midwest Independent Transmission System Operator, Inc.*, FERC Docket Nos. AC12-27-000 and ER12-1020-000 (August 14, 2012) (MISO has determined a year-to-date variance of approximately \$1,195,196.00 between projected costs and actual costs; where the projected budget of \$6,809,499.00 has been exceeded by the year-to-date actual cost of \$8,004,696.00.).

According to Entergy's filing in this docket, MISO's independent market monitoring unit, Potomac Economics, Ltd. ("Potomac") will provide oversight for the WPP under the ICT contract with MISO.¹⁷ Additionally, Entergy represented in its filing that Entergy and Potomac are engaged in negotiations for broader market monitoring services for the Entergy footprint.¹⁸ As of August 23, 2012 at the Energy Regional State Committee ("E-RSC")¹⁹ meeting, Entergy informed the E-RSC and Entergy stakeholders that Entergy is working toward an agreement with Potomac regarding the additional services.²⁰ However, Entergy has not identified whether MISO, as the ICT, would be a party to this agreement with Potomac or whether MISO will have oversight over these additional services. The costs of the additional monitoring services provided under a separate contract with Potomac is expected to be approximately \$500-\$600 thousand per year, plus a one-time setup cost of approximately \$120 thousand.²¹ It is clear that Potomac's role in the management of Entergy's system outside of WPP oversight will increase the total costs Entergy incurs to transfer the ICT functions to MISO. It is noteworthy to recognize that SPP and Entergy stakeholders have discussed the implementation of a market monitoring unit for the Entergy system, and SPP has conveyed that its internal market monitoring unit is fully capable of

¹⁷ Entergy Filing at 5.

¹⁸ Id.

¹⁹ The E-RSC includes five members: the APSC, LPSC, the MPSC, PUCT, and the City of New Orleans' City Council. *See Entergy Services, Inc.*, 133 FERC ¶ 61,211 (December 16, 2010) (wherein the Commission accepted changes to Entergy's Tariff recognizing the authority of the E-RSC in regards to transmission planning and cost allocation for the Entergy system.)

²⁰ Entergy Update- Additional Monitoring Services (updated version), Presentation by Entergy given at the E-RSC Meeting on August 23, 2012 in New Orleans, LA., available at <http://www.spp.org/section.asp?group=1631&pageID=27>.

²¹ Id. at 2. Entergy notes that the contract is still under negotiation, and the information provided in the presentation, including cost, is subject to change until the terms of the contract with Potomac are finalized.

providing this proposed expansion of the ICT's role and that such additional oversight could be included in its ICT offer at no additional charge to Entergy.

The third factor that the Commission should consider is the results of the survey of Entergy stakeholders conducted in April 2012. The E-RSC directed the E-RSC Working Group to survey all Entergy Stakeholders on this issue. The results of such survey are attached hereto as Attachment 1. Specifically, the report states that among the responses “the concerns far outweighed prospective benefits of moving the ICT function to MISO” and included: (i) the “lack of regulatory certainty on which RTO Entergy is joining,” (ii) that MISO’s unfamiliarity will result in “a long learning curve, which was deemed an unreasonable expense for Entergy customers/ratepayers to have to pay when SPP has developed this expertise,” and (iii) that the “13-month period is not long enough to make significant changes/improvements in the ICT function or in the provision of transmission service.”²² In addition, survey respondents questioned MISO’s cost estimates for tariff administration and the reliability coordinator, as well as stated that because of its history as the ICT, SPP would “have a better handle on the costs.”²³ On the overall question of preference for who performs the ICT function, only two respondents favored MISO.²⁴ The rest of the respondents either firmly supported SPP as their preference, or acknowledged that SPP makes more sense. Therefore, SPP would ask the Commission to consider the results of the April 2012 survey of Entergy stakeholders as indicative of the issues and uncertainties relating to a transition of the ICT to MISO at this time.

²² ICT Survey Report, p. 2.

²³ *Id.*

²⁴ Since the publication of the survey results, East Texas Electric Cooperatives has withdrawn their comments.

In summation, SPP has a historical and well developed experience with Entergy's transmission system, and has served as the ICT since its inception. Because of this relationship, both SPP and Entergy have benefitted from SPP's performance as the ICT and these benefits will be lost if the ICT transfers to MISO, which admittedly has very limited experience with Entergy's transmission system. The request to transfer the ICT to MISO is premature due to the uncertainty surrounding Entergy's requests to join MISO. Because it appears that the transfer of the ICT functions to MISO is in anticipation of Entergy joining MISO, it is not clear what will happen to the ICT arrangement if Entergy does not join MISO, and MISO has not committed to the ICT transfer long-term. The question of what will happen to the ICT in the absence of Entergy joining MISO and the risk of the Entergy transmission system returning to the pre-ICT environment is something the Commission should take seriously when considering Entergy's proposal. As there are no real cost savings by transferring the ICT to MISO, and in light of the uncertainty over Entergy's RTO future, SPP would request the Commission to consider preserving SPP as the ICT until the future of Entergy is more fully resolved.

III. COMMUNICATION

SPP requests that the Commission place on the official service list the individuals listed below:

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IV. CONCLUSION

For the foregoing reasons, SPP respectfully requests that the Commission grant SPP's motion to intervene in this proceeding and accept these comments.

Respectfully submitted,

/s/ Erin E. Cullum

/s/ Matthew S. Harward _____

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August 23, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Date at Little Rock, AR, this 23rd day of August, 2012.

/s/ Matthew S. Harward
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ATTACHMENT 1

ICT Proposal Survey

During the E-RSC March 1 meeting, the E-RSC directed the E-RSC Working Group (E-RSC WG) to conduct a survey of Entergy Stakeholders' perspectives on Entergy's ICT bridging presentation which proposes to move the ICT function from SPP to MISO beginning in November 2012, and until 2014 or when Entergy moves to an RTO. Entergy has stated that two major benefits of this change were a reduction in cost of approximately \$500,000 per month and a smoother transition for Entergy to join MISO.

During the March 1 meeting, the E-RSC also directed the E-RSC WG to work with MISO and SPP to review their proposals and compare costs by ICT function. On March 14, SPP and MISO provided the Stakeholders and E-RSC Working Group presentations on their respective proposals. At this meeting, SPP stated that they would match the MISO ICT price for the first 13 months (November 2012-December 2013), upon Entergy's membership into an RTO. Based on the E-RSC WG's review, both MISO and SPP have similar pricing mechanisms for ICT services for the period of time post 2013 if Entergy has still not joined an RTO. However, on a subsequent conference call with MISO, SPP and Stakeholders held on March 28, both MISO and SPP clarified that their proposals are not fixed prices but rather reflected their estimate of the cost to provide these services. Both organizations stated that if their costs exceeded their estimates, both would seek recovery of the additional costs from Entergy.

The SPP and MISO cost proposals broken down by function are shown below.

ICT Extension Proposals			
Nov. 2012-Nov. 2013	MISO	(In Millions) SPP	Difference
Reliability Coordination	\$6.81	\$4.52	\$2.29
Transmission Planning	\$3.39	\$3.82	-\$0.43
AFC Calculation	not broken out	\$1.03	not applicable
Tariff Administration	\$1.49	\$3.82	-\$2.33
Weekly Procurement Process	\$0.54	\$1.03	-\$0.49
E-RSC Administrative Support	\$0.30	\$0.08	\$0.23
ICT Incremental Cost Recovery*	<u>\$1.81</u>	<u>not applicable</u>	<u>not applicable</u>
TOTAL	\$14.33	\$14.30	\$0.03

*NOTE: This line item is the incremental cost to stand up MISO ICT services.

The E-RSC WG requested ESPY Energy Solutions, LLC, the E-RSC Consultant, to survey the Entergy Stakeholders asking seven questions in an email that was sent to all Entergy Stakeholders on March 28 with responses due April 6. While the Stakeholders were offered the option to have their company names held in confidence, only one of the eight responses sought confidential treatment. The six publicly named respondents were: AEP/SWEPCO, Arkansas Cities, East Texas Cooperatives, Empire District, Entegra, NRG/LA Gen and SMEPA. All responses to each question are included in this report. While no substantive changes were made to the responses, typographical errors,

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grammar corrections, sentence structure and acronym conversions were made to the responses reported in this document.

The following summarizes the responses to the survey questions.

What benefits do you foresee or concerns do you have with Entergy's proposal to have MISO provide ICT contract services?

Among the seven responses, the concerns far outweighed prospective benefits of moving the ICT function to MISO. The benefits noted were competitive pricing and smoother transition to MISO if MISO is the RTO Entergy joins. Concerns were:

- Lack of regulatory certainty on which RTO Entergy is joining and thus if MISO is not chosen as the RTO for Entergy, MISO will end the ICT contract leaving the ICT function at risk.
- MISO's lack of familiarity with the Entergy system will keep MISO on a long learning curve, which was deemed an unreasonable expense for the Entergy customers/ratepayers to have to pay when SPP has developed this expertise. However on this issue, two stakeholders noted that Entergy shareholders paying for the expense could mitigate this concern.
- The 13-month period is not long enough to make significant changes/improvements in the ICT function or in the provision of transmission service.

What benefits do you foresee or concerns do you have with SPP continuing to provide ICT services?

In discussing the benefits of staying with SPP as the ICT provider, most respondents noted SPP has done a good job and is experienced/knowledgeable with the Entergy system and tools. Concerns included costs incurred by SPP members for SPP matching MISO's cost and for potential turnover in ICT employees if MISO is chosen as the RTO for Entergy to join.

Based upon the SPP and MISO pricing proposals outlined, what benefits do you foresee or concerns do you have with their respective level of costs by function?

While one comment was made that the E-RSC needs to assure the proposals accurately reflect the costs and functions, two other respondents questioned MISO's cost estimates for tariff administration and the reliability coordinator. Two commenters noted that due to SPP's experience providing ICT services, the SPP would have a better handle on the costs. One commenter stated that cost was not the only factor to consider, rather the ability to provide the ICT function in a manner that benefits the system through increased reliability, transparency, and independence in a non-discriminatory manner are also important factors.

Both MISO and SPP have included a market monitoring function (either internal or external) to oversee at least some ICT functions, specifically the Weekly Procurement Process. In addition to the WPP, what other ICT functions should the market monitor review?

Respondents offered specific areas for a market monitor to oversee:

- Entergy's decisions on projects in the Entergy construction plans and on transmission upgrades.
- Transmission service request, available transfer capability, and available flowgate capability data to protect against the overselling of the transmission system and the coordination of

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the OATT and reliability function

- Monitor whether Entergy is operating the transmission system in a manner that favors specific Entergy generation and whether transmission planning is offered on a non-discriminatory basis. Also, examine the current market design or proposed tariff provisions avoid operational or structural flaws.
- Transmission reservations and how those reservations are bumped by higher priority service to ensure compliance with the Entergy OATT.

Currently, both MISO and SPP's market monitors report to their respective organization's Board of Directors and will meet with FERC periodically on certain issues and findings. What should be the market monitor reporting process for issues and findings concerning the ICT functions

As the market monitor function would be part of the ICT services, where there was an opinion, the respondents generally believe the market monitor should report to the E-RSC and reports should be made available to Entergy Stakeholders.

Do you have any other issues, concerns, or benefits of this proposed change in ICT contract services that you would like the E-RSC and E-RSC Working Group to be aware?

While many respondents reiterated their concerns with a change of the ICT from SPP to MISO and their preference for keeping SPP as the ICT, one noteworthy unique comment was from Entegra who noted that Entergy has not committed to having either SPP or MISO provide the market monitor function and until Entergy provides a redline copy of the ICT contract, it is difficult to know to what extent the ICT functions will change.

Do you have a preference of who performs the ICT function beginning November, 2012?

Of the eight responses, two entities firmly supported MISO as their preference and 4 entities firmly supported SPP as their preference. The other 2 entities noted SPP makes more sense, however they both offered a conditional support of MISO. Arkansas Cities noted if MISO is the ICT, then MISO should offer comparable assistance as SPP offered. Entegra noted they preferred SPP as the ICT, but if Entergy is willing to enter into a different contract with MISO that significantly broadens the ICT authority and responsibility, Entegra's preference may change.

The following pages contain the full answers to each question by company name. The answers are listed in alphabetical order by company name with the one entity's confidential request noted as "Confidential" in the respondent column.

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1. What benefits do you foresee or concerns do you have with Entergy’s proposal to have MISO provide ICT contract services?

Respondent	Response
AEP	<p>Benefits – The proposal itself has forced SPP to be more competitive in order to keep the contract and lower their price. The mere proposal has resulted in Win-Win for rate payers.</p> <p>Concerns – No real savings to switch. Although it might assist in making MISO’s transition easier, this will be at the expense of current ICT operations and effectively have transmission service customers pay transition cost that should be borne by Entergy. There has been no decision on regulatory recovery for transition cost and this should only be considered if Entergy were to agree to pay the entire expense.</p> <p>There remains is significant uncertainty surrounding the Entergy transition to MISO and MISO has made it clear it will not continue with the ICT if the Entergy Change of Control request is denied. Under the best case scenario, it simply expands the risk to Entergy customers without any corresponding benefit.</p> <p>See other concerns listed in Question 6.</p>
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	It may be problematic to switch in mid-stream as the regulatory process is still pending.
Confidential	Assuming MISO is the approved RTO for Entergy, the primary benefit would be the ability of MISO to gain valuable first hand knowledge over a period of 13-months prior to the cut-over to MISO membership. Also, it seems intuitive a 13-month transition (longer, depending on any date of approval) should result in a more efficient transfer of control to MISO. MISO has every incentive to improve on SPP’s performance. However, the 13-month time-frame reduces the likelihood of substantial changes that result in a substantially more effective ICT. No major concerns with MISO providing ICT contract services, but this is not to say there would be no issues in the transition from SPP to MISO.
East Texas Coop	Our primary concern with MISO providing ICT contract services is that MISO’s lack of familiarity with the Entergy system will delay much needed transmission improvements. Indeed, when it requested a Transitional Waiver from FERC for Entergy’s proposed move, MISO’s Vice President of Transmission Asset Management, Mr. Clair Moeller, specifically acknowledged in his testimony that “[d]ue to the absence of any seams agreement between MISO and Entergy, they have not had any historical opportunity to study the . . . congestion and related factors in their respective areas, nor have they planned their system upgrades in

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	<p>coordination with each other.” As a result, MISO was forced to admit that it would require a transition period of at least five to ten years to study Entergy’s congestion and other pertinent characteristics before the MISO planning criteria could even be applied to the Entergy system and transmission upgrade costs would start to be assessed on a system-wide basis.</p>
<p>Empire District</p>	<p>Empire is concerned that Entergy’s proposal to have MISO provide ICT contract services prior to a final determination of whether or not Entergy’s operating companies will join the MISO RTO takes on unnecessary risks for Entergy customers regarding transmission planning and operations. SPP has done a good job in providing ICT services and is willing to match and reduce costs to Entergy to continue to provide such services until Entergy’s joining MISO final determination is made.</p> <p>The SPP ICT process is working and it is unnecessary to make a change given the significant hurdles Entergy and MISO face in securing all needed regulatory approvals, specifically the FERC approval process which will be contested.</p> <p>Empire sees “zero” benefits of Entergy making a change to MISO and only sees issues if Entergy’s integration into MISO is delayed, fragmented (EAI only), etc. which would complicate the current working processes.</p> <p>Empire also will see an increase in its RTO costs due to the discontinuance of SPP ICT services, which will more negatively affect/increase Empire’s costs.</p> <p>Transition of SPP ICT services will require SPP resources and member resources to actively participate to enable for a smooth transition, which will be distraction to SPP, Entergy, ERSC, ERSC WG, and MISO existing processes.</p>
<p>Entegra</p>	<p>It is my understanding that over the last 4+ years, SPP has developed a number of in-house tools that it uses to validate information used in the AFC and WPP calculations. When SPP first began in its role as the ICT, there was a significant learning curve to come up to speed on Entergy’s AFC process, business practices and planning criteria. Now SPP is very familiar with the Entergy system as well as its tariff and business practices and this is very helpful in troubleshooting AFC and general modeling errors. In the past, for example when Entergy went from its GOL to the AFC process for evaluating TSRs, Entergy has not properly tested and appropriately prepared when making significant changes to its processes and as a result, the transmission customers are saddled with troubleshooting problems that arise after it implements a change to a methodology. Replacing SPP with MISO as the ICT would likely be handled the same way and it would be the transmission customers that become the MISO “educators”. Entergy has stated one reason to replace SPP with MISO is so MISO can become familiar with its system and this in itself is an admission that MISO will be on a learning curve. I do think</p>

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	<p>that MISO should become familiar with the Entergy system prior to Entergy joining the RTO, but not at the expense of transmission customers.</p> <p>Operating under the MISO tariff with a real time balancing market allows MISO to address congestion in a least cost manner. MISO will not have this tool in its toolbox as the ICT and it does not seem that MISO will be any more successful than SPP in eliminating TLR 5 events on Entergy’s system. The MISO will have the same limitations and requirements that SPP has regarding Entergy’s OATT and the benefits of joining MISO will only occur if and when Entergy joins the RTO. Secondly, I am concerned that MISO will not be overly concerned with “fixing” problems on the Entergy system, but will be more inclined to take the position that the problems are temporary and will be fixed by Entergy moving into the RTO. There will be at least a 14 month period from the time the SPP contract as the ICT ends until the time Entergy intends to join MISO, and as an IPP with no ratebase, UPP cannot afford to take “a chance” that MISO will be able to seamlessly transition into the ICT role.</p>
NRG/LA Gen	<p>Should the Entergy proposal to join MISO receive regulatory approval, there is an advantage to having MISO operational experience and increased familiarity with the nuances of the Entergy system as a part of and prior to actual integration. MISO as ICT provides for a more seamless integration process as well as increased familiarity for stakeholders to the MISO process.</p>
SMEPA	<p>The Entergy proposal to have MISO to provide ICT contract services has several concerns for SMEPA. SMEPA’s first concern is the thought of changing ICT vendors at this time. SPP has made great strides in learning Entergy’s system and the logistics of their process. Bringing in another vendor will require a “learning curve” and the current process preformed by the ICT at this time will be slowed down while MISO becomes familiar with Entergy and the ICT process. The second concern is that MISO has made it clear that they will only provide the ICT services for a short time, a maximum of two years, if MISO is not chosen as the RTO. Thus, we may have to go through this process again. Finally, there is concern that Entergy is just requesting this to help solidify their position with MISO thus making it harder for the PSCs to make an objective analysis.</p>

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2. What benefits do you foresee or concerns do you have with SPP continuing to provide ICT services?

Respondent	Response
AEP	<p>Benefits – The same experienced staff will be able to maintain the process improvements under the current configuration without losing what we’ve work so hard to gain over the years.</p> <p>Concerns – None.</p>
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	It may make more sense for SPP to continue providing ICT services at this time, as the regulatory approval is still pending. Also, SPP is already familiar with Arkansas Cities’ (AC) issues, and has, as described, policies in place for customer assistance.
Confidential	Over the period of the existing ICT agreement SPP has encountered problems and worked to improve its performance in response to concerns expressed by stakeholders in the E-RSC WG and ICT SPC. Given the relatively short-time frame remaining on the current agreement, the primary benefit would be continuity of service.
East Texas Coop	While the East Texas Cooperatives would prefer Entergy join SPP as a full member, in the interim period until Entergy does join an RTO, the Cooperatives support SPP’s continued role as the ICT services provider for the Entergy system. Testifying before the Arkansas Public Service Commission, SPP’s Executive Vice President and Chief Operating Officer, Mr. Carl Monroe, drew a clear contrast to MISO in that “Entergy and SPP have a long history of joint operations and planning, and have demonstrated the ability to solve joint planning problems.” In its role as the ICT, SPP has worked closely with the Entergy Regional State Committee on essential issues such as transmission planning, cost allocation and resource adequacy. Thus, unlike MISO, SPP has current knowledge of, and extensive experience with, the planning and operation of the Entergy transmission system while also providing an avenue for customers to raise issues of concern.
Empire District	A benefit of SPP’s continued provision of ICT services is that a reduced increase in Empire’s SPP RTO Schedule 1A fee allocation will be incurred as compared the amount of increase if/when Entergy joins MISO as a TO and market participant. However, the reduction in fees/SPP proposal is understandable in light of competition and that such reduction will be short term until Entergy’s joining an RTO is finalized. We believe SPP has done a good job in providing ICT services and SPP and its members are willing to continue to provide such services. SPP continued provision of ICT services is the prudent decision by Entergy and should be endorsed by the E-RSC, especially in light of the significant issues facing Entergy in finalizing its joining MISO.
Entegra	The main concern that I have is should Entergy receive its approvals to join MISO, SPP will not staff the ICT function appropriately and the

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	experienced staff will be pulled over to the RTO side.
NRG/LA Gen	Should the Entergy proposal to join MISO receive regulatory approval, there is minimal benefit for SPP to continue to provide ICT services.
SMEPA	SMEPA has no problem with SPP continuing to provide ICT services. SPP has made it clear that they can provide transition services if Entergy is integrated into MISO in December 2013. SMEPA fails to see any major downside or risks with SPP to continue to provide ICT services.

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3. Based upon the SPP and MISO pricing proposals outlined above, what benefits do you foresee or concerns do you have with their respective level of costs by function?

Respondent	Response
AEP	No opinion.
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	No concern at this time.
Confidential	Only that the E-RSC must ensure each pricing proposal accurately reflects the costs and reasonably equivalent functions.
East Texas Coop	No response provided
Empire District	SPP has experience in providing these services for Entergy. Empire is concerned about MISO providing these new services and Reliability Coordination services for Entergy. As explained in Response 1 and 2, the proposals by SPP will effectively increase Empire's costs for SPP RTO services, however we believe it is the right approach in order to avoid transitional distractions and problems – if Entergy does not join MISO.
Entegra	It is interesting that MISO has allocated \$2.29M more for reliability coordination and \$2.33 less for tariff administration. In terms of the manpower and systems necessary for the two functions, it would seem that SPP would have a much better sense regarding the necessary budget. Getting more clarity on why MISO budgeted more for the reliability coordination would be helpful. In terms of the tariff administration, I think MISO may have under estimated what it will take to perform this function for the Entergy system.
NRG/LA Gen	While costs are an important consideration, it should not be the determining factor. The ability to provide ICT functions in a manner that benefits the system through increased reliability, transparency, and independence in a nondiscriminatory manner are important factors.
SMEPA	Both parties stated in the last conference call that their costs are just estimates and not fixed prices. SMEPA believes SPP has a better handle on the costs since they already are performing this function for Entergy. SMEPA questions MISO analysis of certain functions such as Tariff Administration and Weekly Procurement Process. Are the estimates thoroughly derived and have accounted for all the necessary manhours and software support required? MISO's RC function is \$2.3 Million higher in cost. Does the RC function price from MISO include all the necessary communication and equipment cost to monitor Entergy's operation.

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4. Both MISO and SPP have included a market monitoring function (either internal or external) to oversee at least some ICT functions, specifically the Weekly Procurement Process. In addition to the WPP, what other ICT functions should the market monitor review?

Respondent	Response
AEP	Review Entergy’s decisions on construction plans to determine if decisions to not build certain projects are precluding outside competitive resources from being capable of delivering energy to load pockets.
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	Overseeing and verifying Transmission Service Request (TSR) data, i.e. Available Transfer Capability (ATC) and Available Flowgate Capability (AFC) data is one area that could possibly be included in the Market Monitoring (MM) functions. If transmission upgrades are required to complete a TSR, allowing the MM to verify whether this is valid or whether other options are available, if these issues are not already contemplated for the MM.
Confidential	The role of the market monitor should be expansive, but we do not offer a list of functions at this time.
East Texas Coop	<p>As FERC, state commissions and especially customers within the Entergy system well know, the flaws of the Entergy’s system are pervasive and extend beyond its Weekly Procurement Process (“WPP”). For example, as the transmission operator, Entergy can impose congestion relief measures that deny market participants access to transmission necessary for generation to reach load. Similarly, as the ultimate transmission planner, Entergy can thwart needed transmission projects by delaying required studies or refusing to build crucial upgrades.</p> <p>To rectify the many ways that the Entergy system can be manipulated, the Market Monitor must be allowed to monitor, investigate, evaluate and report on a much broader range of issues than just the WPP. In particular, the Market Monitor should also monitor whether the transmission system is operated in a manner that unduly favors specific generation assets, whether the transmission planning process is performed in a non-discriminatory fashion and whether non-Entergy transmission projects are subject to the same rate recovery standards. In addition, the Market Monitor should take a pro-active role in examining the existing market design as well as proposed tariff provisions to ensure structural or operational design flaws are avoided. Only by expanding the role of the Market Monitor beyond the limited scope of the WPP can customers within the Entergy system be assured that unacceptable market behavior is minimized.</p>
Empire District	SPP’s market monitoring experience from an internal resource perspective is effective as well as SPP’s outside services arrangement with Boston Pacific. Since Entergy is the “transmission provider” and not SPP, we believe the current MM processes are acceptable, however

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	believe that SPP's MM services, internal and external, will be more effective if Entergy were to join the SPP RTO. We believe the ERSC may want to consider the engagement of Boston Pacific to expand its MM oversight to Entergy and that can be done through an extension of the SPP arrangement.
Entegra	Network service has priority over short-term point-to-point transmission service and a network customer can "bump" a short-term point-to-point reservation. This bump takes place when a reservation is "accepted" prior to the network customer confirming the reservation. In either case, that is, the reservation may be in accept mode or confirmed, the network customer can withdraw its request or change its reservation to some other POR-POD with no obligation to schedule on the network service request that resulted in the bumping. There is no recourse for the bumped customer, except to go back and try to re-reserve the service. OATT 890 has very specific criteria that require the network customer to have a "deal" in place, except for the transmission, when placing the reservation request. FERC recently required Entergy to amend its tariff to make this requirement clear with no carve outs. The Entergy system should be monitored for this type of activity as it results in the network customer exercising transmission market power and is disallowed under Entergy's OATT.
NRG/LA Gen	The market monitoring function should extend to the AFC models to protect against the overselling of the transmission system and the coordination of the tariff and reliability function.
SMEPA	SMEPA does not participate in the WPP and does not plan to participate. SMEPA believes a market monitor is not the highest priority for the ICT, transmission and operational reliability should be the main focus of the ICT.

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5. Currently, both MISO and SPP's market monitors report to their respective organization's Board of Directors and will meet with FERC periodically on certain issues and findings. What should be the market monitor reporting process for issues and findings concerning the ICT functions?

Respondent	Response
AEP	No opinion at this time.
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	MM reports and information should be available to stakeholders upon request.
Confidential	In either case, the ICT market monitor must have a reporting relationship with the E-RSC. The member representatives of the retail state commissions cannot reasonably be expected to perform their regulatory oversight function unless they are informed about the concerns and opportunities for market improvements identified by the ICT market monitor.
East Texas Coop	The Market Monitor should report to an entity that has authority over Entergy's activities and that can effectively and impartially respond to market abuses. The East Texas Cooperatives believe that the obvious entity to take on this supervisory role is the Entergy Regional State Committee, which has an established history of effective oversight of Entergy's activities and should be able to easily incorporate this new function into its existing activities. The Market Monitor should also meet regularly with FERC to discuss its activities and findings. To the extent any of the Market Monitor's reports are disclosed to Entergy, those reports must also be made available to all market participants so that Entergy is not afforded an unfair advantage in the marketplace.
Empire District	Empire doesn't have a specific recommendation on the reporting process; however we believe that an expansion of Boston Pacific's oversight/recommendations for the ICT should be considered.
Entegra	In the case of the ICT, it seems that reports should go to the ERSC and FERC.
NRG/LA Gen	The market monitor function should follow its existing reporting process with the addition of reports to the ERSC on a quarterly basis.
SMEPA	The market monitor should file monthly or quarterly reports to the E-RSC. The SPC should be the avenue to help the ICT and market monitor find methods or process to solve any concern brought forward by the ICT and/or market monitor.

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6. Do you have any other issues, concerns, or benefits of this proposed change in ICT contract services that you would like the E-RSC and E-RSC Working Group to be aware?

Respondent	Response
AEP	<p>While a re-bidding or change in ICT may be desired by Entergy, it doesn't make sense to make a change in the ICT until the Commissions have reached a decision. Even if Entergy transition into the MISO is approved, there is little benefit to creating an additional transition of temporary services.</p> <ol style="list-style-type: none"> 1. The greatest concern with the transition of the ICT agreement right now is that Transmission Service Requests (TSR's) will loose momentum on studies already in the queue. Despite MISO's assurance that no momentum would be lost, TSR's do get approved and denied due to inaccuracies from the model changes in transition, new personnel and inherent risks in the system. 2. MISO lacks any experience with Entergy's operation. MISO should be concerned about getting up to speed to provide tariff administration, reliability coordination, transmission planning and operation of the WPP process. The original ICT took over a year to work out the bugs. We see no additional special skills, tools or personnel that MISO has offered as evidence that they can complete the ICT change in the shortened timeframe. 3. As a customer paying the cost of the ICT, customers will not appreciate paying MISO to act as the ICT so that they can learn how to be the RTO. Such an approach amounts to paying the integration expenses that instead Entergy or MISO should absorb as part of their decision. 4. The Commissions within the Entergy footprint (AR, LA, TX, MS and City of New Orleans) have not yet determined if a Change of Control to MISO will be approved. MISO has clearly stated in the March 14th ICT Stakeholder meeting that if MISO does not win the change of control, MISO would not be interested in continuing the ICT contract which results in risk of an additional change to the ICT. 5. MISO has personnel risks. MISO proposes a 3 month transition period. However, MISO admits that hiring and training of personnel will take significant time since there are not adequate resources within MISO at this time. 6. The will be undoubtedly "Overlap Cost" or costs during the transition where SPP and MISO are collecting ICT fees. There is risk that any savings could be erased by paying both MISO and SPP \$1.1 million per month (\$2.2 million or less) rather than the normal ICT charge of \$1.6 million per month. 7. The transition of the transmission plan is not insignificant. There is the risk that those projects stakeholders are trying to expedite or get built will be delayed. One example is the Grimes to Mt Zion upgrades. Just in the normal process of the ISTEP and Entergy Construction plan we have seen several changes for this project from 2009 to 2011.

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Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	AC may comment further on this at a later time.
Confidential	No.
East Texas Coop	Entergy's move to MISO as its RTO is not set in stone, as it lacks the needed approvals of the retail regulatory commissions. Making the ICT decision now presupposes that the MISO transition is approved and places undue pressure on the retail regulators. Instead, it seems to make more sense to let the RTO decision play out before making any decision regarding Entergy's ICT. SPP, currently performing the ICT function, has a vast amount of experience with the Entergy system and Entergy stakeholders, whereas MISO has none. As such, there is no apparent benefit that justifies the change to MISO from SPP for ICT contract services at this time.
Empire District	No, Empire simply believes the transition of ICT services from SPP to MISO is not necessary and unjustified, especially in light of a) SPP being a proven provider of ICT services, b) SPP providing the services at/below costs of MISO, and c) the regulatory uncertainty surrounding Entergy's joining the MISO RTO. MISO ICT also poses a significant distraction to stakeholders and the ERSC and ERSC WG.
Entegra	At the last ERSC Working Group meeting, Entergy committed to providing stakeholders with a redline of the current ICT contract and the new ICT contract it intends to execute with MISO. I have not seen this redline to date. SPP has limited its role beyond what many stakeholders believe it should because of concerns of breaching its contract with Entergy (this is my understanding). Also, Entergy has not committed to allowing either party to perform a market monitoring role. Until the redline of the ICT contract is available, there remain many questions regarding MISO stepping into this role and providing any incremental benefits beyond what SPP provides as the ICT. The sooner this redline contract is available the better.
NRG/LA Gen	As one ERSC member has stated, the current ICT arrangement is "fatally flawed." While focus shifts to integration into the RTO, it will be of utmost important to maintain focus on the numerous lingering issues in the Entergy system that remain unresolved. The ICT should work to resolve problems to ensure that inherent problems in the Entergy system are not transferred with the integration in the RTO.
SMEPA	SMEPA's concerns are mentioned above. SMEPA does not believe changing ICT services provides any reliability benefits to any entity in Entergy's transmission area. If anything, switching ICT services to MISO could add potential risks of delays in granting transmission access, of delays or mistakes in outage planning and of possible mis-operations due to lack of knowledge/experience of the system.

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7. Do you have a preference of who performs the ICT function beginning November, 2012?

Respondent	Response
AEP	SPP, There is not a compelling case to change.
Arkansas Cities (Benton, Osceola, Prescott, & Hope W&L Comm)	No firm opinion at this time, although it seems to may make more sense to leave the SPP in place due to the short time period in question and since regulatory approval is still pending. Should MISO be permitted to act as ICT it should offer comparable assistance as that offered by SPP, as the ICT.
Confidential	MISO
East Texas Coop	The East Texas Cooperatives strongly prefer that SPP continues to perform the ICT function.
Empire District	SPP. Empire fully supports a continuation of SPP ICT services for Entergy and opposes such a move to MISO. We encourage the E-RSC to support SPP.
Entegra	Entegra would prefer that SPP remain in this role because of the reasons stated in 1) above. However, if Entergy is willing to enter into a different contract with MISO that significantly broadens its authority and responsibility as the ICT, this preference may change. It is important to see the redline of the ICT contract and understand if Entergy would be willing to enter into the agreement with either party or just MISO.
NRG/LA Gen	MISO
SMEPA	SPP